# NALAS FISCAL DECENTRALISATION REPORT JUNE 2021, 8TH EDITION



A REVIEW OF THE REGULATION, MANAGEMENT AND FINANCING OF LOCAL GOVERNMENT SOCIAL SECTOR RESPONSIBILITIES IN SOUTH-EAST EUROPE



# SOCIAL WELFARE AT THE INTERSECTION OF MUNICIPAL FINANCE AND GOVERNANCE IN SOUTH-EAST EUROPE

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Network of Associations of Local Authorities of South-East Europe This publication is developed by NALAS Secretariat, as collaborative effort of the NALAS Task Force on Fiscal Decentralisation.

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#### Disclaimer

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# NALAS Decentralisation Observatory: the data and information hub on local government issues in South-East Europe

## The importance

To be able to make informed decisions, develop good public policies and public services and efficiently manage scarce resources, policymakers at all levels of government have to rely on high quality data and information. But, all around South-East Europe such data is either missing or is difficult to access.

To bridge this gap, <u>NALAS</u> and <u>KDZ</u> partnered to develop the NALAS Decentralisation Observatory for South-East Europe <u>www.nalas-observatory.eu</u>. The Observatory facilitates the access to and utilisation of timely, accurate, reliable and comparable data and information on local government finance in South-East Europe (SEE).



### The objectives

- Support policy advocacy efforts of NALAS member Local Government Associations, as stewards of local democracy and local governance in SEE;
- Help policymakers, experts, practitioners and researchers in their quest to improving local government policies and services;
- Support local government budget transparency;
- Serve as a model for national platforms to support evidence-based policymaking and local budget transparency.

#### What do I get from the Observatory?



NALAS Decentralisation Observatory provides for a tailor-made **user friendly and dynamic visualisation of complex data and information**. It allows a thorough analysis of the current status and developments of local government finance for 12 SEE economies, including **regional comparisons** across economies and indicators that can be customised, downloaded and reutilised depending on users' needs and preferences.

It also serves as a **knowledge hub** on local governments in SEE, by publishing state-of-the-art research on local government finance, waste management and the overall progress of decentralisation in South-East Europe.

#### What do we do?



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The Regional Decentralisation Observatory builds on about a decade of NALAS work on Fiscal Decentralisation and consolidates the knowledge developed by the NALAS Fiscal Decentralisation Task Force representing 14 Local Government Associations from South-East Europe.

The Observatory is developed by NALAS, in partnership with KDZ – Centre for Public Administration Research and with the support of the <u>BACID Program</u> - Building Administrative Capacity in the Danube Region and Western Balkans, co-funded by the Austrian Development Cooperation and implemented by the Austrian Association of Cities and Town.

## LIST OF ABBREVIATIONS

ADA BACID BiH EU EUR	Austrian Development Agency Building Administrative Capacities in the Danube Region Bosnia and Herzegovina European Union Euro
KDZ	KDZ - Centre for Public Administration and Research
LG	Local Government
LGA	Local Government Association
NALAS	Network of Associations of Local Authorities of South-East
	Europe
NAMRB	National Association of Municipalities in the Republic of Bulgaria
OECD	Organisation for Economic Co-operation and Development
PIT	Personal Income Tax
SDC	Swiss Development Cooperation
SEE	South-East Europe
WB	Western Balkans

# INTR ODUC TION

Social welfare is a precondition for social and economic development. cohesion and prosperity. From this perspective, governments attempt - to greater or lesser degree and with greater or lesser success – to enhance the quality of lives of their citizens and to protect them from sickness, poverty, social exclusion through a and combination of policies, instruments and services. Increasingly, Local and Regional Governments (LRGs) play important roles in delivering these services. But not surprisingly there is a huge amount of cross-national variation in how much money is spent on social sector benefits and services; in the composition of this spending; on how this spending is financed and allocated between levels of government, and in the types of organizations ultimately responsible for service provision.

Given their extended responsibilities in education, healthcare and social protection and care South-East Europe (SEE) Local Governments (LGs) play a key role in the building up social welfare. The decentralisation of social sector responsibilities at the local level has significant implications for both local governments and the social sector services themselves. The future of social welfare in South-East Europe is inextricably linked to the future of municipal management and finance. Policy makers at national and local levels in SEE need to see social sector functions through the lenses of municipal governance and finance.

In only six months the COVID-19 virus transformed into a dramatic global health, social, economic and financial crisis. Due to their significant social sector responsibilities and building on a strong spirit of solidarity, SEE LGs have been and will continue to be at the forefront of the response to the COVID-19 pandemic. The NALAS Survey: SEE LGs in Post COVID-19 Socio and Economic Recovery, estimates that if not addressed by immediate and adequate policy measures, by 2022, SEE LGs may lose up to 30% of their revenues compared to 2019. This would devastating have long lasting consequences in their ability to provide both basic and social sector services.

In the education sector, all governments in the region, have temporarily closed education institutions in an attempt to contain the spread of the COVID-19 pandemic impacting millions of students, parents and teachers. Distance learning has become a vital necessity to ensure the continuation of education, although it has brought significant additional challenges in terms of both access to and quality of education. Access for the more vulnerable and disadvantaged has been a key challenge facing SEE LGs in the sector of education. While children are less likely to catch the virus than adults, they can still be carriers and put others at risk. From this perspective, the reopening of schools has implied additional challenges for SEE LGs.

Since the onset of the pandemic, it was clear that the crisis will have a major impact on the social protection and care sectors. As a result, SEE LGs have put in place costly fiscal stimulus packages for the most vulnerable, building also on a reinvigorated spirit of solidary in society. Social care services have also been severely impacted by the crisis and many SEE LGs providing social care services worked collaboratively with all stakeholders to adopt new models of delivery to support those who needed it, either through online or blended approaches reflecting the reduced capacities in physical spaces. COVID-19 has had a devastating impact on healthcare systems, putting on the spotlight the resilience of the healthcare systems at national and local levels and their preparedness and responsiveness. While not all SEE LGs have direct in the responsibilities healthcare system, still they invested significantly to increase hospital capacities and provide healthcare workforce with the much-needed protective materials.

The COVID-19 pandemic has made the social sector the core of local government action and financing in

2020 in SEE and this tendency is expected to continue in the coming years. Given the importance of the social sector in the actual recovery, and given also the potential prospective changes in the regulation and financing of the sector at the national levels in the post COVID-19 pandemic, it is important to help inform SEE policymakers with comparative information on what are the SEE LGs responsibilities in the social sector and how are they financed.

This report was initiated at the onset of the COVID-19 pandemic, aiming at mapping the roles and responsibilities that SEE LGs have in regulating, financing, managing, and delivering decentralised social sector services in education, healthcare, and social protection and care.

The report includes a first chapter with a regional analysis on the financing and regulation of LG responsibilities in education. healthcare and social protection and care in SEE, followed by short individual chapters outlining how SEE LGs are involved with the regulation, management, financing and delivery of social sector services at the national levels. The report includes short sections on the impact of, and responses to the Covid-19 pandemic in the social sector by SEE LGs. Although these sections may be short, they highlight both the practical importance of understanding how social sector responsibilities are divided up between levels of governments, and how guickly external exigencies can change the 'rules of the game'. The report includes also the traditional analysis of fiscal

decentralisation in South-East Europe and individual sections on the status and development of local government finance and fiscal decentralisation indicators in 2019. Taken together with the narrative sections, these indicators will serve as a baseline for the assessment of the COVID-19 impact in future years on both the regulation and financing of decentralised social sector responsibilities in SEE. The fiscal decentralisation indicators can be found also in NALAS's <u>Statistical Brief: Local</u> <u>Government Finance Indicators in</u> <u>South-East Europe</u>. The report is developed with the support of the NALAS Fiscal Decentralisation Task Force. It is based on the responses to a questionnaire on the legal and financial characteristics of local government responsibilities in the social sector across the region and narrative description of how SEE LGs are involved with the regulation, management, financing and delivery of social sector services at the national levels

We hope this report will be helpful to NALAS member Local Government Associations and policymakers, experts and practitioners in SEE, in informing and supporting their advocacy efforts for improved policies, services and financing of local governments social sector responsibilities.



#### 1.1.Thematic introduction and general remarks on decentralised social sector services

Contemporary nation states attempt to greater or lesser degree - to enhance the quality of lives of their citizens and to protect them from sickness, poverty, social exclusion through and а combination of direct cash transfers on the one hand, and health, education, and social welfare services on the other. Increasingly. Local and Regional Governments (LRGs) play important roles in delivering these services. But not surprisingly, there is a huge amount of cross-national variation in how much money is spent on social sector benefits and services; in the composition of this spending; on how this spending is financed and allocated between levels of government, and in the types of organizations ultimately responsible for service provision.

This chapter surveys the social sector in South-East Europe (SEE), paying particular attention to the role that LRGs play in financing and organizing social sector services. The main purpose of this chapter is to help policy makers think through some of the major challenges associated with the subnational provision of social sector services by putting these challenges into a useful comparative framework.

Constructing such a comparative framework is, however, a daunting task.

For starters, financial data on social sector spending for multiple levels of government is extremely difficult to collect in ways that are comparable across territories because each has its own way of organizing social sector services, for reporting and aggregating and expenditure revenue data. Nevertheless, despite these challenges, this report represents a first attempt to map in a comparative manner the regulation, management, and financing of local government responsibilities in the social sector in South-East Europe.

There is also a lack of a clear and common language for discussing many of the most fundamental challenges of intergovernmental fiscal relations in general, and local government social sector involvement in particular. The legal definition of terms like 'delegated function,' 'exclusive competency,' 'own revenue,' and 'block grants' –just to name a few—can differ substantially in South-Est Europe.<sup>1</sup>

Key terms can have very different meanings within and across economies. In Moldova, for example the phrase 'local government' is used to describe both 1<sup>st</sup> tier local governments that have democratically mayors and councils, and second tier 'local

<sup>&</sup>lt;sup>1</sup> For a brief discussion see Tony Levitas, '<u>On the Legal</u> <u>Classification of Local Government Functions'</u>,

Support to Decentralization Program SKL International.

governments' who still exercise the role of branches of the central administration, despite enacted decentralization reforms. Worse, even when laws and legal definitions seem clear and comparable across SEE, their real content may be hollowed out by poor implementation, rendering it difficult to say what should be compared and why.

But the **most fundamental difficulty** in constructing a reasonably useful comparative framework for understanding the finance and governance of the complex subsystems that comprise the social sector, is the **huge amount of variation that exists in how these systems are organized and the roles that local governments play within them in SEE**. This extensive variation makes it very difficult to provide anything in the way of general guidance, let alone to identify 'models of best practice'.

From this perspective we focus on the tensions that lie at the intersection between social sector development and local governance, although this tension is sometimes more obvious and sometimes more obscure. In short, we try to develop a useful comparative framework less by identifying normative principles, then by reviewing the more general issues that all states and entities must negotiate when constructing their social sectors. Here, our hope is that by better understanding these issues, we can offer policy makers some analytical leverage on how they might usefully think about the engagement of local governments in the delivery of social sector services.

Our starting point here lies in the simple recognition that **social sector benefits and services are first and foremost national questions, even if local governments have become deeply involved in providing them.** This can be seen in the historical evolution of the social sector, which has always been intimately tied to the development of the nation state. For example, the birth of the social sector lies in benefits paid to war veterans for their service to the nation. Indeed, veterans benefits still represent a high share of all social sector spending in the polities that arose out of war-torn Yugoslavia.

Similarly, public education systems took shape as nation states sought to achieve national unity and improve their economic and military competitiveness by, as Eugen Weber once put it, "turning peasants into Frenchmen". And more recently, the meaning and content of citizenship has been transformed by the rapid expansion of pension and healthcare systems. In short, social benefits and services have always been tied to national projects that in many ways stand above questions of local governance even if local governments have become deeply involved in providing them.

**Equally importantly, social sector benefits and services are expensive.** Indeed, very. In the European Union (EU), cash transfers for pensions, unemployment benefits, and social assistance, now represent 42% of total public expenditure (19.2% of GDP), while expenditures on healthcare and education represent, respectively another 15.5% and 9.9% of total public spending (7.1 and 4.8% of GDP) (Eurostat 2018<sup>2</sup>). In short, close to 70% percent of what contemporary nations states raise and spend money for now lies

<sup>&</sup>lt;sup>2</sup> Data from Eurostat can be found at <u>https://ec.europa.eu/eurostat/data/database</u>

in the social sector. About half of this is directly managed by EU LGs through a combination of revenues they raise on their own and intergovernmental transfers.

The magnitude of the social sector expenses has a number of important implications for national and local policy makers. The most obvious is that those economies with large informal sectors and weak tax administrations will face greater fiscal constraints in financing existing social sector systems, and that there will be more competition for funds between subsystems, including those in which local governments are involved. Tight fiscal constraints make it harder to reform existing systems because systemic change almost inevitably involves at least a few years of additional expenditure. Worse, the difficulties that fiscally challenged economies have in sustaining these expenditures increases the risks that reforms will only be partially implemented, and that service delivery systems become more fragmented. Fragmentation, and indeed the duplication of services, may also be encouraged by actors in various subsystems competing for programmatic add-ons.

More generally, but even more importantly, the high costs of social sector services mean they can only be reasonably financed by public revenues that national governments are best suited to collect. Here, we mean some combination of specialized social insurance funds financed by payroll taxes, and general budget revenues financed largely by Value Added and Personal and Corporate Income Taxes<sup>3</sup>.

Or to put the matter the other way around, while local governments can have an important role in the delivery of social services, it is virtually impossible for 1<sup>st</sup> tier local governments to finance these services from their own revenues. In short, the taxes, fees and charges that can reasonably be assigned to local governments – most importantly property taxes and taxes on small businesses – do not yield anywhere near enough money to pay for the provision of significant social sector services. And this is to say nothing about the significant disparities in both their need for social services and their revenue generating capacity across the entire territory.

As a result, the more social sector service responsibilities that are assigned to local governments, the more they tend to become dependent on national government grants and transfers. This tendency has been discussed in the literature as the 'decentralization paradox.' But the policy implications of this paradox are often under-appreciated. At the most general level, what it means is that, in practice, decentralized social sector service provision requires large amounts of central financing.

This financing for decentralised social sector responsibilities can be transferred to local governments in a variety of ways. The most restrictive, is through narrowly earmarked (categorical) grants. At the extreme, this form of financing can render local

<sup>&</sup>lt;sup>3</sup> Local governments can be involved in the administration of these benefits as payroll agents, and/or as agents involved in determining eligibility requirements. As we discuss later, they often also provide cash transfers in the form of emergency relief, funeral allowances, and transport subsidies.

governments into little more than the payment agents of the national government. More frequently, local governments are given some, often unclear managerial responsibilities over multiple streams of very limited funds. Such arrangements raise questions about whether the decentralization of social sector responsibilities is intended to make service delivery more effective by allowing local governments to use their better understanding of their citizens needs and preferences to design more appropriate policies; or whether decentralization is being used to dump underfunded and unwanted responsibilities on local governments.

At the other extreme, national governments can provide local governments with the money to pay for social sector services through some combination of freely disposable general-purpose grants and shared taxes. This form of financing maximizes the ability of local governments to craft policies that best meet the preferences of their electorates and which make the best use of their local knowledge. As such it provides the greatest possibility for decentralization to improve the effectiveness and efficiency of social sector services. But it is not without its risks to both the national government and to local governments.

For local governments, the problem is that it is hard negotiate increases in their general revenues if the national government adjusts social service standards or raises the wages of teachers or health care providers. Meanwhile, the national government can no longer be sure that all local governments will choose to spend their freely disposable revenues on the services that they are designed to support. As a result, some citizens, or classes of them, may not be treated fairly or receive adequate services.<sup>4</sup>

Finally, the national government can provide sectoral block grants to local governments for social sector services. Block grants restrict the ability of local governments to spend these monies outside of the sector for which they have been earmarked. But they do allow local governments to spend the monies within the sector in any way they like. As such, they give local governments substantial authority to improve service delivery, while also making it clear to both national and local policy makers how much financial support for social sector services the national government is providing. Block grants also make it easy to determine how much additional resources local governments are contributing to social sector services from their general revenues.

But again, our main points here, are first that the decentralization of social sector services requires significant national government financing. And second, how effective decentralization will be in improving service provision will depend not just on whether this support is adequate, but on the legal rules governing how this financing is provided to local governments and, of course, whether these rules are respected in practice.

<sup>&</sup>lt;sup>4</sup> If a significant amount of general revenue is provided to local governments through the origin-based sharing of Personal Income Taxes, then significant efforts must be made to provide local governments with weak tax bases fiscal equalization grants.

The size of 1<sup>st</sup> tier local governments, as well as in the presence or absence of 2<sup>nd</sup> tier local governments impact critically both the feasibility and potential effectiveness of social sector decentralization. To make a long story short, the smaller the average size of 1<sup>st</sup> tier local governments, the harder it is to decentralize social sector services to them. In part, this is because small rural jurisdictions often lack the human and fiscal resources necessary to effectively manage and finance complex social services. Indeed, their populations may be too small to provide these services at a scale sufficient to create affordable unit costs, even if they are provided with additional grants or transfers.

The presence of regional, county, or district level local governments makes it more likely that some social sector services can be reasonably decentralized. Small 1<sup>st</sup> tier local governments are also often accompanied by the existence of 2<sup>nd</sup> tier local governments precisely because the town and villages within them do not have the resources or economies of scale necessary to effectively provide some public services. At the same time, however, the existence of multiple levels of local government can result in the fragmentation, duplication, and unclear division of both the financing and provision of social sector services.

Rapid demographic change can also profoundly complicate decentralization agendas. Over the last quarter century, much of Southeastern Europe has experienced a combination of demographic decline, rural to urban migration, and emigration. These forces have radically reduced the school age population making it clear in many rural jurisdictions that schools will have to be closed and teachers laid off. At the same time, however, they may also have led to the overcrowding urban facilities. Indeed, radical disparities in pupil teacher ratios have made it very difficult throughout the region to develop, implement, and fund reasonably fair and equitable education finance systems based on (weighted) per pupil formulas.

In much of the region, these problems have haunted or blocked efforts to decentralize education responsibility to local governments. But in those economies where decentralization reforms have been pushed through, they have led to intense conflicts between national and local governments over who should bear the costs of restructuring school networks and teacher employment and how generous per pupil formulas should be. In Romania, these conflicts have recently led to the recentralization of school wage bills. Meanwhile in Albania and North Macedonia, segments of the education sector have been formally decentralized, but without giving local governments real control over school budgets.

Finally, many SEE policymakers are wrestling with problems caused by the uneven geographic distribution of institutions that in previous decades national governments built and ran, but which were relatively recently 'decentralized' to the local governments in which they operated. Here, we are talking about institutions like residential homes for the elderly and the disabled, student dormitories, and orphanages.

In most cases, there were too few of these institutions to meet the needs of the general population. But they did serve people from multiple jurisdictions. After they have been transferred to the local governments in which they are located, they are almost always financed with categorical (earmarked) grants set equal to what the national government spent on them in the past. As a result, local governments without these institutions cannot provide the relevant services, while those that have them have little incentive to help people from other jurisdictions. Worse, if the national governments, then those that now have them will not get enough money to maintain them, while those without them, will get funds they never received in the past, but not enough to provide significant services. Here, in other words, the decentralization of social sector responsibilities that have historically been provided by a handful of national government institutions may both reduce access to services and fragment funding.

# 1.2.The structure and financing of local governments in South-East Europe

Figure 1 plots the share of public expenditure made by local governments (X axis) and total public expenditure (Y axis) against the GDP in SEE and EU. The labels indicate the number of levels of subnational government as well as the percentage of total public spending represented by subnational governments.

As can be seen in the Chart, six SEE economies have public sectors close to 30% of GDP and can be regarded as fiscally constrained economies<sup>5</sup> (Turkey, TR; Albania, AL; Kosovo\*, KS; North Macedonia, MKD; Moldova, MD; and Romania, RO). Four economies have public sectors equal to greater than 40% of GDP, meaning reasonably close to, or above the average level for the EU (Federation of Bosnia Herzegovina of Bosnia and Herzegovina, FBiH (BiH); Republika Srpska of Bosnia and Herzegovina, RS (BiH); Serbia, SRB and Croatia, HR). Bulgaria (BG) occupies a median position between the two groups but will be treated as a fiscally constrained economy going forward.

<sup>&</sup>lt;sup>5</sup> By 'fiscally constrained economy' we mean a society whose government has difficulty collecting taxes because either low tax compliance and/or large informal and agricultural sectors.

<sup>\*</sup> This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

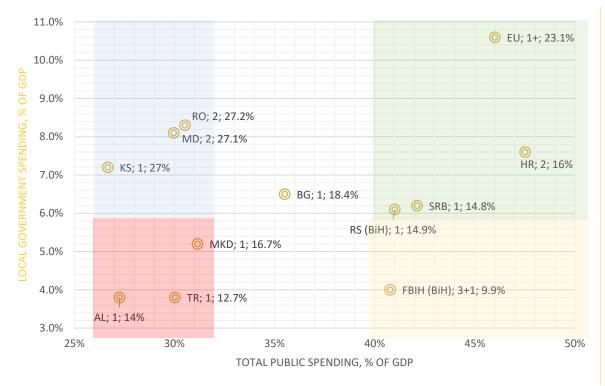


Figure 1 Size of public sector, degree of decentralization and levels of subnational government in SEE, 2019

Source: <u>NALAS Statistical Brief</u>: Local Government Finance Indicators in South-East Europe, 2<sup>nd</sup> Edition, 2020

Three of the fiscally constrained economies –Romania, Moldova, and Kosovo–can all be considered highly decentralized because subnational governments account for 27% of all public expenditure, well above the EU average of 23%. In Kosovo, all subnational spending is made by 38 large 1<sup>st</sup> tier local governments (county-sized municipalities) that have an average population of almost 47,000 people. In Romania, 60% of subnational spending is made by 3,182 municipalities and communes that have an average population of 6,100 people, and 40% by 42 county governments (judets) with an average population of close to 500,000 people. In this report the data for the two levels of government is aggregated.

The situation in Moldova is more complicated. Here, spending is divided between 898 communes with an average population of just under 4,000 people and 32 district governments (rayons). In this report, the spending of the two levels is aggregated. But unlike in Romania most of the social sector spending is made by rayons. Moreover, and as noted earlier, rayons act as deconcentrated units of the national unit, particularly with respect to their social sector responsibilities in education and social protection.

Turkey and Albania are fiscally constrained economies that both have large 1<sup>st</sup> tier local governments with average populations of 59,500 and 47,000 inhabitants, respectively.<sup>7</sup> Despite their large size, however, Turkish and Albanian local governments account for

<sup>&</sup>lt;sup>7</sup> Turkey also has 793 provincial and regional self-governments.

relatively modest shares of total public spending (13% and 14%). Turkey's 1398 municipalities have no obligatory social sector functions, though they do provide some health, education, and social protection services on an ad hoc basis. Unlike all the local governments under discussion in this report, they do not own schools or other social sector facilities.

Albania's 61 county-sized municipalities were created in 2015 through the consolidation of 373 smaller jurisdictions. The new municipalities were also assigned new responsibilities, most significantly in preschool education and fire protection. As such, it is fair to say that while LGs in both Turkey and Albania get relatively modest shares of public revenues, Albania's local governments now finance significantly more responsibilities with similar levels of funding.

North Macedonia can be considered a fiscally constrained economy with one tier of local government. Local governments here are relatively large (average pop. over 25,000) but control modest levels of total public expenditure (17% and 18%). Immediately, after gaining independence in the 1990s, North Macedonia broke up the county-sized municipalities it had inherited from Yugoslavia. But in the early 2000s, it consolidated them into 81 larger units while also making them responsible for financing and managing all pre-university education.

Serbia, the Federation of Bosnia-Hercegovina and Republika Srpska of Bosnia and Herzegovina all have public sectors on the low end of the EU average (respectively 42%, 41%, 41%) while Croatia's public sector is slightly above the EU average (48%).

Serbia has two levels of local government, the Autonomous Province of Vojvodina, and 145 county-sized municipal governments with an average population of 48,000. While the Autonomous Province of Vojvodina plays some important role in health and education, municipalities across Serbia have the same basic set of rights and service responsibilities and are responsible for 15% of total public expenditure. The data in this report does not include the revenues and expenditure of the Autonomous Province of Vojvodina, but it does include those of the municipalities with in it. Republika Srpska (of BiH) has a single level of 64 county-sized municipal governments with an average population of 18,000. Municipalities are responsible for 15% of the entity's public expenditure. In neither Serbia nor Republika Srpska (of BiH) do local governments pay the wages of primary or secondary school teachers, though in both they run preschools education as an own function.

The situation in the Federation of Bosnia Herzegovina (BiH) is more complicated. The Dayton Accords of 1996 created three levels of sub-entity government in FBiH consisting of 80 municipalities, 10 cantons, and the Brcko District. In FBiH (BiH) municipalities are relatively large (average population, 27,000), but are responsible for only 10% of the entity's public expenditure. This is because the lion's share of public spending in FBiH is controlled by neither the entity government nor its municipalities,

but by the 10 cantons, each of which runs its own health, education, and pension systems. As such, the governance structure of the FBiH (BiH) is less decentralized than it is highly fragmented. (The data in the report does not include cantonal expenditure).

Immediately after achieving independence, Croatia broke up the county-sized municipalities it had inherited from Yugoslavia, and now has two levels of local government, 556 municipalities with an average population of 7,000 people and 20 larger counties. Taken together, the two levels of government account for 16% of total public expenditure. In this report, the Croatian data on local government spending in the social sector include the spending from the second-tier local governments.

In summary, of the five SEE economies that have public sectors closer to the EU average, only Federation of Bosnia Herzegovina (of BiH) – a special case – can be considered highly decentralized, indeed to the point of fragmentation, and with modest levels of municipal engagement. Serbia and Republika Srpska (of BiH) can be considered modestly decentralized, but with a single tier of consolidated, county-sized municipalities. Croatia is similarly decentralized, but with a more fragmented, two-tier system of local governance.

Meanwhile, of the seven SEE economies with public sectors below the EU average, Kosovo can be considered both highly decentralized and highly consolidated, given its single tier of large county-sized municipalities. Bulgaria and Northern Macedonia are less decentralized – though more than their richer neighbors – but almost equally consolidated. Albania and Turkey are highly consolidated but only modestly decentralized. Romania is highly decentralized but with two tiers of local government and relatively small 1<sup>st</sup> tier communes and towns, much less consolidated. Finally, Moldova has a two-tier system of local governance that appears to be highly decentralized but in fact is fragmented and overlapping, with largely state-controlled rayons largely controlling deconcentrated social sector functions.

# 1.3.The financing of social welfare in South-East Europe

Figure 2 presents the total social sector spending, as a percentage of GDP and total public expenditure for SEE as well as for the EU. As it can be noted, social sector spending as a share of total public expenditure is lowest in Turkey (48%) and highest in Moldova where it surprisingly obtains a level equal to the EU average (68%). Everywhere else it ranges between 53% of total public expenditure (Serbia) and 61% (North Macedonia).

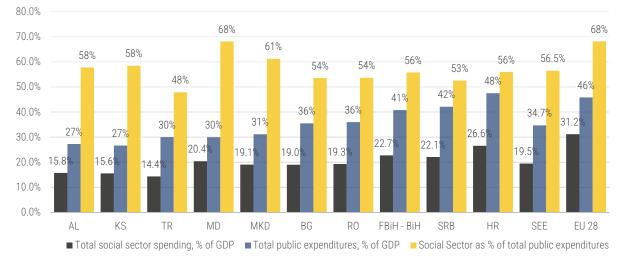
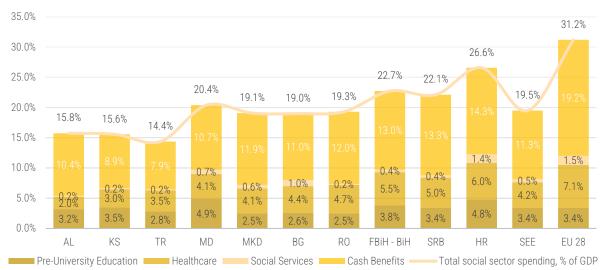


Figure 2 Social sector spending in SEE and EU, as % of GDP and total public spending

Source: NALAS FDTF data collected through Regional Survey, Eurostat.

Figure 3 shows the composition of total social sector expenditure in SEE and EU in % of GDP. There is significant variation in the composition of social sector spending across SEE economies and with respect to the EU. As it can be noted, spending on preuniversity education in SEE varies from 2.5% of GDP in Romania and North Macedonia and 4.8% of GDP in Croatia. Similarly, spending for healthcare varies significantly across SEE, from 2% of GDP in Albania to 6% in Croatia.



#### Figure 3 Composition of total social sector expenditures in SEE and EU, as % of GDP

Source: NALAS FDTF data collected through Regional Survey, Eurostat.

Spending on social care services also varies significantly across SEE economies, with the lowest levels of spending in Albania, Kosovo, Turkey and Romania and the highest in Moldova and Croatia.

The biggest driver of the gap between social sector expenditure as a percentage of total public expenditure in South East Europe and the EU are clearly cash benefits (transfers for pensions, unemployment benefits, payments to vulnerable groups). These amount to 19.2% of GDP in the EU and obtain their maximum level in the region in Croatia at 14.3% of GDP.

Within the region, there seems to be a similar relationship between the overall size of the public sector and the share of the GDP spent on cash transfers. Or put another way, the amount of cash transfers that an economy can afford seems to be more or less directly related to its ability to raise public revenues. At the lower end of the spectrum however, Turkey seems to spend less on cash transfers than one might otherwise expect, while Albania spends more. Spending on healthcare follows a similar pattern, increasing as a share of GDP, as the overall public sector grows.

This tendency is much less clear with pre-university education. Turkey, Bulgaria, North Macedonia, and Romania all spend less than the 3% of their GDPs on pre-university education. But both Kosovo and Albania spend more than 3%, despite their trouble collecting public revenues. More strikingly, Moldova spends 4.9% of its GDP on pre-university education, and Croatia 4.8%, both significantly more than the EU average of 3.4. It is unclear what is driving these differences, but it does seem that for one reason or another, policy decisions about education expenditure are less tied to the overall ability of states to collect public revenue than spending on health care or cash transfers.

Finally, with the notable exceptions of Croatia and Bulgaria, all others in the region spend less than half of what the EU spends on social care services.<sup>8</sup>

## 1.4. The regulation, management and financing of local government social sector responsibilities in South-East Europe

**Figure 4** presents the composition of local government social sector expenditure as a percentage of GDP, as well as total local government expenditure as percentage of total public expenditure across the SEE region and in the EU.

Unfortunately, we were unable to collect the requisite financial data for North Macedonia and Republika Srpska (of BiH). In the following, however, we use the information presented in the narrative chapters of this report. Similarly, the data on Croatia is problematic insofar as social sector expenditure appears to comprise almost 100% of LG spending. This is certainly not the case, though the figure for total local government spending as a percentage of GDP is correct. What appears to happen is that much of the spending for healthcare, does not actually go through local governments but for some unknown reason is recorded and reported as local expenditures. Nevertheless, the Croatian data reported to Eurostat is also provisional, signaling there is an underlying issue with data reporting.

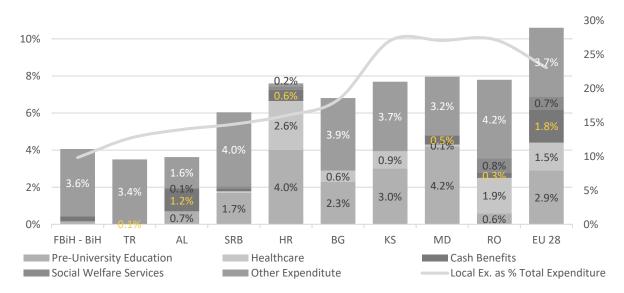


Figure 4 Local Government Social Sector Expenditure, as % of GDP

Source: NALAS FDTF data collected through Regional Survey, Eurostat.

<sup>&</sup>lt;sup>8</sup> On the low spending on social welfare services in the region see Gordana Matković and Paul Stubbs, "Social Protection in the Western Balkans: Responding to the Covid-19 Crisis" Friedrich-Ebert-Stiftung, July 2020, pp. 1-23

With the notable exception of Turkey, where local governments have almost no social sector responsibility, **subnational governments throughout the SEE region are all involved in financing and managing at least some segments of pre-university education**. In Romania, Kosovo, Bulgaria and Croatia<sup>9</sup> local and regional governments play significant roles in financing and managing healthcare services, with smaller roles played by local governments in Serbia and Moldova. Local governments in Romania, Croatia, Albania, Serbia, the Federation of Bosnia Herzegovina (BiH), and Turkey provide cash and in-kind support to vulnerable groups, while those in Romania, Croatia, Serbia also finance social care services.

## **1.4.1.** Preschool education

With the exception of Turkey, 1<sup>st</sup> tier local governments throughout the region are involved with provision of preschool education, though in Romania it is sometime provided by 2<sup>nd</sup> tier governments in small communes. There is however considerable variation in whether preschool education is legally defined as an 'own', 'shared' or 'delegated' responsibility. In theory, 'own' functions should be financed primarily by local government general revenues, delegated functions by categorical grants, and shared functions by some mixture of the two. These general principles, however, are frequently blurred in practice.

Table 1 Preschool education by level of local government and legal classification in SEE

	AL	BiH - FBiH	BiH -RS	BG	HR	KS	MD	MKD	RO	SRB	TR
Tier(s) of local government involved	1st	1st	1st	1st	1st	1st	1st	1st	1st, 2nd	1st	NA
Type of function	Own	Own, Shared	Own	Del.	Own	Own, Shared	Del.	Del.	Shared	Own	NA

Source: NALAS member Local Government Associations, NALAS FDTF based on national legislation

Table 2 breaks down local government responsibilities in preschool education by their most important tasks. As can be seen from the table, except for Romania, all local governments in the region are responsible for paying the wages of preschool pedagogical and non-pedagogical staff. They are also responsible for hiring and firing school directors and setting parental fees everywhere except in Romania and Moldova. Most of them also purchase didactic materials, food, and the preparation of meals.

<sup>&</sup>lt;sup>9</sup> Local and regional governments in Croatia are deeply involved in the management of clinic and general hospitals. (see Croatian Chapter). However, the shown level of local government spending in the sector may also be related to challenges in the financial reporting of such expenditures. EUROSTAT data for Croatia are the same.

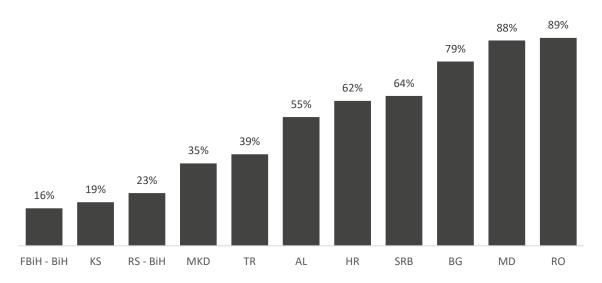
	A L	BiH - FBi H	Bi H - RS	B G	H R	K S	M D	MK D	R O	R S	T R
Paying the wages of non-pedagogical Staff	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Ν
Paying the wages of all Staff	Y	Y	Y	Y	Y	Y	Y	Y	Ν	Y	Ν
Purchasing didactic materials	Y*	Y	Y	Ν	Y	Y	Y*	Ν	Y	Y	Ν
Purchasing food and preparing meals	Y	Ν	Y	Ν	Y	Y	Y*	Ν	Y	Y	Ν
Paying for pupil transport	Ν	Ν	Y	Y	Ν	Ν	Y	Y/N	Y	Y	Ν
Hiring and firing School Directors	Y	Y/N	Y	Y	Y	Y	N*	Y	Ν	Y*	Ν
Opening and Closing Preschools	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Ν
Constructing and reconstructing preschools	Y	Y	Y	Y	Y	Y	Y	Y/N	Y	Y	Ν
Setting Parental Fees	Y	Y/N	Y	Y	Y	Y	Ν	Y	Ν	Y	Ν
Assessing the school readiness of pupils	Y	N	Y	Y	Y	Y	Ν	N*	N	Ν	Ν
Managing student enrolment	Y	Y	Y	N*	Y	Y	Ν	Y	Ν	Y	Ν

Table 2 Local government responsibilities in preschool education in SEE

**Source:** NALAS member Local Government Associations, NALAS FDTF based on national legislation; Y=Yes; N=No; for the cases with the \*, please refer to the individual national chapters.

Figure 5 presents the percentage of 3 to 5-year-olds enrolled in preschool education. As can be seen from the Chart, enrollment rates differ significantly across the region, with lowest rates in Kosovo, both entities of Bosnia-Hercegovina, North Macedonia and Turkey, and the highest rates in Moldova, Romania and Bulgaria, with Serbia, Croatia and Albania occupying intermediate positions.

#### Figure 5 Percentage of 3 to 5-year-olds enrolled in preschool education in SEE



NALAS member Local Government Associations, NALAS FDTF based on official reports at national levels.

It is not clear what explains these differences in enrollment rates. But it almost certainly has more to do with the existing network of preschool institutions than with whether preschool education is legally defined as a local government own, shared, or delegated function.

In Serbia, Croatia, and Albania, preschool education is defined as a local government own function. But only in Serbia and Croatia preschools are fully financed from a combination of local government general revenues and parental fees.<sup>10</sup> In Albania, local governments receive a block grant designed to cover the wage bills of preschools which is allocated to them by a formula based in part on existing pedagogical employment (40%), and in part on the number of enrolled pupils (60%). Initially, local governments had to use the grant for wages only as of 2020; the grant can be used for other purposes.

In Moldova and North Macedonia, preschool education is defined as a delegated function and is financed primarily through national government grants. In Bulgaria and Moldova these are defined as categorical grants, while those in North Macedonia are said to be block grants but are nonetheless quite conditional as they are narrowly programmed and allocated only to local governments that have pre-schools. It is also worth noting that in North Macedonia, preschool education is overseen not by the Ministry of Education but by the Ministry of Labor and Social Protection.

In Bulgaria, the government finances the compulsory preschool education of 5-year-old children until their entry into the first grade. The expenses for the upbringing, education, socialization and education of children in nursery groups and of children from 2 to 4 years of age are partially financed from the state budget through the subsidy for delegated activities. The pre-school education is a local function that the central government supports by financing part of the activities as delegated ones. The central government finances the delegated activities by categorical grant called "general subsidy for delegated activities".

In Romania, Kosovo, and some cantons of the Federation of Bosnia Herzegovina (of BiH) preschool education is defined as a shared function.<sup>11</sup> As in North Macedonia, the grant that Kosovo local governments receive for preschool education is called a block grant but in practice it can only be used for specified purposes and is allocated only to local governments that already have preschools.

**Table 3 shows** the types of local government responsibilities that are financed through national government grants. BG - stands for Block Grant, while CG stands for Categorical Grants. The different letters accompanying BG or CG implies that local governments receive different grants for each type of responsibility. For example, the

<sup>&</sup>lt;sup>10</sup> In Serbia and Croatia these fees account for between 15 and 20% of total costs. Local governments in most of the region are also allowed to charge parental fees for meals.

<sup>&</sup>lt;sup>11</sup> In Sarajevo Canton, the most populous of canton in FBiH, however, it is an entirely a cantonal function.

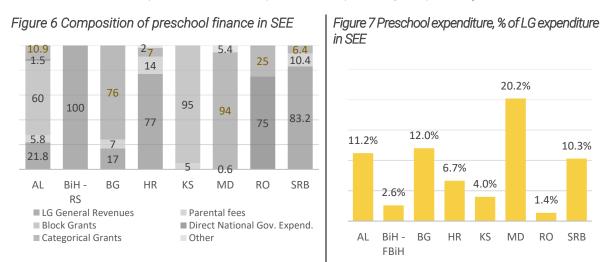
purchase of didactic materials in Albania is supported through a categorical grant from the Ministry of Education, while the construction and reconstruction of preschools can be financed by two additional categorical grants. As can be seen from the table, local governments often receive a number of different grants to support their activities in the sector, suggesting that their managerial powers are at least somewhat constrained by complicated financial schemes.

	AL	BiH - FBiH	BiH - RS	B G	KS	M D	MKD	RO
Paying the wages of non-pedagogical staff	BG	CG- A		C G	BG-A	CG	BG-A	
Paying the wages professional & pedagogical staff	BG	CG- A		C G	BG-A	CG	BG-A	
Purchasing didactic materials	*CG-A	CG- A	CG	C G	BG-A		BG-A, C	CG, A
Purchasing food and preparing meals					Other - B	CG	BG-A, C	
Paying for pupil transport						CG	BG-A, C	
Constructing and reconstructing preschools	CG- C,D	CG- B, BG		C G	Other - B	CG	BG-A, C	
Other								CG, A



Source: NALAS member Local Government Associations, NALAS FDTF based on national legislation;

**Figure 6 & 7 present** the composition of preschool financing across most of the region, as well as preschool expenditure as a share of total local expenditure. Unfortunately, collecting accurate financial data on preschool education is difficult because accessing data on the functional composition of expenditures is difficult and where possible, in most cases these expenditures are reported as spending on primary education.



**Source:** NALAS member Local Government Associations, NALAS FDTF based on official reports at national level;

Both figures underscore the variation across the region in how preschool education is financed and organized. Preschool education constitutes the highest share of local

government budgets in Moldova. As such, the figures for Moldova more closely resemble Romania where the financing of wages in the education sector were recently recentralized. Unfortunately, the figures for FBiH and Kosovo do not tell us much because the majority of local governments do not fund preschools at all through their own revenues.

The most common method utilized to allocate the different types of grants to local governments are based on a per pupil formulas modified by other coefficients. In Albania and FBiH (of BiH), the formulas are based on a combination of the per pupil and per teacher basis. Only in Moldova, funds are allocated to LGs on a historical basis. In Croatia, LGs receive categorical grants occasionally, subject of availability of EU funding or national programs. The majority of grants relate to successful application for reconstruction of facilities and therefore distribution is not therefore tied to specific criteria. This situation is not unique to Croatia though. The allocation of funds to local governments plays a key role in the determination of access to and quality of preschool education services. Good international practice suggests funds to be allocated to LGs on the basis of their service needs, measured by an objective criterion, such as the number of pupils needing the service. Also, it is important that the formulas utilized for the allocation of funds are adequate, equitable, predictable and transparent and that they are able to reflect the social and demographic developments at national level. **Table 4, shows** the method of financing preschool education in SEE.

	AL	BiH - FBi H	BG	HR	KS	MD	MKD	RO	RS
Historical Spending of the National Government				Yes , CG*		Yes , CG			
Per Teacher modified by other coefficients	Yes *	Yes							
Per pupil modified by other coefficients	Yes *	Yes	Ye s		Ye s		Yes, BG	yes, CG	Yes, CG*

Table 4 Method of allocation of preschool funding among LGs in SEE

#### 1.4.2. Primary education

Decentralized functions in primary education are performed by the first-tier local governments in most of SEE region. However, the 2<sup>nd</sup> and 3<sup>rd</sup> tier local governments also have important responsibilities in Croatia, Moldova, and Serbia. Local governments in Turkey do not have responsibilities in education. Table 5 depicts the levels of government involved in primary education across the region, as well as how the function is legally defined.

Primary	AL	BiH – FBiH	BiH- RS	BG	HR	KS	MD	MKD	RO	SRB	TR
Education / LG tier(s) involved	1 st	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup> + 2 <sup>nd</sup>	1 st	2 <sup>nd</sup>	1 st	1 <sup>st</sup> , 2 <sup>nd</sup> – Special Ed.)	1 <sup>st</sup> , 3 <sup>rd</sup>	No
- involveu	Ow n	Shared. /Del.	Shared	Del.	Shared	Ow n	Del.	Del.	Shared	Share d	No

Table 5 Primary education by level of local government and legal classification in SEE

With the notable exception of Turkey, and the majority of cantons in the Federation of Bosnia Hercegovina (of BiH), primary education is legally categorized as a local government own function (Kosovo, Albania), a shared function (Serbia, Croatia, Republika Srpska (of BiH), and Romania, some cantons in FBiH) or a delegated function (Moldova, North Macedonia, Bulgaria). In all these places –with the exception of Republika Srpska (of BiH) - local governments are the owners of primary school facilities and have been assigned responsibilities in the sector. Specifically in Bulgaria, the local governments are owners of the primary school facilities that are municipal property.

Table 6 presents a breakdown of these responsibilities. As can be seen from the table, local governments everywhere are responsible for the physical maintenance and non-wage operational costs of primary schools, and for major capital improvements. Most of them also open and close schools, though in many places these decisions must be approved by Ministries of Education. About half determine school catchment areas.

Primary Education	AL	BiH - FBiH		BG	HR	KS	MD	MKD	RO	SRB	TR
Paying for the operation and maintenance of school facilities	Yes	Yes	No	Yes	Yes*	Yes	Yes	Yes	Yes	Yes	No
Paying the wages of non-pedagogical Staff	Yes	No	No	Yes	No	Yes	Yes	Yes	No	No	No
Paying the wages of all Staff	No	No	No	Yes	No	Yes	Yes	Yes	No	No	No
Purchasing didactic materials	No	Yes	No	No	Yes*	Yes	Yes	Yes	Yes	No	No
Purchasing food and preparing meals	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No
Paying for pupil transport	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Paying for the operation and maintenance of dormitories	Yes	No	No	Yes	Yes*	No	Yes	Yes	Yes	Yes	No
Constructing and reconstructing schools	Yes	Yes	Yes	Yes	Partly	Yes	Yes	Yes	Yes	Yes	No
Paying for Teacher Development	No	Yes	No	No	Partly	Yes	Yes	Yes	Yes	Yes	No
Paying for Bonuses above statutory wages	No	No	No	No	No	No	No	No	No	No	No
Hiring and firing School Director	No	SB	No	No	Yes	Yes	Yes	Yes	No	No	No
Determining School Budgets	No	SB	No	Yes	Sh	SB	Yes	Yes *	Sh	No	No
Opening and Closing Schools	Yes	Yes	No	No	Sh	Yes	Yes	Yes *	Sh	Yes	No
Determining School Catchment Areas	Yes	Yes	No	No	Sh	Yes	Yes	No	Sh	No	No

Table 6 Local government responsibilities in primary education in SEE

SB = School Board, Sh= Shared with National Government

In Croatia, Serbia, Romania, and most of the Federation of Bosnia Hercegovina (of BiH), local governments are not involved in paying the wages of either pedagogical or nonpedagogical staff, obviously the costliest function in the sector. In Albania, however they pay for non-pedagogical staff, though not for teachers. In Albania, Serbia and Romania, Ministries responsible for education appoint school directors. However, in Croatia, Republika Srpska (of BiH) and selected cantons of the Federation of Bosnia Hercegovina (of BiH), they are appointed by independent School Boards following a public tender.

In Bulgaria, Kosovo, Moldova and North Macedonia, however, local governments cover the full wage bills of all pedagogical and non-pedagogical staff. Unlike everywhere else, local government in these economies also hire and fire school directors and set school budgets making them –at least on paper-- fully responsible for managing their school systems. As we shall see in a moment, their actual autonomy in these matters is heavily dependent on how and where they get the funds to pay for the wage bills of school. But no matter where this money comes from, paying teacher wages is everywhere accompanied by the power to set school budgets and hire and fire school directors, (though sometime with approval from the national government).

With the exception of Albania, they also organize and pay for pupil transport and pay at least some of the costs of teacher capacity development. In most places they also pay for food and the preparation of school meals. Unfortunately, however, we don't know how many pupils are transported, how many meals are provided, or how much teacher capacity development is actually paid for.

Table 7 uses the same notation scheme as in the table for preschool education to illustrate the types of grants that local governments receive to support their responsibilities in primary education. As can be seen from the table, the financing of the sector is extremely fragmented in Croatia and little less so in Romania, Kosovo and FBiH. Equally importantly, in Northern Macedonia what is called a block grant really functions as a collection of conditional grants, while the conditional grants in Bulgaria and Moldova, are quite specific in how they can be used. As such, the real managerial autonomy of local governments in the sector is in many places extremely limited.

Primary education responsibilities	AL	BiH - FBiH	BG	HR	KS	MD	MKD	RO	RS
Paying for the operation and maintenance of school facilities	CG- D	CG- A, BG-B	CG	BG, c	BG- A	CG	BG	CG- A	
Paying the wages of non-pedagogical Staff	BG-B		CG	CG, a	BG- A	CG	BG		
Paying the wages of all Staff			CG	CG, a	BG- A	CG	BG		CG
Purchasing didactic materials		CG-C		CG, b	BG- A	CG	BG	CG- A	
Purchasing food and preparing meals				CG, b	CG- B	CG		CG- B	
Paying for pupil transport <sup>12</sup>		BG	CG	CG, b	CG- B	CG	BG		
Paying for student dormitories			CG	BG, c			BG		
Paying for Teacher Capacity Development				CG, a		CG	BG	CG- A	
Paying for Bonuses above statutory wages						CG			

Table 7 Types of grants used to finance primary education in SEE

Figures 8 and 9 show the composition of the financing of primary education and the spending for primary education as a share of total local government expenditures. As can be noted, in Kosovo, Moldova, North Macedonia, and Bulgaria, where local governments have been given the greatest managerial responsibilities in primary education, local governments contribute almost nothing to the costs of schooling from their general revenues. It is extremely unlikely that the lack of local government financial involvement in primary education can be explained by extremely generous national government funding of the sector.

Much more likely is that it reflects a combination of low levels of freely disposable revenue, and a more profound sense that the national government is really responsible for schooling. In Moldova, as we have already noted, this is in fact the case because second tier local governments operate in the social sector as agents of the national government and in many respects the categorical grants listed in the column for Moldova are probably best understood as direct expenditures of the national government.

<sup>&</sup>lt;sup>12</sup> Municipalities receive monies from the central budget as a transfer for other earmarked expenditures. They are not part of the general subsidy for delegated activities.

Figure 8 Shares of primary education funding by source, in SEE

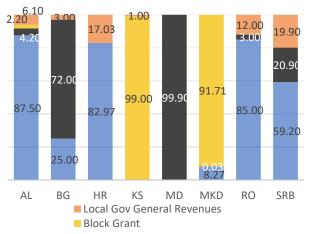
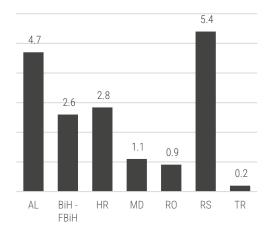


Figure 9 Spending for primary education, % of LG expenditures, in SEE



But it is perhaps more surprising in Kosovo and North Macedonia where the sector is being financed by block grants, and where - at least in Kosovo - primary education is legally classified as a local government own function. In both cases, however, these block grants are highly programmed leaving little to no financial discretion to local governments themselves.

From a strictly legal point of view, the situation in Bulgaria is clearer, because local governments have been entrusted with primary education as a delegated function, making it logical that it be financed by categorical grants. Meanwhile, it makes no sense that primary education in Albania is legally classified as local government own function, when the national government not only bears the lions costs of all schools but makes most other decisions regarding the management and operation of schools.

Indeed, only in Croatia, Serbia, and Romania - where education is classified as a shared function - do local governments really share the costs of primary education. In Serbia and Croatia, the explanation probably lies in some combination of the long history of local government involvement in the sector prior to the break-up of Yugoslavia, and to the better condition of their public finances in general, and those of their local governments in particular. In Romania, meanwhile, it seems that legal distinctions mean more than in some of the other low tax states of the region, and that local governments – as the owners or school facilities - actually do finance the operating costs of their schools out of their general revenues.

In Croatia, it is important to note, that while local government responsibilities in preschool education have been assigned to all 1<sup>st</sup> tier local governments, responsibilities for primary education have been assigned only to 1<sup>st</sup> tier jurisdictions with more than 8,000 inhabitants and sufficient fiscal capacity. The fiscal capacity criterion is very relevant since only 35 out of the 94 local governments with more than 8000 inhabitants meet this criterion. In the remaining smaller jurisdictions, 2<sup>nd</sup> tier local governments are responsible for fulfilling the primary education responsibilities that

have been assigned to local governments. It is also worth noting that the financing of local government education responsibilities is particularly complex in as much as it is based on block grants, multiple categorical grants, and unusually, earmarked shares of shared personal income tax, which is typically a freely disposable local government revenue.

SEE economies that have transferred responsibility for paying the wages of school employees to local governments have –at least officially-- adopted per pupil formulas to allocate to them their requisite block or categorical grants. In practice, however, most of these formulas contain coefficients or provisions that tie the allocation of grants closely to existing or historical levels of teacher employment.

Primary	AL	BiH - FBiH	B G	HR	K S	MD	MKD	RO
Historical Spending of the National	BG,	BG+C						CG-
Government	В	G						В
Per Teacher modified by other coefficients								
Per pupil modified by other coefficients			C G	CG+G B	B G	CG+G B	BG+C G	CG- A

As such, the per pupil components of the formulas are typically designed to cover the non-wage portions of school spending. On the one hand, this type of funding has relieved, if not eliminated pressure on local governments to close schools and reduce employment. On the other hand, it has served to preserve –at lesser or greater cost– existing school networks and patterns of employment in the face of demographic decline and falling pupil teacher ratios.

More generally, the rules governing the allocation of the grants that local governments receive to finance primary education are set by Ministries of Education, while the size of the funds to be allocated are determined by Ministries of Finance and approved in annual budget laws. Typically, grants are based on the historical spending of the national government, with some adjustments being made for changes in costs, most importantly teachers wages. Not surprisingly, the degree to which these costs are adjusted, and indeed which costs have proven more or less contentious everywhere. In Romania conflicts over school funding and the responsibility for closing schools and rationalizing employment led the national government to recentralize responsibility for paying teachers wages in 2017.<sup>13</sup>

<sup>&</sup>lt;sup>13</sup> See Romania Chapter in this volume

## 1.4.3. Secondary and vocational education

Local government involvement in secondary education reproduces the patterns that can be seen in primary education across the region. To begin with, in SEE, secondary education is legally classified as an 'own,' 'shared,' or 'delegated' local government function in the same way as it is for primary education –and with the same sort of inconsistencies with respect to how the sector is financed in Kosovo, Moldova and Albania.

Table 8 Secondary and vocational education by level of local government and legal classification in SEE

Functions/LG tiers involved	AL	BiH - FBiH	BiH- RS	BG	HR	KS	MD	MKD	RO	SRB	TR
General Secondary	1st	1st	1st	1st	2nd	1st	2 <sup>nd</sup>	1st	1st, 2nd - Special Ed.)	1 <sup>st</sup> , 3 <sup>rd</sup>	NA
Vocational	1st	1st	1st	1st	2nd	1st	Central	1st	1st	1 <sup>st</sup> , 3 <sup>rd</sup>	NA

Legal definition of the function	AL	BiH - FBiH	BiH - RS	BG	HR	KS	MD	MKD	RO	SRB	T R
General	Own	Shar./De	Share	Delegate	Share	Ow	Delegate	Delegate	Share	Share	N
Secondary	Own	I.	d	d	d	n	d	d	d	d	0
Vocational	Share	Shar./De	Share	Delegate	Share	Ow	NA	Delegate	Share	Share	N
Vocational	d	l.	d	d	d	n	INA	d	d	d	0

Moreover, as can be seen from Table 9, most of the responsibilities that local governments have in primary education are the same with respect to secondary and vocational education. There are however a few significant differences. Surprisingly, in Republika Srpska (of BiH), local governments are the owners of secondary and vocational schools and are officially responsible for paying for their maintenance and operating costs, even though they do not have these responsibilities in primary education.

Secondary/General Education	AL	BiH - FBiH	BiH - RS	BG	HR	KS	MD	MK D	RO	SRB	TR
Paying for the operation and maintenance of school facilities	Yes	3C- Sh	Sh	Yes	Yes*	Yes	Yes	Yes	Yes	1st tier	No
Paying the wages of non-pedagogical Staff	Yes	No	No	Yes	No	Yes	Yes	Yes	No	No	No
Paying the wages of all Staff	No	No	No	Yes	No	Yes	Yes	Yes	No	3rd tier	No
Purchasing didactic materials	No	3C- Sh	Sh	No	Yes*	Yes	Yes	Yes	Yes	No	No
Purchasing food and preparing meals	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No
Paying for pupil transport	No	No	No	Yes	Yes	No	Yes	Yes	Yes	1st tier*	No
Paying for the operation and maintenance of dormitories	Yes	No	No	Yes	Yes*	No	Yes	Yes	Yes	No	No
Constructing and reconstructing schools	Yes	3C- Sh	Sh	Yes	partly	Yes	Yes	Yes	Yes	1st tier*	No
Paying for Teacher Capacity Development	No	No	Yes	No	partly	Yes*	Yes	Yes	Yes	1st tier	No
Paying for Bonuses above statutory wages	No	No	No	No	no	No	No	No	No	No	No
Hiring and firing School Director	No	SB	No	No	Yes	Yes	Yes	Yes	No	No	No
Determining School Budgets	No	SB	SB	Yes	Yes*	Yes	Yes	*	Yes	No	No
Opening and Closing Schools	Yes	4C- Sh	No	No	Yes*	Yes*	Yes	*	Yes*	No	No
Determining School Catchment Areas	Yes	No	No	No	Yes*	Yes	Yes	No	Yes*	No	No

Table 9 Local government responsibilities in secondary education in SEE

In Croatia, local governments responsibilities in secondary education have been uniformly assigned to 2<sup>nd</sup> tier local governments, while in Romania they remain at the 1<sup>st</sup> tier level. Finally, Bulgarian, Kosovar, North Macedonian and Moldovan local governments are responsible – like their Albanian counterparts for maintaining both student dorms and vocational schools, despite the fact that these institutions exist in only some jurisdictions and serve students from other jurisdictions.

Table 10 shows the types of grants used to support local government responsibilities in secondary and vocational education. As in preschool and primary education, local governments receive multiple grants to support their responsibilities in secondary education and in many parts of the region these grant schemes are often quite fragmented. Again, the number of grants used to help finance local government responsibilities in secondary education in Croatia is quite striking. As before, block grants in both Kosovo and North Macedonia are really highly programed and better understood as a basket of highly specific conditional grants. Meanwhile, the conditional grants used in Moldova are better understood as direct expenditures of the national government. Finally, the block grants that Albanian local governments receive are for the maintenance of student dormitories which exist in only handful of locations.

Secondary education	AL	HR	KS	MD	MKD	RO	SR B
Paying for the operation & maintenance of school facilities	CG	BG, c	BG-A	CG	BG	CG-A	
Paying the wages of non-pedagogical Staff	BG,B	CG, a	BG-A	CG	BG		
Paying the wages of all Staff		CG, a	BG-A	CG	BG		CG
Purchasing didactic materials		CG, b	BG-A	CG	BG	CG-A	
Purchasing food and preparing meals		CG, b		CG		CG-B	
Paying for pupil transport		CG, b		CG	BG		
Paying for student dormitories	BG,B	BG, c			BG		
Paying for Teacher Capacity Development		CG, a		CG	BG	CG-A	
Paying for Bonuses above statutory wages				CG			

Table 10 Types of grants used to support secondary and vocational education in SEE

Figure 10 presents the sources of financing for secondary education across the SEE economies for which we have data. As in primary education, it is local governments that have been assigned most responsibilities in secondary education and again here Bulgaria, Kosovo, Moldova contribute least to the operation of the sector from their general revenues.<sup>14</sup> The situation is probably similar in North Macedonia but, unfortunately, we do not have the data.

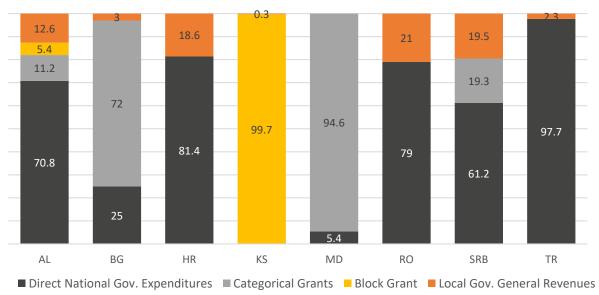


Figure 10 Sources of financing for secondary education

Figure 11 presents data on local government expenditure for Primary, Secondary and Vocational education as percent of their total budgets. As can be seen from the chart, in Bulgaria and Moldova – where local governments pay the wages of all educational personnel - education spending accounts for well over 25% of their total expenditure. This is almost certainly the case in Kosovo and North Macedonia, though we

<sup>&</sup>lt;sup>14</sup> This is probably also the case in North Macedonia but unfortunately here the data was unavailable.

unfortunately do not have the data. Nor was it possible to meaningfully break down the data we do have by levels of education because expenditures for these levels are both classified and aggregated differently.

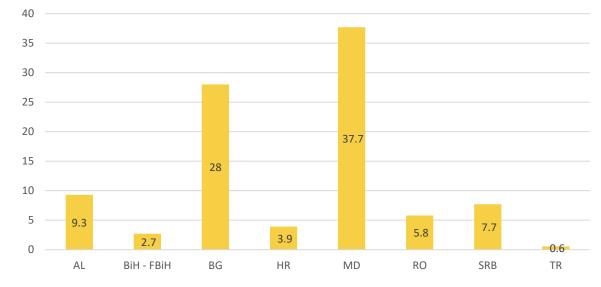


Figure 11 Primary, secondary & vocational education expenditure in SEE, as a % of local budgets

Nonetheless, one thing should be clear: As soon as local governments are made responsible for paying the wages of primary and secondary school teachers, preuniversity education becomes the single most important line in their budgets, typically accounting for between 30 and 40% of total local expenditures, and often more than 60% of the expenditures of smaller, more rural jurisdictions.

That said, there is no case in the SEE region in which the grants that are needed to finance schooling, do not require local governments to finance the existing wage bills of schools. Again, this form of financing significantly reduces the pressure on local governments to rationalize school networks and teacher employment in the face of declining enrollment. But it also tends to freeze inefficient patterns of resource allocation, while also making it unclear which level of government should really be responsible for making politically painful decisions about restructuring school networks and teacher employment.

# 1.4.4. Healthcare

Local governments throughout the SEE region have at least some responsibilities in healthcare. The major exceptions are Moldova, North Macedonia and Serbia, the last of which recentralized municipal health centers in 2019. As a rule, local governments are tasked with providing preventive services, public health education and monitoring of infectious diseases. Typically, they are expected to fund these services out of their general revenues, and in most cases, these functions are underfinanced and under provided, resulting in weaknesses that have been painfully exposed by the COVID-19 pandemic.

In some cases, SEE local governments also play more institutionalized roles in delivering services. Table 11 and 12 present the tiers of local governments responsible for providing the levels of health care involved and the legal definition of the responsibility. Table 13 and 14 present information on the specific tasks local governments perform with respect to these institutions in primary and secondary healthcare.

Tier(s) of local government involved	AL	BiH - FBi H	Bi H - RS	BG	HR	KS	RO	T R
Primary Health Care*(non-hospital)	1st	1st	1st		2n d	1s t		*
Family doctors	-	1st			2n d	1s t		
Walk-In Clinics	1st	1st			2n d	1s t		*
Secondary Care	N o			1 <sup>st*</sup>	2n d		1st, 2nd	*
Emergency Services (if separate from above)	N o	1st			2n d	1s t		
Other:								
Nurseries and kitchens for children				1st				
Health offices in kindergartens and schools				1st				
Municipal Councils for narcotic substances and prevention information centres, health mediators and other activities				1st				
Public health awareness	1st							
Community care							1st	
Tertiary								

Table 11 Local government responsibilities in healthcare in SEE

Table 12 Legal definition of the types of local government functions in healthcare in SEE

Type of Function / legal definition	AL	BiH - FBiH	BG	HR	KS	RO	TR
Primary Health Care*(non-hospital)	Own	Shared		Shared	Own		*
Family doctors	-	Shared		Shared	Own		
Walk-In Clinics	Own	Shared		Shared	Own		*
Secondary Care			Not Specified*	Shared	Own *	Share d	*
Emergency Services (if separate from above)		Shared		Shared			
Other, please specify							
Nurseries and kitchens for children			Delegated				
Health offices in kindergartens and schools			Delegated				
Municipal Councils for narcotic substances and prevention information centres, health mediators and other activities			Delegated				
Public health awareness	Own						
Community care						Share d	
Tertiary							

Primary healthcare	AL	BiH - FBiH	BiH - RS	BG	HR	KS	MD	MKD	RO*	RS	TR
Paying for the physical maintenance medical facilities	Yes*	Yes	Yes	Yes	Yes*	Yes	No	No	Yes	No	No
Purchasing medical supplies	No	Yes	Yes*	Yes	Yes*	Yes*	No	No	Yes	No	No
Purchasing equipment for medical facilities	No	Yes	Yes*	Yes	Yes*	Yes	No	No	Yes	No	No
Paying for Ambulances and emergency services	No	Partially	Yes	No	Yes*	Yes	No	No	No	No	No
Paying the wages of 'family' doctors and/or nurses	No	No	Yes	No	No	Yes	No	No	Yes	No	No
Paying the wages of non-professional staff	Yes*	No	No	No	No	Yes	No	No	No	No	No
Paying the wages of professional staff in hospitals	No	No	No	No	No	Yes	No	No	No	No	No
Purchasing food	No	No	No	No	Yes	No	No	No	No	No	No
Hiring and firing the Directors of medical facilities	No	Yes	No	Yes	Yes	Yes	No	No	No	No	No
Determining and paying bonuses above statutory wages	No	No	No	Yes	Yes	No	No	No	No	No	No
Determining the catchment areas of clinics or hospitals	No	Yes	No	Yes	Yes	Yes	No	No	No	No	No
Opening and Closing healthcare facilities	No	Yes*	No	Yes	Yes*	Yes	No	No	No	No	No

#### Table 13 Local government responsibilities in primary health care

#### Table 14 Local government responsibilities in secondary health care

Secondary healthcare	AL	BiH- FBi H	BiH- RS	BG	HR	KS	MD	MK D	RO	RS	TR
Paying for the physical maintenance medical facilities	No	No	No	Yes	Yes*	Yes	No	No	Yes	No	No
Purchasing medical supplies	No	No	No	Yes	Yes*	Yes	No	No	No	No	No
Purchasing equipment for medical facilities	No	No	No	Yes	Yes*	Yes	No	No	No	No	No
Paying for Ambulances and emergency services	No	No	No	No	Yes*	Yes	No	No	No	No	No
Paying the wages of 'family' doctors and/or nurses	No	No	No	No	No	Yes	No	No	No	No	No
Paying the wages of non-professional staff	No	No	No	No	No	Yes	No	No	No	No	No
Paying the wages of professional staff in hospitals	No	No	No	No	No	Yes	No	No	No	No	No
Purchasing food	No	No	No	No	Yes	Yes	No	No	No	No	No
Hiring and firing the Directors of medical facilities	No	No	No	Yes	Yes*	Yes	No	No	Yes	No	No
Determining and paying bonuses above statutory wages	No	No	No	Yes	Yes	No	No	No	No	No	No
Determining the catchment areas of clinics or hospitals	No	No	No	Yes	Yes	Yes	No	No	No	No	No
Opening and Closing healthcare facilities	No	No	No	Yes*	Yes*	Yes	No	No	No	No	No

In reading these tables, it is important to understand the types of institutions that local governments are involved in running. In Albania, municipalities maintain walk in clinics, a responsibility which has been assigned to them as an own function, and which they are expected to maintain from their general revenues. In Bulgaria, they maintain health offices in schools and municipally run centers for preventative health services, substance abuse, and health education. Local governments pay for the costs of these facilities, but their overall responsibilities in the sector are considered delegated functions and largely supported by grants.

The situation in the Federation of Bosnia Hercegovina (of BiH) is predictably more complicated. As we have already noted, cantons not only bear primary responsibility for financing and managing healthcare services, but the funding for these services is primarily derived from cantonal health insurance funds, limiting both the amount of risk

pooling that can be done, while also requiring each canton to finance - or try to finance - a full spectrum of specialized services.

At the same time, however, all local governments are required to establish municipal health councils that organize preventive health services and play some role on the managerial boards of the healthcare facilities that are owned and financed by cantonal authorities. Local governments, in a few cantons, also own some primary care facilities. If this is the case, they pay for the maintenance of these facilities while supporting their equipment, medical supply and drug costs with grants financed from their general revenues.

In contrast, all local governments in Republic Srpska (of BiH) own and manage walk-in Health Centers. These Centers provide most primary care services and get the bulk of their financing through capitated block grants from the entity level health insurance fund. Local governments, however, are largely responsible for purchasing medical equipment and supplies, and for managing and financing emergency services, functions which they pay for out of a combination of own revenues and a block grant from the entity government but not the insurance fund. Recently, the central government relieved 16 Centers that accumulated operating deficits and integrated their finances into the treasury systems of their respective municipalities hoping to better disciplining their financial behavior.

Until recently, Serbian local governments were the founders of local health care centers and were largely responsible for their non-wage operating costs, including the costs of medical equipment, supplies, and emergency vehicles. In April of 2019, a new law on Health Care shifted the founding rights and obligations of these facilities to the national government, or to the government of the Autonomous Province of Vojvodina. As a result, the non-wage operating costs of these facilities are now financed by the respective higher-level governments, while their services continue to be financed by a national health insurance fund.

Kosovo is unique in the region for having defined all of primary health care as a local government own function. Primary health care is provided through municipally owned and run Family Medicine Centers that are typically staffed by a general practitioner, a dentist, a family medicine specialist, a pharmacist, a pediatrician, a gynecologist - obstetrician, a specialist in clinical biochemistry, as well as nurses, midwifes, physiotherapists and medical technicians. These centers are financed by what is called a block grant, but which in fact is a basket of very narrowly defined conditional grants, 70% of which go to pay for staff wages. As in education, Kosovar municipalities contribute very little to the costs of primary health care from their general revenues (3%).

In Croatia, regional governments play an important role in managing both primary and secondary healthcare facilities, with both levels of care legally defined as shared functions. Regional governments are principally responsible for managing both walk in

clinics and general-purpose hospitals, though many of their decisions are subject to ministerial review and approval. Staff wages are paid for by the national government and other costs in primary and secondary healthcare are covered by a mix of regional government revenues, national grants for minimal financial standards, and service fees paid by the Health Insurance Fund which is extra-budgetary user of the national government.

Croatian local governments contribute only a small percentage of total health care spending from their general revenues, but for complicated accounting reasons, which also aren't entirely clear, much of the spending in the sector appears to come from their budgets. Croatian data reported to Eurostat is also provisional, signaling there is an underlying issue with data reporting. It is also worth adding that as in educaton, the financing system is extremely fragmented with the basic wage costs of hospitals being covered by the national government and the costs of particular services being covered by the national health fund.

In many respects, the situation is similar in Romania. Both primary and secondary health care are legally considered shared functions. First tier local governments own and manage the walk-in clinics that provide most primary healthcare services, known locally as Community Care. Counties and large cities in turn are the owners and founding bodies of over 50% of the nations general-purpose hospitals.

Health care spending accounts for more than 20% of all local government expenditure. Moreover, local government spending on health accounts for 100% of all expenditure on Community Care and more than half of what is spent on public hospitals. Only 5.5% of all health spending, however, comes from the general revenues of local governments. Instead, the National Health Insurance Fund provides 75% of the financing for generalpurpose hospitals through a combination of service fees and wage subsidies that are then supplemented by grants from the Ministry of Health to local government or directly to the hospitals they own. Meanwhile, the costs of Community Care and school health units are split evenly between local government budgets and grants from the Ministry of Health.

Finally, it is worth noting that until the early 2000s, second tier local governments owned and managed most of Moldova's health care facilities and hospitals and received grants based on the number of their employees and beds. Major reforms took local governments out of the health care business. Now a new national insurance fund directly finances both private and public providers through a combination of wage subsidies and service fees.

## 1.4.5. Social protection

Throughout the region, local governments are frequently involved in the provision of social welfare services, and to a lesser extent in payment of cash benefits. With respect to cash benefits, local governments often provide some utility, housing, and/or transportation subsidies to vulnerable groups, as well as emergency food relief. More rarely, they are involved with administering and sometimes providing formalized poverty allowances, death benefits, and certain forms of child support.

Table 15 below shows the roles local governments have in the region in determining whether people are eligible for cash transfers. As can be seen from the table, in 6 out of 11 SEE economies, local governments help determine who is eligible for poverty allowances. The pattern is similar for the other types of payments. Generally, when local governments make eligibility decisions, they also serve as payment agents for national government transfers. Albania and Croatia are the only exceptions to this rule. In Albania, local governments played both roles until 2018. Since then, they are no longer involved in eligibility decisions.

Determining Eligibility for Payments	AL	BiH- FBiH	BiH -RS	BG	HR	KS	MD	MK D	RO	RS	TR
Social (poverty) allowance	No	Yes	Yes	NA	No	Ye s	Ye s	No	Yes	Yes	No
Child benefits	NA	Yes	No	NA	No	Ye s	No	No	No	Yes	No
Disability benefits	No	Yes*	Yes	NA	No	Ye s	No	No	No	Yes	No
Other cash transfers to individuals or households	No	Yes	Yes	NA	Yes	Ye s	NA	Yes	Yes	Yes	No
Payment agent	AL	BiH- FBi H	BiH - RS	BG	HR	KS	MD	MKD	RO	RS	TR
Social (poverty) allowance	Yes	Yes	Yes	NA	Yes	Yes	No	No	No	Yes	N O
Child benefits	NA	Yes		NA	Yes	Yes	No	No	No	Yes	N o
Disability benefits	Yes	Yes	Yes	NA	Yes	Yes	No	No	Yes *	Yes	N o
Other cash transfers to individuals or households	No *	Yes	Yes	NA	Yes	Yes		yes	Yes	Yes	N o

Table 15 Local government roles in the payment of cash transfers in SEE

Figure 12 presents local government spending on cash payments to vulnerable groups as both a percentage of GDP and as a percentage of total local government expenditure for all the economies in the region that were able to provide us with the data. As can be seen from the chart, locally paid cash benefits only exceed 0.5% of GDP in Albania, Croatia, and Moldova, and only account for more than 5% of local government expenditures in Albania and Croatia. In Albania, these figures reflect two centrally financed programs, one for disability payments and one for poverty allowances. Both programs however have been recently recentralized and in fact may never really have been locally administered. In Croatia, centrally financed poverty allowances represent 1.17% of total public expenditure and are by far the most significant cash transfer made by local governments. Finally, in Moldova, cash transfers for poverty allowances and the support of children and the disabled are administered locally but financed be the national government.

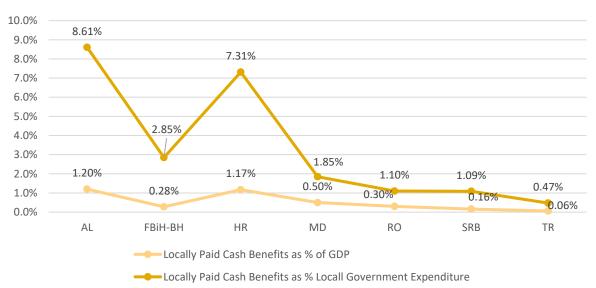




Table 16 shows the types of social welfare service that are provided by different levels of local government tiers across the region. As can be seen from the table, in most places, first tier local governments are responsible for service delivery, while in Croatia, Moldova, Romania and to a lesser extent in Serbia, 2<sup>nd</sup> and 3<sup>rd</sup> tier local governments are also involved. In reading this table, and the ones that follow, it is important to remember that many of the institutions that provide social welfare services exist in only handful of local governments, and that local governments rarely receive sufficient national funding to purchase significant social services from NGOs or private companies.

Tier(s) of local government involved	AL	BiH - FBi H	B G	HR	KS	MD	MK D	RO	RS	TR
Children without parental care:	1st *	1st	1 <sup>st</sup>	N/A	1st			1st, 2nd		
Foster Care	1st *	1st	1s t	N/A	1st			2nd		
Children's homes (orphanages)	1st *	1st	1s t	N/A	N/ A			2nd	3r d	
Youth and Cultural Centers		1st		1st, 2nd	1st	1st, 2nd	1st	1st	1st *	1s t
Services for the elderly	1st	1st	1s t	1st, 2nd	1st		1st	1st, 2nd	1st	1s t
Elderly Homes (residential)	1st	1st	1s t	1st, 2nd	1st			2nd	3r d	1s t
Day Centers or home services	1st	1st	1s t	1st, 2nd	1st	1st, 2nd		1st	1st	1s t
Services for people with disabilities,	1st	1st	1s t	1st, 2nd	1st	1st, 2nd		1st, 2nd	1st	1s t
Residential Homes	1st	1st	1s t	1st, 2nd	1st			1st, 2nd		
Day Centers or home services	1st	1st	1s t	1st, 2nd	1st	1st, 2nd	1st	1st, 2nd	1st	1s t
Women services,	1st		1s t	1st, 2nd				1st		1s t
Shelters & Homes	1st		1s t	1st, 2nd				1st	1st	1s t
Empowerment services for women	1st		1s t	N/A	1st	1st, 2nd		1st	1st	1s t
Other day centers or home services	1st	1st	1s t	1st	1st	1st, 2nd	1st	1st	1st	
Specialized services	2nd		1s t	1st						

#### Table 16 Social sector services by level of local government in SEE

Table 17 shows how local government social welfare functions are legally defined across the region. In Albania, Moldova, North Macedonia, Serbia and Turkey, local responsibilities in social care are legally defined as own responsibilities and at least theoretically paid for primarily out of local government general revenues. In the FBiH (of BiH), Kosovo and Romania they are generally considered shared functions, though in all SEE economies some mobile services are considered own functions. In Bulgaria, all social welfare services are considered to be delegated functions, while in Croatia, most are considered to be either own or shared depending on the individual histories of the institutions involved.

Types of local functions	AL	BiH - FBiH	BG	HR	KS	MD	MKD	RO	RS	TR
Children without parental care:		Sh, D	D		Sh			1st, 0; 2nd, Sh		
Foster Care	0	Sh	D		Sh			2nd, Sh		
Children's homes (orphanages)	0	Sh	D					2nd, Sh	D	
Youth and Cultural Centers		Sh		0; Sh; D	Sh	0	0	1st, 0	0	0
Services for the elderly	0	Sh	D	O; Sh; D	Sh			1st, O; 2nd, Sh	0	0
Elderly Homes (residential)	0	Sh, D	D	0; Sh; D	Sh		0	2nd, Sh		0
Day Centers or home services	0	0	D	0; Sh	Sh	0	Sh	1st, 0	0	0
Services for people with disabilities,	0	Sh	D	0; Sh	Sh	0		1; 2, Sh	0	0
Residential Homes	0	Sh	0; D	O; Sh	Sh			1; 2, Sh	D	
Day Centers or home services	0	0, D	D	O; Sh	Sh	0	Sh	1; 2, Sh	0	0
Women services,	0		D	0; Sh				1st, 0		0
Shelters & Homes	0		D	O; Sh			Sh	1st, 0	0	0
Empowerment services for women	0		D		Sh	0		1st, 0	0	0
Other day centers or home sevices	0		D	O; Sh	Sh	0	Sh	1st, 0	0	
Specialized services			0*	O; Sh						

Table 17 The legal classification of local government social welfare function in SEE

Table 18 presents information on the specific responsibilities that local governments have in providing services to children without parental care. As can be seen from the table, 1<sup>st</sup> tier local governments are responsible for foster care services in Albania, some cantons in FBiH, and in Kosovo, while they are provided by county level governments in Romania. Meanwhile, whatever orphanages there may be, are run by 1<sup>st</sup> tier local governments in Albania and FBiH, by counties in Romania, and by the Autonomous province of Vojvodina in Serbia.

In Albania, both sets of services are legally classified as own functions despite the fact, that they are almost completely financed by categorical grants that only a few municipalities receive. Elsewhere, these functions are classified as shared or delegated functions. As in Albania, they are financed primarily through categorical grants, though local governments are often responsible for paying for the non-wage operating costs orphanages, and the administrative overhead costs of running foster care systems.

	AL	BiH - FBiH	KS	RO	SRB
Foster Care	1st / Own	1st / Sh	1st / Sh	2nd / Sh	
Children's homes (orphanages)	1st / Own	1st / Sh		2nd / Sh	3rd / Del
Placement and oversight of children in foster homes	Y	Y	Y	Y	Y
Paying for the physical maintenance of facilities	Y	Y	Y	Y	Y
Purchasing food or equipment for these facilities	Y	Y	Ν	Y	Y
Paying for transport services	Y	Y	Y	Y	Y
Paying the wages of non-professional staff	Y	Y/N	Y	Y	Y
Paying the wages of professional staff	Y	<b>γ</b> *	Y	Y	Y
Hiring and firing the Directors Children's Homes	Y	Y	Ν	Y	Y
Determining eligibility for services	Y	Y	Ν	Y	Y
Managing placement of clients in services	Y	Y	Ν	Y	Y
Opening and Closing facilities	Y	Y	Ν	Y	Y
Constructing and reconstructing facilities	Y	Y	Ν	Y	Y

Table 18 Local government responsibilities for children without parental care in SEE

Table 19 presents the responsibilities that local governments have in providing residential services. Everywhere, the primary source of financing for residential services comes from national government grants earmarked for specific institutions. With the exception of Serbia, local governments throughout the region pay for both basic operating cost of these institutions, as well as for their professional and non-professional staff. In Bulgaria, Croatia, Kosovo and Romania, however, they do not make decisions about who is eligible to live in residential facilities. Unfortunately, we were unable to collect data on how much local governments contribute to the financing of these institutions from their general revenues.

Specific local functions performed in the area of Residential services	A L	BiH- FBi H	B G	HR	KS	MK D	R O	SR B	T R
Placement and oversight of persons in service centers	Y	Y		N/ A		Y		Y	Y
Paying for the physical maintenance of facilities	Y	Y	Y	Y*	Y	Y	Y		Y
Purchasing food or equipment for these facilities	Y		Y	Y*	Y	Y	Y		
Paying for transport services	Y	Y	Y	Y*	N/ A	Y	Y		Y
Paying the wages of non-professional staff	Y	Y	Y	Y*	Y*	Y	Y		Y
Paying the wages of professional staff	Y	Y	Y	Y*	Y	Y	Y		Y
Hiring and firing the Directors of Homes & Centers	Y	Y	Y	Y*	Y	Y	Y		Y
Determining and paying bonuses above statutory wage rates			Y	Y*	N/ A				Y
Determining eligibility for services	Y	Y		Y*	*	*	Y		Y
Managing placement of clients in services	Y*	Y		Y*		*	Y		Y
Opening and Closing facilities	Y	Y*	Y	Y*	*	*	Y	Y	Y
Constructing and reconstructing facilities	Y	Y	Y	Y*	*	Y	Y		

#### Table 19 Local government responsibilities in residential care in SEE

Table 20 present local government responsibilities in the provision of day care, mobile and residential services. Unlike residential services, day care, mobile and home services are more likely to be classified as local government own responsibilities and more likely to be financed – where these services exist - from local government general revenues. Local governments generally pay for the operation and maintenance of day care facilities as well as for the meals they provide. Everywhere, except in Croatia, local governments also pay for the wages of professional and support staff and generally control who is considered eligible for daycare service.

		BiH								
Specific local functions performed in the area of	Α		В	Н	KS	М	MK	R	SRB	Т
Daycare Services	L	FBi	G	R	NO	D	D	0	SKD	R
		Н								
Paying for the physical maintenance of facilities	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Purchasing food or equipment for these facilities	Y	Y	Y	$\vee$	N/	V	Y	Y		
		I	1	I	А	I	I	1	I	
Paying for transport services	Y				N/	Y	V		$\vee$	Y
r aying for transport services					А	I	I		I	
Paying the wages of non-professional staff	Y	Y	Y	Ν	Y*	Y	Y	Y	Y	Y
Paying the wages of professional staff	Y	Y	Y	Ν	Y	Y	Y	Y	Y	Y
Hiring and firing the Directors of Homes & Centers	Y	Y	Y		Y	Y	Y	Y	Y	Y
Determining and paying bonuses above statutory			Y		N/				$\vee$	Y
wage rates			ř		Α				ř	Ť
Determining eligibility for services	Y	Y		Ν	Y	Y	*	Y		Y
Managing placement of clients in services	Y	Y			Y	Y	*	Y		Y
Opening and Clearing facilities	Y	V*	Y		*	V	*	$\vee$	Y	Y
Opening and Closing facilities	Y	Ϋ́́Υ	Y			Y		Ŷ	*	Ŷ
Constructing and reconstructing facilities	Y	Y	Y		*	Y	Y	Y	Y	

Table 20 Local government responsibilities in providing day care services in SEE

The provision of social welfare services by local governments in the region are difficult to map because they are defined differently in different places and because it is often very hard to determine how much money local governments spend on them, particularly since in some places significant portions of what are generally low levels of expenditure are made through grants from local governments to NGOs. It is often complicated to identify how much of what local governments do spend on these services originates from national government grants and how much from their general revenues.

Most importantly, however, it must be understood that even when local governments provide such services, actual levels of service provision are generally low, and often differ wildly across units. One reason for this is simply that differences in the relative wealth of local governments impose serious constraints on the ability of poorer ones to fund social service. Indeed, it is often precisely the jurisdictions that have the greatest need for social service, that can least afford them.

Another reason for this is, as we have discussed earlier, that many of the social welfare services that have been decentralized to local governments have historically been provided through institutions that only exist in a small number of localities. Thus, only the local governments who have been entrusted with the institutions can provide the services. As such, it is not the function of elderly care that has been decentralized to (all) local governments, but rather the responsibility for running particular institutions that have been assigned to a small number of individual jurisdictions.

This kind of particularistic transfer of institutions carries with it a number of consequences. The most obvious one is that local governments have not been given the institutions that have little chance to provide the services associated with them. Another consequence is that the local governments who now run these institutions may limit the access of citizens who come from other jurisdictions to them.

Some of these problems could be resolved if the national government provided all local governments with additional funding. Doing this, however, is exceedingly costly, especially if money is needed for local governments to build facilities that do not already exist. One possible solution to this problem, at least for residential services, is for the national government to finance any provider of these services through contracts based on the number of people actually served. Such a system opens the field of residential services up to the private sector, while also relieving the public sector of the capital costs associated with these facilities.

Similar things might be said about social services that don't require residential services and are more program based. With few exceptions, these sorts of social services are woefully lacking across most of the region and should be increased. But if this is done, the question remains who should receive these funds and on what basis.

One possibility is to say local governments know the needs and preferences of their citizens better than anybody else, and thus they should receive social protection block grants that could be spend on whatever programs they deemed most important, some of which they might provide themselves and some of which they might contract out to NGO and private providers.

Another possibility, is for the national government to decide which programs it deems most important, and then for it to do the contracting with whomever it considers capable of providing the relevant services. Under both regimes – which in theory could be mixed – it is critically important that the national government develops the capacity to further and monitor the execution of the grants and service contracts it will enter into with both local governments and private providers.

### 1.5. Annex 1 - Mapping local government social sector responsibilities in South-East Europe

Table A1. Local government responsibilities in the social sector in South-East Europe

	AL	BiH - FBiH	BiH - RS	BG	HR	KS	MD	MKD	RO	SRB	TR
Education		гын	RS								
Preschool Education	Own	O; Sh	Own	Del.	Own	O; Sh	Del.	Del.	Share	Own	No
	OWIT		Share		Share	0,011		DCI.	d Share	Share	
Primary Education	Own	Sh/D	d	Del.	d	Own	Del.	Del.	d	d	No
Secondary Education	Own	Sh/D	Share d	Del.	Share d	Own	Del.	Del.	Share d	Share d	No
Vocational Education	Share d	Sh/D	Share d	Del.	Share d	Own	NA	Del.	Share d	Share d	No
Health Care											
Primary Health Care (non- hospital)	Own	Shared			Shared	Own					*
Family doctors		Shared			Shared	Own					
Walk-In Clinics	Own	Shared			Shared	Own					*
Secondary Care				NS*	Shared	Own			Shared		*
Social Care											
Children without parental care		Sh, D		Del.		Shared			O; Sh		
Foster Care	Own	Shared		Del.		Shared			Shared		
Children's homes (orphanages)	Own	Shared		Del.					Shared	Del.	
Youth and Cultural Centers		Shared			0; Sh; D	Shared	Own	Own	Own	Own	Own
Services for the elderly	Own	Shared		Del.	0; Sh; D	Shared			0; Sh	Own	Own
Elderly Homes (residential)	Own	Sh, D		Del.	0; Sh; D	Shared		Own	Shared		Own
Day Centers or home services	Own	Own		Del.	O; Sh	Shared	Own	Shared	Own	Own	Own
Services for people with disabilities	Own	Shared		Del.	O; Sh	Shared	Own		Shared	Own	Own
Residential Homes	Own	Shared		0; D	O; Sh	Shared			Shared	Del.	Own
Day Centers or home services	Own	0, D		Del.	O; Sh	Shared	Own	Shared	Shared	Own	Own
Services for women	Own			Del.	O; Sh				Own		Own
Shelters & Homes	Own			Del.	O; Sh			Shared	Own	Own	Own
Empowerment services for women	Own			Del.		Shared	Own		Own	Own	Own
Other day centers or home services	Own			Del.	O; Sh	Shared	Own	Shared	Own	Own	
Social Protection Transfers											
Determining Eligibility for Payments	NO	Yes	Y/N	NA	N/Y	Yes	N/Y	N/Y	Y/N	Yes	No
Social (poverty) allowance	No	Yes	Yes	NA	No	Yes	Yes	No	Yes	Yes	No
Child benefits	NA	Yes	No	NA	No	Yes	No	No	No	Yes	No
Disability benefits	No	Yes*	Yes	NA	No	Yes	No	No	No	Yes	No
Other cash transfers to individuals or households	No	Yes	Yes	NA	Yes	Yes	NA	Yes	Yes	Yes	No
Payment agent	Y/N	Yes	Y/N	NA	Yes	Yes	No	N/Y	Y/N	Yes	No
Social (poverty) allowance	Yes	Yes	Yes	NA	Yes	Yes	No	No	No	Yes	No
Child benefits	NA	Yes		NA	Yes	Yes	No	No	No	Yes	No
Disability benefits	Yes	Yes	Yes	NA	Yes	Yes	No	No	Yes*	Yes	No
Other cash transfers to individuals or households	No*	Yes	Yes	NA	Yes	Yes		yes	Yes	Yes	No

	AL	BiH - FBi H	Bi H - RS	B G	HR	KS	MD	MK D	RO	SRB	TR
Education						1					
Preschool Education	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1st	1 <sup>st</sup>	1st	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1st	N A
Primary Education	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd*</sup>	1 <sup>st</sup> , 3 <sup>rd</sup>	N A
Secondary Education	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd*</sup>	1 <sup>st</sup> , 3 <sup>rd</sup>	N A
Vocational Education	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	Centra	1 <sup>st</sup>	1st	1 <sup>st</sup> , 3 <sup>rd</sup>	N A
Health Care											
Primary Health Care (non-hospital)	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>		2 <sup>nd</sup>	1 <sup>st</sup>					*
Family doctors	-	1 <sup>st</sup>			2 <sup>nd</sup>	1 <sup>st</sup>					
Walk-In Clinics	1 <sup>st</sup>	1 <sup>st</sup>			2 <sup>nd</sup>	1 <sup>st</sup>					*
Secondary Care	N O			1 <sup>st</sup>	2 <sup>nd</sup>				1 <sup>st</sup> ; 2 <sup>nd</sup>		*
Social Care											
Children without parental care	1 <sup>st</sup> *	1 <sup>st</sup>		1 <sup>st</sup>	N/A	1 <sup>st</sup>			1 <sup>st</sup> ; 2 <sup>nd</sup>		
Foster Care	1 <sup>st</sup> *	1 <sup>st</sup>		1 <sup>st</sup>	N/A	1 <sup>st</sup>			2 <sup>nd</sup>		
Children's homes (orphanages)	1 <sup>st</sup> *	1 <sup>st</sup>		1 <sup>st</sup>	N/A	N/ A			2 <sup>nd</sup>	3 <sup>rd</sup>	
Youth and Cultural Centers		1 <sup>st</sup>			1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1st	1 <sup>st*</sup>	1 <sup>st</sup>
Services for the elderly	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1st	1 <sup>st</sup>
Elderly Homes (residential)	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>			2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
Day Centers or home services	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>		1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Services for people with disabilities	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>		1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Residential Homes	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>			1 <sup>st</sup> ; 2 <sup>nd</sup>		
Day Centers or home services	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Services for women	1 <sup>st</sup>			1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>				1 <sup>st</sup>		1 <sup>st</sup>
Shelters & Homes	1 <sup>st</sup>			1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>				1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Empowerment services for women	1 <sup>st</sup>			1 <sup>st</sup>	N/A	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>		1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Other day centers or home services	1 <sup>st</sup>	1 <sup>st</sup>		1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup> ; 2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	

Table A2. Tiers of local government involved in the social sector services in South-East Europe

#### Table A3. Ownership of the physical facilities of the social sector institutions

Generally, local governments are the legal owners of the physical facilities of the institutions responsible for education, social protection and healthcare services. Almost everywhere, they own the buildings of nurseries, preschools, and schools. The only exceptions here are the Republic of Srpska (of Bosnia and Herzegovina) and Turkey,

where education is a national government responsibility. In the Republic of Srpska and Moldova, local governments do not own institutions related to healthcare and social protection and care.

	AL	BiH - FBiH	BiH -RS	BG	HR	KS	MD	MK D	RO	RS	TR
Nurseries and Preschools (0-5)	Yes	Yes	Ye s	Yes	Ye s	Ye	Ye	Ye s	Ye s	Ye s	N O
Primary Schools (K-8 or 9)	Yes	Yes*	No	Yes *	Ye	Ye	Ye	Ye	Ye	Ye	N
General Education High Schools (9-11	Yes	Veet	No	Yes	s Ye	s Ye	s Ye	s Ye	s Ye	s Ye	o N
or 12)	res	Yes*		*	S	S	S	S	S	S	0
Vocational Schools (9-11 or 12)	Yes	Yes*	Ye s	No* *	Ye s	Ye s	No	Ye s	Ye s	Ye s	N O
Student Dormitories	Yes	na	No	Yes *	Ye s	No	Ye s	Ye s	Ye s	No	Ye s
Other Non-School Support Institutions*	na	na	No	na	No	na	No	na	Ye s	Ye s	Ye s
Youth or Cultural Centers	Yes	Yes	No	na	Ye s	Ye s	No	Ye s	Ye s	Ye s	Ye s
Ambulatory Health Clinics	Yes	Yes	No	na	Ye s	Ye s	No	No	Ye s	No	Ye s
Primary or Secondary Hospitals	No	No	No	Yes *	Ye s	Ye s	No	No	Ye s	No	Ye s
Children's homes	Yes *	Yes *	No	Yes *	ye s	No	No		Yes	Ye s	Ye s
Homes for the Elderly	Yes *	Yes	No	Yes *	Ye s	YE S	No	Yes *	Ye s	No	Ye s
Other residential and day care services	Yes *	Yes	No	na	Ye s	yes	No	Yes *	Yes	Ye s	Ye s

#### Table A4. Tiers of government that own social sector institutions' facilities

Generally, social sector facilities are owned by the first tier of local governments. However, there are few cases where also the second tier of local governments, and even a third one, are the legal owners of the buildings. The empty cells in the table below indicate also that LGs do now own the facilities that provide the indicated services.

Level of LG that owns buildings	AL	BiH - FBiH	BiH -RS	BG	HR	KS	MD	MKD	RO	RS	TR
Nurseries and Preschools (0-5)	1st	1st	1st	1st	1st	1st	1st	1st	1st	1 <sup>st</sup>	
Primary Schools (K-8 or 9)	1st	1st		1st	1 <sup>st</sup> ,2 <sup>nd</sup>	1st	2 <sup>nd</sup>	1st	1st	1 <sup>st</sup>	
General Education High Schools (9-11 or 12)	1st	1st		1st	1 <sup>st</sup> ,2 <sup>nd</sup>	1st	2 <sup>nd</sup>	1st	1 <sup>st</sup> ,2 <sup>nd</sup>		
Vocational Schools (9-11 or 12)	1st	1st		1st	1 <sup>st</sup> ,2 <sup>nd</sup>	1st		1st	1st		
Student Dormitories	1st			1st	2 <sup>nd</sup>		2 <sup>nd</sup>	1st	1st		1st
Other Non-School Support Institutions								1st	2 <sup>nd</sup>	1 <sup>st</sup>	1st
Youth or Cultural Centers	1st	1st			1st	1st		1st	1 <sup>st</sup> ,2 <sup>nd</sup>	1 <sup>st</sup>	1st
Ambulatory Health Clinics	1st	1st	1st		1 <sup>st</sup> ,2 <sup>nd</sup>	1st			1st		1st
Primary or Secondary Hospitals				1st	2 <sup>nd</sup>	1st			1 <sup>st</sup> ,2 <sup>nd</sup>		1st
Children's homes	1st	1st		1st	1st				2 <sup>nd</sup>	3 <sup>rd</sup>	1st
Homes for the Elderly	1st	1st		1st	2 <sup>nd</sup>	1st		1st	2 <sup>nd</sup>		1st
Other residential and day care services	1st										1st

#### Table A5. Responsibility over the physical maintenance of social sector institutions' facilities

As legal owners of social sector facilities, local governments are usually responsible for their physical maintenance. The table below shows the specific institutions whose facilities they are responsible for maintaining. In Turkey and the Republic of Srpska (of Bosnia and Herzegovina), local governments are not responsible for the facilities, as they are not the legal owners.

Do LGs maintain facilities?	AL	BiH - FBiH	BiH - RS	BG	HR	KS	MD	MKD	RO	SRB	TR
Nurseries and Preschools (0-5)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Primary Schools (K-8 or 9)	Yes	Yes	No	Yes	No						
General Education High Schools (9-11 or 12)	Yes	Yes*	No	Yes	No						
Vocational Schools (9-11 or 12)	Yes	Yes*	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No
Student Dormitories	Yes		No	Yes	Yes	No	Yes	Yes	Yes		No*
Other Non-School Support Institutions*			No	-	No				Yes	Yes	No*
Youth or Cultural Centers	Yes	Yes	No	-	Yes	Yes		Yes	Yes	Yes	No*
Ambulatory Health Clinics	Yes	Yes	No	-	Yes	Yes		No	Yes		No*
Primary or Secondary Hospitals	Yes	Yes*	No	Yes	Yes	Yes		No	Yes		No*
Children's homes	Yes	Yes*	No	Yes	Yes	No			Yes		No*
Homes for the Elderly	Yes	Yes	No	Yes	Yes	Yes		Yes	Yes		No*
Other residential and day care services	Yes		No		Yes	Yes			Yes	Yes	No*

#### Table A6. Types of transfers that support social sector functions assigned to SEE LGs

In all the SEE economies were LGs have some responsibilities in the sector/subsector, they receive intergovernmental transfers from the higher levels of government. These transfers usually come in the form of narrowly defined earmarked categorical grants, over which LGs do not have any degree of discretion. The second most common form of financing local government social responsibilities is through block grants, which are grants that can be spent freely within a function like preschool or primary education, but only within the limits of that function. Local governments have discretionary powers only within the function. But there are also cases where the funding is included as a categorical grant, within a so-called general transfer or subsidy, such as in the case of Bulgaria.

	AL	BiH - FBiH	Bi H - RS	BG	HR	KS	M D	MK D	RO	RS	TR
Nurseries and Preschools (0-5)	BG	BG	No	CG *	No	BG	CG	BG	Yes *	No	No
Primary Schools (K-8 or 9)	GG	CG, GG	No	CG *	BG	BG	CG	BG	CG	CG, GG	No
General Education High Schools (9-11 or 12)	GG		No	CG *	BG	BG	CG	BG	CG	CG, GG	No
Vocational Schools (9-11 or 12)	GG		No	CG *	BG	BG	No	BG	CG	CG, GG	No
Student Dormitories	BG		No	CG *	BG	No	CG	CG		No	No
Other Non-School Support Institutions			No	CG *	No		N o			No	No
Youth or Cultural Centers	N	CG, BG	No	CG *	No	CG, GG	N O	BG		No	No
Ambulatory Health Clinics	N	CG, BG, GG	No		BG	BG	N O			No	No
Primary or Secondary Hospitals	N	GG	No	CG *	BG	BG	N o		CG	No	No
Children's homes	CG	CG	No	CG *	No	No	N o		CG	No	No
Homes for the Elderly	CG	CG, BG	No	CG *	BG	BG	N O	BG	CG	No	No
Other residential and day care service	CG, BG		Ye s	CG *	No	BG	N O		CG	BG	No

# MUNICIPAL RESPONSE TO COVID-19 IN THE SOCIAL SECTOR IN SOUTH-EAST EUROPE

As the COVID-19 crisis continues to challenge our societies, the responsibility to act and help communities address the consequences is falling more and more on local government as the closest authority to citizens. This chapter includes select practices adopted by SEE local governments and their associations that have been collected by NALAS since the onset of the COVID-19 crisis with the support of its member Local Government Associations through the weekly and biweekly NALAS digests. The selection tries to focus more on the impact of and responses to COVID-19 at the local level in the areas of education, social protection and care and healthcare. The Digests include much more practices focusing in other equally important areas, such as economic recovery, digitalisation etc. From this perspective, this chapter does not and cannot bring an exhaustive list of all social sector practices that SEE local governments have adopted during these challenging times to support their citizens and communities overcome the consequences of the COVID-19 crisis. Such an exercise is beyond the scope and possibilities of this study. However, we find the practices presented by the Local Government Associations very inspiring and potentially useful and replicable in other local governments.

For a more focused presentation of the COVID-19 at the local level in South-East Europe and the social and economic recovery measures adopted by SEE local governments, please refer to the NALAS Survey and the practices shared by SEE mayors in the NALAS Online Conference: South-East European Local Governments in Post COVID-19 Socio-Economic Recovery. Local Government Associations such as the National Association of Municipalities in the Republic of Bulgaria (NAMRB), the Association of Kosovo Municipalities (AKM) and others have also prepared national studies analysing the COVID-19 impact at the local level.

# **Local Government Assoc**iations play a crucial role in facilitating intergovernmental coordination and facilitating peer learning and knowledge exchange on the social sector functions delivery in the context of COVID-19.

As the COVID-19 crisis continues to challenge our societies, the responsibility to act and help communities address the consequences is falling more and more on local government as the closest authority to citizens. It would not be wrong to state that local authorities across SEE have been caught by surprise by this unexpected crisis. As the pandemic continues to spread and the vaccination process being at its initial phase, challenged by delays, local public officials are asked to take action to respond to the crisis. In this process, however, embracing the right policies and actions is as important as reacting fast. For this reason, sharing of practices, experience and information about how SEE local governments have and continue to respond to the crisis and how they are supporting their communities becomes a crucial element in facilitating the recovery. Local Government Associations have played and continue to play a crucial role in building capacities of their members to react to the crisis through both policy advocacy and facilitating peer learning and knowledge sharing.

The information hubs on Coronavirus: Effective guides to manage crisis and learning from peers. In addition to their role as interlocutors with the national governments, local government associations have played a crucial role in facilitating the exchange of good practices among their members. The most common form

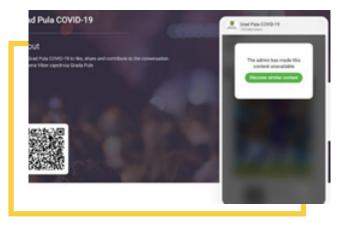
of exchange hasincluded thematic peer learning and knowledge sharing (online) conferences, workshops and meetings of (with) policymakers, experts and practitioners. Additionally, the Association of Municipalities and Towns of Slovenia (SOS) has worked with its member municipalities to create a platform for exchanging experiences on measures with which they are confronting and mitigating the impact of COVID-19 pandemic. The Congress of Local Authorities of Moldova (CALM) has created a dedicated webpage to inform its members on the decisions of Central Authorities related to COVID-19 preventing measures. Marmara Municipalities Union (MMU), created special websites or sections within their websites collecting and sharing best practices of their members to help facilitate the response to the crisis. In order to support local

authorities to learn from their peers, NALAS has collected information from its members on the situation in the region through its regular COVID-19 updates which have been shared with members. Similarly, NALAS has transformed its Digest with a special focus on COVID-19 measures, becoming therefore a knowledge hub in the region for sharing good practices on local responses to the COVID-19 crisis.



Similarly, municipalities have also created such specific COVID-19 websites to raise awareness and help citizens with various services. **A Croatian city communicates with its citizens about COVID-19 through Viber app.** 

With the aim of a direct and two-way communication with the citizens, and promptly informing the public with accurate and verified data, the City of Pula launched the community "City of Pula COVID-19" through the Viber application. This channel was chosen because most citizens of all generations use smartphones to send messages on various platforms every day, and are easily accessible for everyone to use, according to the City. Users of the Viber community



are thus able to receive first-hand information on current developments, then information on current measures taken to combat the coronavirus epidemic at national and local levels, as well as practical advice and guidance to ensure a safer daily life. In addition, the intention is to encourage interaction with useful information. This will ensure a faster flow of information and advice on the prevention and protection of coronaviruses, especially important for the senior citizens and all those at risk. Likewise, the launch of the Viber community aims to prevent the spread of misinformation that could have a negative impact on the implementation of anti-virus measures.

# 2.1. Covid-19 impact and response in education

Since the onset of the COVID-19 pandemic schools have been closed for most of the year and learning has taken place through various distance learning platforms. All levels of government in South-East Europe have been involved in the switch to online and distance learning, in particular as regards ensuring equipment and internet access for all pupils and students. Local Government Associations have played a key role in coordinating such efforts between levels of government and other stakeholders to ensure a smooth transition to distance learning or the safe reopening of schools. The use of technology in the educational process stimulates the learning process, makes it more attractive for the students and helps them more in their future activity. Digitalisation of education is becoming a necessity, to address the disparities in terms of quality of and access to education of children, pupils and students from more remote and rural areas or coming from disadvantaged households.

**Digitalisation of education.** The municipality of **Ferizaj** (Kosovo) has stepped efforts to ensure online and distant learning for children from disadvantaged households, by providing **tablets for children in need** in order to ensure equal opportunities for all children to follow online classes. This was made possible through a cooperation with the business community and donors. The municipality of **Kocevje** (Slovenia), has provided **computer equipment and internet connection for distance learning** is provided to families in need by schools, Municipality of Kočevje and donors from the local environment. The municipality of **Logatec** (Slovenia), has been supporting the delivery of **online classes for pupils and students** from primary and secondary schools. Also, activities of children's art school became online. The



municipality also provided free online learning assistance, which information were available on the website of municipality. Students from **Măgura** commune (Romania) will receive tablets for online schooling too. With the decision of the municipality and the school administration, 200 tables were to be purchased for all students, to ensure a smooth development of the school curriculum.

However, providing access to education through digital means requires significant financial resources. In this framework, the Board of Directors of the Timiş County Branch of the Association of Communes of Romania (AcoR), asked for financial help for local governments on online schooling. The request to provide students and teachers tablets or laptops, internet access and measures for the protection of personal data, involve financial resources that most administrative-territorial units cannot provide, primarily due to small budgets, secondly, due to low revenues due to the extension of deadlines for the payment of local taxes and fees and thirdly, due to many expenses incurred to combat the COVID-19, disinfection, aid for disadvantaged people, etc

Six schools in Burgas will receive funding for opening innovative technology centres and specialized cabinets. Six schools in Burgas municipality (Bulgaria) were approved and will receive funding for the opening of innovative technology centres and specialized cabinets for practical training of children. The approved educational institutions, which will open technological centres under the program of the Ministry of Education and Science "Building a STEM school environment" / STEM - Science, Technology, Engineering, Math. All technology centres will have modern design and furniture, as well as specialized technical equipment. In the new labs and cabinets new educational content will be integrated, consistent with the interests and age characteristics of the students and with an emphasis on the development of their creativity and practical skills. A Centre for Space Research, related to the newest subject included in the curriculum of the school will also be established in a primary school, where simulations on research and engineering processes in the high-tech industries and professions of the future will be performed. The centre will be thematically divided into laboratories, united by the so-called "Cosmodrum" - a space for sharing the results of students' projects. This will stimulate self-study skills, teamwork and critical thinking. Specific focus will also be dedicated to vocational schools with the creation of Centre for Digital Creators

**Don't let the rural schools perish!** To respond to the local community needs and respond to education challenges in rural areas, the commune of Ciugud (Romania) established a Smart School, in which about 130 children previously studying in several villages of Ciugud will study together in the new school with 9 classes, starting with the preparatory one (0) and up to the eighth grade. Children have virtual textbooks, and lessons can be tracked from home, in the online environment. The intelligent system implemented in the school allows the lighting and air conditioning in each class to be adjusted according to preset scenarios or with the help of sensors. In the case of lighting, the sensors turn on or off the light when they notice the presence in the classroom and then adjust it according to the daylight so as not to affect the eyes of the children. Gheorghe DĂMIAN, mayor of Ciugud commune highlighted that:

"the most important investment to be made in a community is in children because they represent the future. We have noticed in recent years that more and more parents are choosing to take their children to school in Alba Iulia city. As a result of the discussions with them, I understood that in Ciugud commune there is a need for a modern, friendly school in which we must use the most modern teaching methods. This is how the idea of a smart school was born, in which teachers will use technology in the teaching process so that lessons become more attractive to children. We believe that the village school should be supported and should not be allowed to die because all children in rural areas have the right to education. We thank all those who supported us in this project."

The Association of Communes of Romania (ACoR) have developed a series of public policy proposals that lead to the sustainable development of the Romanian village. It is obvious that rural development requires education, and this means school (supporting it, even if the number of children does not fall within the limits imposed at national level), in this regard we have developed the proposal for a public policy on education. ACoR

members aim at increase in the enrolment rate in preschool, primary and secondary education in rural areas by at least 15%, but also the reduction of school dropout related to primary and secondary education to 1%, in the next 10 years. They understand the need investments to equip schools with IT equipment (in these difficult times it is necessary to equip and train both teachers and students with such equipment, and it is clear how deep are the inequalities village - city are from this point of view). For increased promotion and better school results of students in rural areas are needed laboratories, libraries, non-formal activities spaces, gyms (which could benefit the entire community). We believe that the provision of such facilities (such as access to health services and education) discourages the depopulation of the Romanian village. The Association of Communes of Romania wants to protect and preserve the traditions of the Romanian village, but also to modernize it in order to become productive and sustainable.

**The EU has supported the p**rocess of switching to digitalisation in education. The Government of Romania Emergency Ordinance no. 144/2020which provides for the allocation of 175 million euros from European funds for the purchase of IT equipment to be granted to students in order to access online learning platforms, protective equipment for students and teachers and modular spaces for safe deployment of the educational process or for the arrangement of the sanitary groups. The implementing authority is the Ministry of European Funds, through the relevant departments, and the beneficiaries are the local public authorities and / or the educational units.

**Overlapping responsibilities** risk hindering education process during the pandemic. CALM has supported intergovernmental dialogue and coordination between local governments and the national government as regards the challenges faced by local governments in managing the activity of educational institutions in their communities during the pandemics, as a result of the unclear legislation on roles and responsibilities across levels of government. The Minister of Education of Moldova recognized three fundamental challenges stemming out from the COVID-19 crisis: the lack of technology, the lack of internet and the lack of digital skills in a part of the population. The Minister also committed to providing equipment and internet connection to teachers and students who do not have computer technology, while also stepping up efforts to build the capacities of teachers on the use of digital resources. According to CALM President, Ms. Tatiana Badan, mayor of Selemet village, Cimişlia, during this period, in many villages in the Republic of Moldova it was not possible to remotely continue the education process in kindergartens.

"From the moment the state of emergency in the Republic of Moldova was declared, the employees of the kindergartens from Cimişlia district were granted annual leave. But how will we proceed in the summer when parents will have to go to work? At the same time, there must be legal clarity in salary relationships. If we keep paying the technical staff of these institutions, we could, for example, involve them in other activities", said Ms. Badan. The President of CALM proposed also that from the savings made now, it should be possible to purchase computers or connect to the Internet of preschools children where it is lacking, but for this it is necessary to give local governments the possibility to make changes in local budgets since it refers to conditional grants. CALM Executive Director Viorel Furdui underlined that LPAs need more leverage to be able to make more decisions, depending on the situation in each community. According to CALM Executive Director, the methodologies developed by the Ministry that also target the work of local authorities should be consulted with LPA representatives when conceptualizing them, thus avoiding many of the discussions that are taking place now and many of the issues they currently face.

Old Town Municipality – Sara jevo animates elementary school students to paint and write rhymes and awards their work on the topic #stayathome. To help students who are not allowed to leave their homes to get through this difficult period of isolation, Old Town Municipality – Sarajevo (Bosnia and Herzegovina) launched a competition for students from grade I to IX. Students were invited to paint works of art and write rhymes on the topic #stay-at-home and submit them to their schools. They are expected to convey their emotions and everything they experience as a result of the situation across the country and the spread of the COVID 19 virus: fears, doubts, worries or carelessness, loneliness and lack of friends, worries and joys on paper through pictures and songs. Out of the submitted papers, a competent committee will select the best 12 works (six fine arts and six literary works) to be voted on through the municipal FB page. The students whose works will have the most likes will receive a cash prize.

**Competition on "Reading-friendly municipality".** The Association of Municipalities and Towns of Slovenia (SOS) n cooperation with the Slovenian Public Libraries Association, and Ministry of Culture of the Republic of Slovenia organised the 4th Reading-Friendly Municipality" competition". The selected dates of competitive activities have a symbolic meaning, because they are related to the date of dead and birth of one of the greatest Slovenian poets, France Prešeren. The aim of the competition is to encourage **municipalities to implement measures for the improvement of reading literacy, promotion of reading and development of reading culture** as well as raising the awareness of reading as a value of life. Until 2020, the competition has been successfully encouraged by many participative municipalities and in total 38 of them have been already titled. SOS is aware of the meaning of literacy among citizens and therefore has a pleasure to support operations of local public organisations that support educational processes.

**Promoting sports and culture in a new way.** Municipalities in Turkey have come up with new methods to sustain their public services in order to prevent the spread of coronavirus. In the field of education and training, several municipalities continue to provide education through online tools. The sport teachers affiliated with the Sport Centers of Kocaeli Metropolitan Municipality (Turkey) have been sharing training videos for students and their families to keep them doing their exercises.

On the other hand, Pendik Municipality Art Academy and Ümraniye Municipality Music Academy in Turkey started to deliver online courses to trainees. Moreover, Beylikdüzü Municipality (Turkey) have given online access to more than 3000 books without demanding a fee for those having membership in the municipality's libraries.



Liberating minds within confined spaces. The outbreak of Covid-19 and the consequent psychical distancing measures taken to contain the virus have been negatively affecting the psychology of people. For those who have been already staying at home for weeks, it became harder to continue living in a limited space as such. Municipalities in Turkey, being determined to keep people at home, have come up with several solutions to help people to deal with the current situation in confinement. Of such solutions, we see that several municipalities organizing cultural activities. Ankara Metropolitan Municipality started a free if charge virtual exhibit a total of 127 paintings of around 50 artists on its website. Several municipalities such as Sancaktepe and Maltepe have broadcasted cultural activities such as theatre performances or music concerts on their social media accounts including You Tube.

**Stay Home, Stay with Books.** A different project comes from Sakarya Metropolitan Municipality (Turkey) which has set out with the motto "Stay Home, Stay with Books" and distributed books to its residents. Within the project, around 3 thousand books have been delivered to the new owners to date. Tuzla Municipality (Turkey) has organized several competitions such as "A Scene from Home" photography contest and "Stay Home, Play for Turkey" music contest, bringing excitement and joy to houses.

**At the time of the pandemic, turn up the radio a little**. In April 2020 the Herceg Novi April Theater Festivities migrated to the radio. The HAPS radio motto "Turn up the radio a little" brings different but quality cultural content to the homes - radio dramas. Theatre lovers will have the opportunity to listen to 15 radio dramas on three radio stations, in four terms. *"It was very important that at the time of the pandemic, with all the restrictions that are imposed, we hold this festival,"* the organizers said.



The production of contemporary radio drama was presented through radio phonic works of national public broadcasters, as well as art faculties / academies from the region, and this year HAPS participants are Croatian Radio, Radio of Bosnia and Herzegovina, Radio Belgrade, Radio of Montenegro, Academy of Dramatic Arts of the University in Zagreb, Academy of Performing Arts, University of Sarajevo, Faculty of Dramatic Arts, University of Arts in Belgrade, Faculty of Media and Communication, Singidunum University and Faculty of Dramatic Arts, University Montenegro.

# 2.2. Covid-19 impact and response in social protectionLeave no one behind

Immediately after the announcement of the first cases of coronavirus infections, South-East European municipalities took a number of measures to protect the population and limit the spread of the virus. Following the declaration of the state of emergency, local governments mobilized significant resources - human and financial – to fully implement orders of the health authorities and to preserving the health and safety of citizens while providing also the basic municipal services to citizens. However, the tasks assigned to the municipalities in relation to the anti-epidemic measures and monitoring exceed by far the funds planned in the municipal budgets, and reserves in many places are exhausted.

In Bulgaria, during the state of emergency and up to three months after its abolition, mayors are not entitled to close or reduce the capacity of social services delegated by the state due to lack of users, with the exception of specialized institutions for children. It should be noted that social distancing requirements led to a significant increase in the number of people being cared for by the municipal social services. Volunteers' teams for food and medicine delivery were mobilized in all municipalities. At the same time the municipalities at their own expense provide volunteers, engaged staff and senior citizens with protective equipment, fuel, vehicles and provide logistics.

### 2.2.1 Caring about the most vulnerable

**Municipalities' unimpeded service for the disabled.** The COVID-19 outbreak has impacted different groups in different ways, requiring that local governments handle the situation for each group in a different manner. This is especially valid if the group in question is people with disabilities who experience the world differently. To ensure the protection of the disabled, several municipalities in South-East Europe have been taking measures which are specifically targeting their special needs.

The Support Centre for Disabled Children and Their Families at **Sariyer** Municipality (Turkey), has prepared a roadmap to support disabled children and their families in quarantine to spend quality time at home. Within the framework of the roadmap, families are provided with the psychological consultation by the experts who reach families in question through voice or video call. The centre is also streaming informative videos in its social media account. **Saray** Municipality, on the other hand, is delivering food to the disabled. **Eyüpsultan** and **İzmit** Municipalities have addressed the special need of hearing-impaired people who have difficulty in communicating due to facemasks. The municipality has started to produce a transparent facemask specifically designed for those people to communicate with their environment through lip reading. Some mayors have also been active in supporting the disabled in dealing with the situation. Alinur Aktaş, Mayor of Bursa Metropolitan Municipality, met the disabled people through online platforms and listened their problems and ensured them that the municipality would take care of their needs.

Municipal Social Fund for COVID-19. The municipality of Gabrovo (Bulgaria), created a Municipal Social Fund for COVID-19 to support individuals and families **experiencing difficulties** as a result of the economic consequences of the pandemic. The need for the fund arose in the process of identifying people in difficulty who have not been part of the users of common social services. They needed a temporary support and stability, not constant care. The Fund is financed entirely by the budget of the municipality. The support is in the form of food vouchers. The value depends on the number of members of the household. The creation and operation of the fund was a joint work of the municipal administration and volunteers. Additional efforts include the creation of a **Crisis Social Kitchen**, establishment of a group of specials working in social services to respond to citizens requests and needs, coordinating with volunteers and delivering support packages with food and medicines. A largescale campaign was conducted to inform people about the types of support and assistance they can receive. In addition, the municipalities of Gabrovo, Burgas, Devnya, Hisarya, Dimitrovgrad in Bulgaria, have organized campaigns for raising money for purchasing food packages or in-kind donation for people with low income, elderly, lonely living or disabled citizens.

**Stay at Home portal for helping the eldest, donations and volunteering launched in Belgrade.** The City of Belgrade has launched the "Stay at Home" web-portal as part of Belgrade Municipal Response the COVID-19 crisis. Through this portal, assistance is provided to citizens over the age of 65 and the most vulnerable citizens. In a few very simple steps, the oldest citizens can choose the municipality in which they live, contact the municipal crisis staff by telephone or fill out and send an electronic request

for assistance, thus quickly and easily ordering the necessary supplies and medicines. After receiving the electronic request, volunteer teams will quickly take orders and make sure that the most vulnerable are delivered to their home addresses as soon as possible. At the same time, the web portal provides the opportunity for citizens to donate and volunteer.

INSTRUCTIONS F	OR OBTAINING ASS	ISTANCE
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**Caught between the earthquake and the pandemic.** The municipality of **Tirana** (Albania), has provided **support to 36.000 families caught between the earthquake and the pandemic** in Tirana with food, shelter and medicines through the network of the municipal social service employees and community volunteers.

**No rents for social housing.** The municipality of **Tirana** (Albania) supported vulnerable groups by abrogating rent payments for tenants in social housing buildings. The decision was approved by the municipal council and a total of 385 families benefited from this initiative. At the same time, the municipality urged private landlords to do the same in favour of families and small businesses to help them overcome financial difficulties because of the COVID-19 situation. Similarly, **Bursa** Metropolitan Municipality (Turkey), exempted those aged 65 and above utilizing municipality's holdings from the payment of the rental fee.

**No utility bills for the most vulnerable**. The Municipality of **Mali Zvornik** (Serbia) provided direct assistance and support to the most vulnerable in the context of the pandemic. The municipality settled the utility for garbage and water supply services and provided additional aid in terms food packages, gloves and protective masks for the most endangered citizens

**Support to the most vulne**rable community members. The Municipality of Shkodër (Albania) has created a database with all the families and persons who requested support from the municipality, identifying the different typologies of needs, challenges, risks etc., so that the most adequate support is provided to citizens in need. The assistance was provided in cooperation with public and non-public entities, including international, national and local NGOs, the Network of Community Centers and Social Care Institutions. The municipality has created dedicated telephone lines and call centers to engage with citizens. Shkoder has also been monitoring vulnerable or affected residents in areas endangered by the risk of other natural disasters such as landslides, floods, etc.

The municipality of **Roskovec** (Albania), in close coordination with civil society and voluntary groups has assisted groups in severe economic distress with social and financial assistance. Besides persons with economic difficulties, support was provided also to persons that worked in the informal labor marked and that lost their job because of the pandemic. Since the onset of the COVID-19 pandemics, supporting the most vulnerable, in particular those in extreme poverty and the elderly has been at the core of the activities adopted by Albanian municipalities as a response to the crisis. It is reported that between March-June 2020, 233.248 families have been supported with food packages, medicines and other types of support.

The Municipality of **Ferizaj** (Kosovo) also has been providing support to the most vulnerable community members, with food and medical supplies, including clothing and hygienic materials. Efforts were coordinated with local businesses, volunteers and village leaders to identify families in need. In total, Ferizaj has provided support to about 20% of its population for about 100 days.

The Municipality of **Novo Sarajevo** (Bosnia and Herzegovina), has provided support to public kitchens with which the Municipality of Novo Sarajevo cooperates. A total of 2250 **packages for socially endangered families and mothers** were provided helping them also avoid leaving their homes during the lockdown.

**Sultanbeyli** Municipality (Turkey), delivered hot meals to the elderly twice a day. The meals were cooked in the cafeteria of the municipality and then delivered to homes by responsible teams in accordance with the hygiene and health rules. Additionally, the municipality disinfects the homes of the elderly and meets their basic needs such as food and cleaning materials. Also, the support teams are making grocery and pharmacy shopping for them regularly. Kağıthane Municipality addresses the psychology of the older people at home and provides psychological support to those who are suffering from anxiety and boredom via phone.

In most communes in **Romania**, vulnerable people received home care with the help of community nurses and health mediators. Most of the staff of the town halls volunteered

to buy food and medicine for those who could not leave their homes during the state of emergency.

**"Heart of Kotor" beats for the citizens of Kotor.** Volunteering, tolerance, empathy, solidarity, a sense of fulfilment and satisfaction are just some of the characteristics that make volunteers stand out. They are the most important resource for implementing social change. Since the beginning of coronavirus crisis in mid of March, "Heart of Kotor" volunteers distributed 1000 packages to those in need, had 250 home visits and transported citizens 240 times to their desired location.

"We help absolutely everyone who calls us. We are here to do everything we can to make this easier to overcome. It's hard for everyone, including us. Sometimes we would like to provide more, better and faster ... In addition to the basic goal of helping and transporting fellow citizens, we must not forget that we must all try to stay healthy, and all of us together have to bring this ship sailing for over a month now to a peaceful port" says one of the "Heart of Kotor" volunteers Ranko Borozan.

With the work and engagement of volunteers more than 3000 citizens of Kotor have received help and support as of May 2020.

**Fiscal relief measures for vulnerable groups.** The municipality of Shkodër (Albania), adopted several fiscal relief measures, by both reducing or eliminating fiscal obligations for specific categories of taxpayers and by postponing the timelines for the payment of reduced local taxes and fees.

Adopt a grandmother initiative. The municipality of Tirana (Albania), launched the Adopt a Grandmother initiative – with young people volunteering to supporting lonely elderly neighbors by sharing a home-cooked meal or providing them with food and medical supply.

**Solidarity in the times of c**risis: Turkish municipalities say: "We are here" -Municipalities across Turkey display solidarity with the public in several ways in order to alleviate the economic burden on people's shoulder during the corona crisis. Some municipalities in Turkey have launched aid campaigns for people in need. **Ankara Metropolitan Municipality,** for instance, has created a "**solidarity platform**" which targets different vulnerabilities originating from different reasons. Within the framework of the platform, people aged 65 and above have been informed on the markets which are available to their services, and people with a poor economic condition or those whose economic situation has been negatively influenced by the corona crisis will be provided with assistance in cash or in kind. On the other hand, **Bursa Metropolitan Municipality**, which has also **exempted those aged 65 and above utilizing municipality's holdings** from the rental fee, launched a service called "Card16" in which approximately 130 thousand households are provided in-kind assistance. Similarly, **Osmangazi Municipality** provided food assistance to those in need. The municipality of **Lovech** (Bulgaria) **cooperated with volunteer network to distribute food and medicines or provide psychological support to elderly citizens** that live alone and persons with chronical illnesses, including the vulnerable groups.

The Municipality of **Shkodër** (Albania), has provided **assistance to the elderly to cash in their monthly pensions in safety**, avoiding ques and travel to Social Insurance Institutions that distribute pensions. In order to avoid gathering of pensioners at one place in the post offices, where usually elderly people receive their pensions, the municipality of **Smyadovo** (Bulgaria) sought the help of Bulgarian posts EAD Shumen for organizing their delivery. The municipality is ready to organize the distribution of pensions to the homes of the elderly. The information Centre also prepared a specimen of an authorization to receive a pension that can be used. In the villages, mayors have this specimen and they will be responsible for organizing the delivery.

The Municipality of **Sakarya** (Turkey), engaged in securing and **delivering food and medical supplies to elderly citizens** above 65 years old. The Elderly Support Centre (YADEM), of the Sakarya Metropolitan Municipality, worked to meet the needs of citizens over the age of 65 during curfew. Elderly citizens who needed regular needle therapy were treated. The municipality has also been distributing free books to encourage reading while staying at home. Books were delivered to thousands of families with the "Stay At Home with Book" campaign.

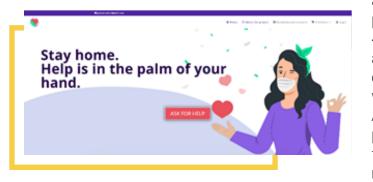
The municiapality of **Kocevje** (Slovenia), have provided emergency care for the elderly and other vulnerable groups with food and medicines. The Municipality of **Logatec** (Slovenia), has provided free meals and food delivery for vulnerable groups. The Municipality of **Velenje** (Slovenia), helped the elderly, disabled and other risk groups by providing them with a free food and medicine delivery service. A group of volunteers was responsible for delivering warm meals once a day, necessary medicine, and other goods from the store. People could also order fresh fruit and vegetables from local suppliers since the market had to be closed.

The municipality **Selemeti** (Moldova), in the framework of the project **"Be Better for the saddest than us"** financed by the international humanitarian organization "NORGE-MOLDOVA" and in partnership with the Local Public Authority provided support with food and hygiene products like gloves and disinfectants etc. to socially the vulnerable citizens. Young volunteers also supported the provision of **information and psychological support** via telephone to Selemeti citizens.

After the distribution of more than 2,800 packages to pensioners whose pensions are below 30,000 dinars, volunteers from the Municipality of **Žabalj** (Serbia) prepared an additional 1,000 packages to be distributed to seniors who were not covered by the first package distribution. Čedomir Božić, the Mayor of Žabalj, emphasized that the assistance and support provided daily to the elderly, in addition to the introduced measures, is of great importance in the fight against the Coronavirus. According to Mr. Božić local government is there to pay attention to every individual!

Helping Hand - Platform for Municipalities The municipality of Shkodër (Albania), adopted several fiscal relief measures, by both reducing or eliminating fiscal obligations for specific categories of taxpayers and by postponing the timelines for the payment of reduced local taxes and fees.

Adopt a grandmother initiative. The Association of Municipalities and Towns of Slovenia has collaborated with the Faculty of Electrical Engineering of the University of Ljubljana in preparation of a helpful portal for municipalities, named HELPING HAND (sl. POMOČ NA DLANI). The web tool provides a free assistance to people in need, and is available to all citizens of all municipalities. The portal provides assistance in the field of food, pharmacies and childcare with people and organisations who offer this help for free. The working team has in this way partnered with municipalities and local civic initiatives to provide with a questionnaire as many as possible credible organizations and verified help providers in their area. The Platform is beneficial also for municipalities, because they receive an insight into the (geo)location of needs and therefore information



about properly organized needs. The portal was developed as part of the 4PDIH digital innovation hub and is a result of a strategic partnership of both organisations. The project was funded by the Ministry of Public Administration and will be used to prepare measures and policies to fund the digitalisation activities in the municipalities.

**Sewing protective masks for fellow citizens.** Members of the women association Worthy Hands of Kovin from the Municipality of Kovin (Serbia) sew cotton masks to help their citizens protect themselves against the virus. The municipal headquarters provided and distributed all the necessary material. The masks have so far been delivered to health care workers, police officers and Red Cross volunteers. In their spare time, municipal women's associations shifted to making cotton masks in home workshops. Senior citizens have sewn 3,000 masks so far, and another 5,000 are planned. Marija Stanković of the "Worthy Hands of Kovin" Women Association turned her kitchen space into a tailoring workshop. She has made about 500 masks so far.

"I found myself in this business. I do not waste time, I sew 100 masks daily, and it is not difficult for me to know that they are helpful to our fellow citizens" said Stanković. Mirjana Drenča, president of the "Worthy Hands of Kovin", is very proud of her members. "Even in these years, nothing is difficult for us, because this is a struggle of all our citizens. To save even one person's life will be our greatest success" Drenča says, urging citizens to listen to the President of Serbia and to follow the prescribed measures.

In sign of gratitude the President of the Municipality, Sanja Petrović visited the women of the association to personally acknowledge their efforts.

"Today, together with the Kovin Tourist Organisation director, Divna Kirilov, I visited almost all women from the associations of women from the territory of the Municipality of Kovin to thank them for their hard work and humanity that they show through this wonderful action. I am especially pleased that they are joyful while sewing masks because they believe that they are helping to keep our population as healthy as possible. They are safe in their homes, but at the same time, they appeal to everyone else, to whom we will share masks, to stay at home, and if they go out to wear masks, which they have lovingly sewn. I thank them for a large number of masks they sew daily, for the hours they spend on the sewing machine, and we are there for them, for everything they need" said Sanja Petrović.

Volunteers sign up in support the efforts of municipalities in Bulgaria. In only less than 3 weeks into the pandemic, 3604 volunteers have enrolled in the campaign to support the efforts of the municipalities in responding to the COVID-19. Volunteers have expressed their willingness to provide funds, private cars and to support the food and medicine delivery to elderly and people in need. Along with the formations that operate in most municipalities and the volunteers that the Bulgarian Red Cross system works with, the data collected by NAMRB was integrated into a single information system that mayors have access to. The platform makes it clear which volunteer team is available at any given time in the municipality. This enables mayors who run crisis staffs locally to effectively plan where assistance is needed, including whether transfers to neighbouring municipalities might be necessary. In 186 municipalities in the country, telephone lines have been opened for food, medicine and essential goods and services requests by citizens. 233 municipalities have volunteer units with 3140 registered and certified volunteers. The coordination mechanism, established on 29 March at a meeting between Deputy Prime Minister and NAMRB, will allow, if necessary, a volunteer resource to be directed to settlements in need of assistance. The Volunteer Corps will be used also for assistance in hospitals, both for non-medical activities and for supporting medical teams (for volunteers with relevant education and training). Volunteers will support the activities of the National Crisis HQ, the bodies and structures of the Ministry of Health for conduction control on people under guarantine. They will also assist in other municipal activities such as disinfection, food and medicines supply for the elderly, single living people and people with disabilities etc.

**Tivat volunteers provide support to citizens.** The Municipality of Tivat (Montenegro) formed the first volunteer team as well as the Call Center to support atrisk population groups on March 20. The volunteer team consists of local government employees and members of the Tivat Red Cross municipal organization. Tivat Municipality Volunteer Team has assisted and facilitated the municipal support to its citizens. *"The action is aimed at keeping the people at high risk of coronavirus in their homes and getting food in an efficient and fast way,"* said the team coordinator Dubravka Koparan.

Persons over the age of 65, chronic patients, impaired persons, pregnant women, and other at-risk categories are entitled to food delivery through the Call Center service. The call center is available 24 hours while volunteers are on the ground daily from 9am to 7pm. According to Ms. Koparan, the Call Center receives various calls, from service calls to requests for humanitarian assistance, calls for services of purchase and delivery of groceries and medicines, payment of bills, etc. as well as calls for psychosocial support.

**Emergency button for the elderly.** The elderly is more at risk from the COVID-19, prompting governments to take active preventive measures for the elderly, including

isolation in their homes. Local governments have devised various measures to help the elderly at home to meet their different needs. Besiktas Municipality (Turkey), for instance, has provided a device on which an "emergency button" is placed. The device allows its 75+ residents to receive direct and urgent physical and health support after they press it. Likewise, **Sancaktepe** Municipality (Turkey) supplied older people with the similar emergency device to support them in meeting their needs.



### 2.2.2 Caring about children

The coronavirus crisis creates a challenge for many people, and in particular for children. Confining regulations have had a major impact on children's lives. As a result, children were required to spend their whole day at home, which has not been very easy or even acceptable for the young generations. To help children enjoy their times at home and keep them engaged, the municipal authorities in South-East Europe have adopted certain practices.

We read together. In the context of the coronavirus epidemic, and the schools being closed Berceni commune Town Hall, (Romania), meets the need of children through the program: "We read together!" where the employees of the Culture / Library Department read stories and interact with the "listeners" in the online environment, provoking them with questions and contests. More information can be found here.

Similarly, the Municipality of Tirana (Albania) launched an initiative where artists read books to children on social media.

**The first on-line regional fest**ival for children theatre - PIR FEST in Montenegro. Podgorica City Theater presented the First On-line Regional Festival of Children's Theater - PIR FEST from 8 to 16 April 2020. During the festival, the youngest audience had the opportunity to watch 9 regional theatres on the YouTube channel of the Podgorica City Theater, starting at 5pm. The Podgorica City Theater has initiated, and most of the

regional children's theaters accepted, a new action that allows children to attend theater performances during isolation. The festival is of a competitive character, the performances will be valued by the votes of the audience, the so-called likes. Podgorica City Theater participates with "The Wizard of Oz"; Bosko Buha Theater from Belgrade with "The Little Mermaid; Rijeka City Puppet Theater with "Adventures of Little Juju"; Novi Sad Youth Theater will show "Beauty and the Beast"; Sarajevo Youth Theater "Kekec": Subotica Children's Theater "A pair of shoes"; Little Theater "Dusko Radovic" from Belgrade "Scary Stories of the Grimm Brothers"; Pinokio Theater "The Jungle Book"; and Kotor Children's Theater Festival with the project "Care for Children: How Big People Grow".



**Fairytale Time. Maltepe Municipality** (Turkey), launched "Fairytale Time" broadcast on the YouTube channel of the Mayor Ali Kılıç. Upon the same channel, a child movie titled "The Talpidaes: Hounted Forest" has been shown. **Beşiktaş Municipality** (Turkey), likewise broadcasts programmes for children on the municipality's YouTube channel. **Sarıyer Municipality** (Turkey), has been carrying its activities organized within the framework of "Sarıyer 95 Project" to the online platform. It continues to provide voluntary

consultancy services with the parents to inform them how to reorganize physical spaces at home in a way that allows little children to play in there; and share photos coming from those parents on the project's Instagram page titled "sariyer95\_projesi". **Beyoğlu Municipality**, (Turkey), on the other hand, organized a series of online contests with a motto of "**Stay Away from Outside**, **Not from Competition**". These contests focus on the field of poetry, painting, and



design. Apart from these activities, several mayors gave special attention to children. Mehmet Murat Çalık, the Mayor of **Beylikdüzü Municipality** (Turkey), made a video chat with the autistic children and ensured them that their education at the Beylikdüzü Municipality Unimpeded Life Center will continue when the corona crisis will end.

**Childcare for front-liners' children.** The municipalities of **Kocevje and Logatec** (Slovenia), has provided an opportunity for **childcare to children with parents working in critical sectors as regards the COVID-19 response**, such as medical sector, police, army and other crucial fields. Similarly, the Municipality of **Velenje** (Slovenia), provided childcare for every family in need. Parents that justifiably could not use leave from their workplace and therefore could not provide care for their children, announced the need of home care assistance to the information centre and the municipality tried to provide them childcare provider through the system of protection and rescue of the municipality.

**Psychological support for the youngest of all.** The COVID-19 pandemics highlighted the importance of the psychologist's service in preschool education. Before the COVID-19 pandemic, a survey prepared by the Bashki të Forta (BtF) project showed that there were only 23 municipalities that provided psychological-social service for preschool children in Albania. Thanks to a successful engagement between the Local Offices of Pre-University Education and the Preschool Education Departments, a series of webinars and video conferences were organized to provide service to citizens. Experts in the field emphasized the need to form a sustainable triangle scheme (parent, kindergarten teacher, psychologist). BtF supported these activities and the successful example in the city of Durrës, for a referral platform for parents gave rise to other municipalities to develop information activities and provide services.

## 2.2.3 Caring about each other

The economic situation of many has been severely impacted by the COVID-19 outbreak. In these difficult times, some people have lost their jobs, seen their income decrease dramatically whereas some others have been forced to take extended unpaid leaves. As a result, many people started to have difficulty in meeting their needs. The situation has become even worse for those who had already been suffering from economic difficulties. In order to alleviate the economic burden over the shoulder of those in need, several municipalities in Marmara Region are establishing varying solidarity channels through which the well-off residents help people in need to meet their economic needs.

Municipalities in Marmara Region are Building Solidarity Channels Among Their Residents. The Metropolitan Municipality of Istanbul (Turkey) introduced the Askıda Fatura 'Pay-It-Forward' campaign, that aims at supporting disadvantaged neighbors and citizens who are not able to pay their utility bills.

With a spirity of solidarity and community mobilisation, citizens were able to help their fellow neighbours by paying their bills anonymously through a digital platform. The initiative borrows its name from a longstanding Turkish tradition that dates back centuries, whereby a person would go to a bakery and pay for two loaves of bread instead of one, telling the baker that the other loaf will be "on the hook" for another person in need. who might be unable to afford bread – hence the name paying the favor forward. The Askıda Fatura 'Pay-It-Forward' campaign provided the citizens of Istanbul with an opportunity to help their fellow neighbours burdened with utility bills during the COVID-19 crisis. The campaign helped 22,000 families



in Istanbul to have their outstanding bills paid in under 10 hours, using an anonymous payment algorithm on the IMM website. Donations received as of July 9th total 175.519 invoices valued at 3.086.066 Euros. The campaign is being expanded to include also monthly support to mothers for the hygienic needs of their babies

Solidarity Hook: Beylikdüzü and Beşiktaş Municipalities initiated this campaign with the aim of meeting the grocery needs of those with financial burdens. The campaign works in both municipalities as the follows: People make grocery shopping through online platforms and send products to the municipalities. Then, the municipalities deliver products to people in need.

Food on the Hook: Izmit Municipality started the campaign where the food expense of the needy is targeted. Within the framework of the campaign, the municipality makes an agreement with the markets which accept to have a "hook" where the extra products bought by well-off citizens are put for the needy. The foods on the hook in the markets are then collected by the municipal officials in order to be delivered to people in need. Food Bank: Silivri Municipality is collecting food through the Food Banks that they established and then delivers those foods to the needy.

**Plovdiv – City of Goodness.** "Plovdiv – City of Goodness" is a continuation of the activity "The most decent person". The mayor Zdravko Dimitrov stressed that there is a need to talk about the goodness and examples of people with big hearts should be shown, distinguished and thanked.

"The idea of the campaign is to thank those who completely unselfishly lend a hand to a person in need or are making efforts for the development of society. There's nothing like helping a person in distress and that came out especially important in the year of the COVID 19 pandemic", he said. "Many donors and volunteers have supported the municipality in the sphere of healthcare or social services, proving that in difficult times we can be good and responsive", added the mayor.

He has called on all citizens of Plovdiv to nominate and distinguish modern examples of kindness. Plovdiv citizens could make their nominations in four categories: educational activity, social activity, urban development and good deeds. The jury consisted of

nine specialists with experience in one of the four nomination categories. The award ceremony took place on 27 June in the Tsar Simeon's Garden.

**Equality Starts from Home.** COVID-19 deepens the existing inequalities between men and women as the latter are more vulnerable to the multi-faceted impacts of the COVID-19. One manifestation of this situation is that women in some households are the sole responsible for the house works while they have to work from home. In order to empower women in these circumstances, several municipalities in Turkey have been carrying out specific activities. As one example of such attempts, Beşiktaş Municipality has launched a social media campaign titled "Equality Starts from Home". Rıza Akpolat, the Mayor of Beşiktaş Municipality, shared images on gender equality with the tag "EşitlikEvdeBaşlar" (Equality Starts from Home) and stated that there are three unwritten rules in the quarantine times which are as the followings:

- No women's work, no men's work; just housework
- Everyone can manage to clean the house
- Taking care of children is a common task of both parents

# 2.3. Covid-19 impact and response in healthcare2.3.1 Municipal healthcare response to the covid-19

**Bulgarian municipalities started testing of citizens for COVID-19.** On their own initiative several municipalities in Bulgaria started testing of citizens with quick COVID-19 tests. In Bansko, which was the first town under lockdown, two medical teams of Regional Health Inspection have started the gradual testing of people from risk groups for COVID-19 in Medical Centre "Holy Annunciation". Testing was conducted under a predrafted list to avoid gatherings of people. Pool testing for COVID-19 virus conducted in Burgas as well. Testing by pool methodology has been verified and lists of risk groups

were drawn up and phased in. When several samples were collected and tested positive, individual testing was carried out. In this way, the number of the surveyed persons was significantly increased and data on the health status of the population be collected in a much shorter time. The testing was conducted by nasopharynx swab sampling. That way up to 10 to 20 people could be tested in one go. Similar measures



were taken in the capital - Sofia and Stara Zagora municipalities. First to undergo the procedure were police officers, doctors, social workers, administrative employees at front desks working with clients, employees of social patronage, teams that deliver food

products to homes. Testing was made by specialists from Burgas hospitals, Reference laboratory, Pulmonary Hospital and the Regional Health Inspectorate. Upon a positive result in the pool group, re-examination of all the checkers was performed.

In April 2020, in 79 municipal hospitals in Bulgaria, 233 beds were allocated for intensive treatment and monitoring of patients with COVID-19, following the Order of Minister of Health. A total of 2 908 beds were provided for patients without complications. In many places, the implementation of the order was related to unscheduled repairs and reconstructions on the territory of municipal health facilities, which were supported by funds from municipal budgets.

**Virtual Health Clinic in Bansko** - Doctors, specialists in various fields, assist with online consultations the residents of Bansko (Bulgaria) as the city is under full lockdown. The Virtual Health Clinic was established on March 26th, and in just a few hours 15 doctors joined the initiative of Prof. Pandev, the founder of the group in Facebook, who is also one of the leading endocrine surgeons in Europe.

They are from Lozenets University Hospital, I am a representative of ISUL, Alexandrovska Hospital, Sofia. We are in different profiles - from endocrine surgeon, gastroenterologist, resuscitator-anesthesiologist, radiologist, general surgeons, etc. The idea is simple - to provide Bansko residents with the appropriate online medical help for free the fastest way possible, since Bansko is under strict quarantine." – shared Prof.Pandev.

The first consultations were also made and treatment was prescribed. Doctors discuss the cases with each other and if necessary, contact patients via telephone on the platform. The unique online health consultation initiative compensates for the quarantine restrictions in Bansko and helps available physicians in the city, which are only 9.

**Three more temporary hospitals in Belgrade.** Deputy Mayor of Bellgrade, Mr. Goran Vesic on 1 April 2020 announced the preparation of three more temporary hospitals in Belgrade with the installation of beds in the "Sports Hall", the "Pioneer Hall" and the "Stark Arena". The three new temporary hospitals have a capacity between 2000-2500 beds helping the city manage the pressure on hospital structures. The deputy mayor urged for the understanding of citizens on the seriousness of the situation and warned that it takes only one percent of people who do not comply with the emergency measures can endanger the other 99 percent

**Novo Sarajevo Municipality p**rovides funds for purchasing Respiratory Supplies. The Municipality of Novo Sarajevo (Bosnia and Herzegovina), through the Civil Protection Service allocated funds for the procurement of two respirators for two Sarajevo hospitals in order to help combat the spread of the virus corona epidemic. In his address, Mayor Nedzad Koldzo said that one of the decisions of the Civil Protection Headquarters was to direct part of the funds towards these two primary medical institutions in the Sarajevo Canton. "By allocating these funds, we, as a local community, want, not only declaratively, but also practically to assist in the procurement of equipment for the General Hospital and the Clinical Centre of the University of Sarajevo, especially with what is the priority today when it comes to the treatment of patients with coronary viruses, the procurement respirators over which has been much controversy in the public recently", said Mayor Koldzo.

**Municipalities engage add**itional healthcare staff to assist citizens. All municipalities of Kosovo have engaged additional staff to assist their citizens in sensitizing, preventing and monitoring the condition of those infected with COVID-19. The Collegium for Health of the Association of Kosovo Municipalities (AKM) highlights that most municipalities have set up tents for the reception of citizens in which they have engaged the staff of Main Family Medical Centre's (MFMCs) and field teams. Municipalities have been giving their contribution at border crossings, where the primary health care staff in municipalities have their own teams engaged at Kosovo border crossings depending on the geographical position and the region in which they are located. According to the Municipal Directors, epidemiologists or infectiologists are included in these teams as support staff. According to the Chairman of the Collegium of Directors of Health at the AKM, Dr. Bujar Gashi, municipalities are giving their maximum contribution to overcome this situation despite the difficulties they may have.



Municipalities ready to provide services for receiving parenteral therapy for patients with COVID-19. Despite the challenges that municipalities are facing, being in the front line in providing services and managing this pandemic situation, municipal departments of health are faced with numerous difficulties in meeting the requirements and provision of health services in defence of COVID-19. Due to the increase in the number of infected with COVID-19, Kosovo municipalities faced the constant demands of citizens in providing services for parenteral therapy at the Main Family Medicine Centres (MFMC). Although not foreseen in the concept of family medicine, a local responsibility, municipalities are committed to overcoming this situation where they have taken responsibility in providing this therapy for the benefit of patients. Despite the workloads and limited capacities in providing this therapy, the municipalities have taken initiatives in defining a special centre which would be in function for the treatment and in offering this therapy. Such an initiative was undertaken after the increase of visits by patients with COVID-19, who are referred by the secondary or tertiary level of health. Also, for this purpose, the Municipal Health Directorates have formed teams for family visits in offering this therapy so that patients do not walk to different centres from case identification to treatment and provision of parenteral services. One of the problems was the lack of oxygen in health institutions, so such a concern should be addressed and taken seriously by the Ministry of Health. In terms of cooperation with the central level, it remains the main link in advising and taking measures and decisions regarding preventive measures to be taken in the future.

**Banja Luka "You are not alon**e" campaign: Delivery of medicines for people over 65. The City of **Banja Luka** (Bosnia and Herzegovina) issued a public invitation to health institutions - pharmacies to join the "You are not alone" campaign and deliver medicines to elders above 65 years old in their homes so that they minimise their exposure risk. Delivering medications to the elderly and those in need remains one of the fundamental aspects of the SEE local governments response to the COVID-19 crisis.

**Municipalities takes matters at hand and produce and distribute protective masks.** The early weeks into the pandemic shown a new challenge for all levels of government – ensuring the availability of protective masks. SEE municipalities have made great efforts to equip residents with masks in order to prevent the spread of COVID-19. The municipality of **Sakarya** (Turkey), engaged in **producing and distributing about 4 million masks** to all citizens, purchasing and **setting new disinfectant pumps all over the city**, especially in front of the ATMs, public building, hospitals, bus stops etc. The municipality has also supported hospital staff by providing them disinfectants and necessary protective gears. Other metropolitan municipalities such as **Kocaeli**, **Bursa** and **Tekirdağ** as well as district municipalities like **Beyoğlu** and **Büyükçekmece** in Istanbul have started to produce their own masks. Several other municipalities such as **Istanbul Metropolitan Municipality, Edirne, Bilecik, Yalova, Kepez** and **Kartal** Municipalities distribute free masks to the residents. The Commune of **Sadu** (Romania) engaged in producing protective masks, which were distributed to each house within the "one mask for each house" campaign.



A dedicated place for healthcare professionals. Izmir Metropolitan Municipality (Turkey), rented a dormitory and a hotel for health care professionals to have a rest and for the safety of their relatives to be guaranteed.

**Providing protective equipment for healthcare workers and front-liners.** The town hall of **Straseni** (Moldova) called upon the whole community to **donate "one working day for the equipment of the health institutions of Straseni"**. This appeal was addressed to all citizens, to the expatriates (citizens living abroad), to companies and associations. In this context among others 316 employees of institutions subordinated to Straseni town hall, donated their "salary for one working day" to purchase equipment

for the health institutions. The municipality of **Colibasi** (Moldova) asked its diaspora **for support in providing hygienic and medical equipment for local healthcare centers.** Thus, 4000 tubes of disinfectant, 6,000 pairs of gloves, masks, disinfectants, etc. arrived from Great Britain and France. Supplies were delivered to all medical facilities in the municipality, although medical facilities are not in the competence of Moldovian



Local Governments of 1st level. The local Colibasi Health Center also provides its services to two other municipalities (11,000 people) and the emergency medical station. Beneficiaries of this action were also staff of grocery shops and public institutions in Colibasi. The municipality of Straseni (Moldova) has created an **online platform for gathering equipment** for those in the first line (medical staff, police).

The City of Leova (Moldova) has supported the medical staff, the employees of the rayon hospital, the public health center, the emergency medicine, from the hospitalization department although our resources are very limited. The mayor of Leova, Alexandru

Bujorean highlights that they have also launched a fundraising campaign, collected resources, including from local businesses, diaspora and local citizens and came up with support. With this support they bought masks, protective equipment and disinfectants, a good part of which will go to medical institutions. The Mayor highlights that the Central Government must take care these days, first and foremost, of the doctors, to address maximum support to the health care system, because, if the health care system ceases, all other institutions in the state are worthless.

*"I'm afraid we will get to the situation where the number of beds in hospitals will not be the problem, but the number of doctors",* Mr Bujorean said.

Similarly, the municipalities of Sângera and Edinet in Moldova have taken active measures to secure protective materials for the medical institutions and those working at the frontline.

The municipality of **Troyan** (Bulgaria) conducted **a donation campaign to raise funds for disease prevention and to support the treatment and monitoring of patients** with COVID-19 at local hospitals.

**Lipănești City Hall** (Romania) bought protective masks and distributed them to inhabitants. The protection package contains two masks and two forms for self-statements, plus two addresses with recommendations. The distribution to the population is made by city officials and volunteers. The Community Medical-Social Center Luncavița (Romania), inaugurated on 10 October 2018, crowns the immense work of a team that laid the foundation of a prototype system of integrated functioning of medical and social services. Thus, **Luncavi a commune** operates a system whereby the elderly, children at risk, persons with disabilities or those who are not medically insured,

single parents, all those in difficulty, receive integrated services from community medical assistants, social assistants, elderly caregivers at home, the staff of the Mayor's specialized apparatus, the representatives of the school and the Church, in order to prevent marginalization and social exclusion, with the purpose of improving the health and quality of life. The City Hall provides to the centers, the local voluntary service for emergency situations and to the



local police protective masks, which were distributed first to the vulnerable persons, to the representatives of public institutions and to the citizens in need, within the limits of the available stocks.

The Civil Protection of the Municipality of **Kočevje** (Slovenia) supplies **protective equipment to the most exposed emergency services and disinfects critical points in public areas,** where contact occurs (e.g. ATM keys). The Municipality of **Logatec** 

(Slovenia) has distributed **protective masks** to citizens, by giving a priority to elderly, chronic patients, single mothers and other vulnerable groups.

**EU-funded COVID-19 test k**its delivered to Republic of Srpska (Bosnia and Herzegovina – BiH). As of 6 April, total of 2,500 corona virus test kits, financed by

the European Union and procured by the United Nations Development Programme (UNDP) in Bosnia and Herzegovina (BiH), have been delivered to Cantonal hospitals in Sarajevo, Mostar and Tuzla, and to the Republic of Srpska Institute of Public Health. EU Ambassador in BiH Johann Sattler stated:



"This is the first in a series of deliveries under the EU financial assistance for emergency medical needs of Bosnia and Herzegovina. A total of €7 million in EU funds will enable the procurement of 80 respirators, 7,500 test kits and 15000 pieces of personal protective equipment."

**Voluntary blood donors active during the state of emergency.** The Institute for Blood Transfusion Niš and Red Cross Prokuplje (Serbia) organized a blood donation action in April, the third one since the state of emergency was introduced in the Republic of Serbia. According to the authorities in the Red Cross, 31 units of this valuable liquid have been collected, which is always necessary, especially during the difficult period in which we are.



"The appeal and commitment of our volunteers have contributed to the response of regular donors, but also those who have just decided to become voluntary blood donors and thus contribute to saving lives. "

Voluntary blood donation actions were carried out with special precautions to protect donors, members of the Institute for Blood Transfusion Niš and Red Cross volunteers.

**3D printing in support for fight against Covid-19.** As the Coronavirus pandemic is spreading globally, the health care systems of the most developed countries become overloaded with the COVID -19. The shortage of medical supplies has become one of the main problems. The Capital City of Podgorica (Montenegro) and Montenegrin Employers Federation, together with the Amateur Radio Club of Montenegro, the Polytechnic-

Montenegrin Association for Technical Culture and Montenegro Robotics, have joined in the initiative of providing the missing equipment for health workers of the Clinical Center and other health institutions from the territory of Podgorica. On this occasion, hundreds of visors are being developed at the Capital's Competence Center, which are part of the protective equipment of health workers and have been approved by the competent Institute for Public Health. The deputy Mayor Sladjana



Vujacic stated that "The Capital will continue to work hard to develop this protective equipment, together with our partners, in order to preserve the health of our health care professionals and thus preserve the health of all citizens of Montenegro". The visors are manufactured on five 3D printers that are part of valuable equipment provided through the cross-border project "competenceNET" which is funded within EU programme INTERREG – IPA CBC Croatia-Bosnia and Herzegovina-Montenegro 2014 – 2020. More info here and here. **Muratpaşa Municipality** (Turkey), has also produced face shields with 3D printers which have then been distributed to professionals at risk.

## 2.3.2 Mental healthcare support

Due to the quarantine, the pandemic development, and eventual loss of economic security, psychological disorders such as fear, anger, anxiety, insomnia, depression have become very common. Local governments have responded by providing psychological support their citizens through online consultations.

The Municipality of **Ferizaj** (Kosovo), organized an **online platform of communication** with citizens, for psychological needs involving video lectures from psychologist and psychiatrist, doctors, religious clerics/representatives with aim of providing care of citizens mental health, helping them manage stress, anxiety and panic. The Municipality of **Shkodër** (Albania), also has provided online psychological support for its citizens. The municipality of **Selemeti** (Moldova), also offered **information and psychological support via telephone** to citizens with the support of young volunteers. The municipality of **Kocaeli**, (Turkey) started providing **video psychological support** to citizens of all ages at home. Psychoeducation processes have been carried out to ensure effective communication and quality time in the home for adults, children, individuals over 65 years old and families. Istanbul Metropolitan Municipality (Turkey) created a telephone **support line** in order to provide a psychological consulting for those who are negatively influenced by the social distancing and self-isolation measures. The Psychological Counseling Line which allows people to talk to a psychologist is serving every day of the week. Izmit Municipality (Turkey) has also started to provide psycho-social support to its citizens in dealing with Covid-19 stress where psychologists and social workers provide service during working hours.

The municiapality of **Kocevje** (Slovenia), has provided **psychological support** through the Kočevje Health Centre in mental distress in the face of the epidemic. The municipality of **Logatec** (Slovenia), has provided **psychological support for reduction of panic and stress** of citizens in duration of the pandemic (in cooperation with Logatec Health Centre).

The municipality of **Kolasin** (Montenegro) provides psychosocial support and empowerment for its citizens as part of measures to overcome the coronavirus crisis. The goal of psychosocial support is, above all, the well-being of the individual, family and community, and mitigating the impact of a crisis event, facilitating the recovery process, and preventing or reducing the potential psychological impact. It is intended for all people who are affected by a crisis and are unable to overcome a situation they consider painful and stressful. The support is provided each day from 10am to 2pm.

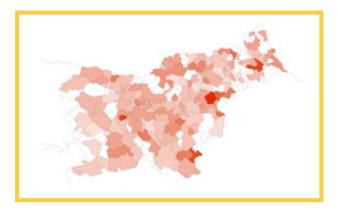


Citizens of **Zvezdara** (Serbia) of all generations who need help and support or to talk to someone in a state of emergency can call on a dedicated line to submit their request to speak with an expert. Their request and basic information is forwarded within 24 hours to the expert volunteers of the Zvezdara Volunteer Service who contact them. Citizens can also contact the Counselling Services for individuals and families by e-mail. In this way, the Counselling Centre of the City Municipality of Zvezdara seeks to help interested citizens to overcome the time of isolation, fear, uncertainty, leisure and loneliness with as little consequences as possible. The assistance of lawyers is also envisaged to provide information in the field of social rights. Free and professional psychosocial assistance by telephone is intended especially for elderly fellow citizens, families caring for immobile, demented and long-term sick and infirm family members, parents and families with partner and authority problems, to overcome the negative effects on mental health during the state of emergency.

# 2.4. Other measures targeting the protection of public health and management of the crisis

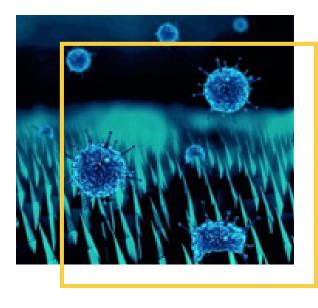
**Using COVID-19 coronavirus tracker.** Tracker is a self-organized and voluntary project in the frame of which diverse team of experts strive to provide verified, up-to-date and reliable epidemic data. Data is provided through charts and maps in the way that people can easily understand the risk of disease and usefulness of adopted measures. All displays, including a map of infected people by municipalities, a counter of infected people with the growth rate and confirmed infected people in each region, is possible to integrate in simple way (e.g. iframe) for free into every website.

Integration of the tracker was already done by the Government, Association of Municipalities and Towns of Slovenia and other stakeholders. Therefore, the Association of Municipalities and Towns of Slovenia (SOS) had addressed municipalities through weekly-news and publication on the website on how to integrate a tracker with a little IT knowledge on their websites. More detailed instruction on adjusting the size

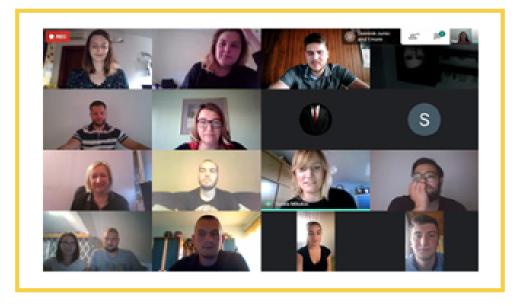


of the charts or showing data for each municipality or town is available here. In the case of Slovenian municipalities, SOS has just acquired an information from the map about the highest proportion of infected individuals in Slovenia. The highest proportion is in municipality with 1,625% infection rate of the whole population. On the other side there is still 59 municipalities (28%) without any confirmed infections.

**Burgas municipality disinfects the city with a special detergent.** The City of Burgas (Bulgaria) was disinfected with a nano detergent, which provides antimicrobial protection for one year. This is an innovative and prize-winning product in the field of "Hygiene and antimicrobial protection". In April several litres of the detergent were tested in different locations in Burgas, such as buses of the public transport, Emergency and Infectious Units at the University Hospital, several public transport stops. 20 days later samples from the treated surfaces were examined and it was found that there was no development of pathogenic microorganisms on them. Considering the results and the loosening of the COVID measures, the municipality will start processing playgrounds, benches in parks, sports areas, buses and stops of the public transport with the new detergent. "Currently we are setting up the organization for disinfection of kindergartens and nurseries", said mayor of the municipality Dimitar Nikolov. For this purpose, in the municipality of Burgas and the disinfection station in the city the necessary quantities



of the product are already ensured. The new technology follows a unique scientific approach, building long-term antimicrobial protection through a nonanalogue nano-covering. Studies show a reduction of microorganism, as viruses, bacteria, fungi, algae and mold to 99.9 % for more than 1 year on the treated surfaces explained representatives of the municipality. They also informed that all airports and planes in Germany are treated with the same disinfectant. In Bulgaria the Medical University of Plovdiv also shares good reviews about the use of the product.every website. **Hackathon "The City for Youth – Križevci 2030".** The citizens of the City of Križevci showed civic activism through two digital events that took place during April 2020. The first is the challenge "Today for Tomorrow", where solutions and a vision for the city were sought after the COVID-19 crisis. A second and larger event was organized by the Youth Council of the City of Križevci, which recognized this format as a good opportunity to empower and facilitate youth participation. They designed the hackathon "City for Youth - Križevci 2030" which brought together young people from Križevci to help design the city's strategy until 2030, but also to introduce to young people the existing city development strategy, action plan for energy and climate sustainable development (SECAP) of the City of Križevci, the City Youth Program and the new National Strategy for Youth.



"This is already the second event in a series that has shown that really good ideas crystallize and show direction for further work. I am extremely glad that everyone together wants to help the people of Križevci. I believe that in the coming months, and in the years ahead, we can do a lot. The city is ready to help and provide education so that we have as many realized ideas resulting from such events as possible." - said Mayor Mario Rajn. "During these two days, young people developed their skills in the areas of information literacy, entrepreneurial thinking and project writing, which they will benefit from in the further development and acquisition of competencies. We managed to get information from all youth structures (high school students, students, employed and unemployed), which will certainly be very useful for the development of the City Development Strategy. I believe that this project has given inputs to the Youth Council, all teams, and especially the City and Križevci Entrepreneurship Centre for further cooperation on various projects related to making Križevci the best city to live."- said Antonio Sirovec, President of the Youth Council of the City of Križevci.

The hackathon was attended by about twenty young people who, through various tools, visualized what the city should look like in ten years, and what actions and changes are needed to realize their vision. They also referred to the current situation in the city, and the changes they want to see and achieve themselves.

We "give back" to our home village what we took away when we left. What do communities of Moldova have in common? In each of these, the exodus of one third of the population is felt in the shortage of human resources and expertise in various areas. Cotiujenii Mari, the largest village in Soldanesti district, is no exception to this. The village has over 3,000 inhabitants. The village has always had schools, kindergartens, music school, as well as a centre of arts for children, with specialized teachers. This helped bring up generations of educated people, who went to study further on and built careers in various fields. However, for years and years these people native from this village would only return home as sons and daughters who missed their parents and homeland, without realising how valuable their expertise could be for their home village.



Something new happened after 30 years of Cotiujeni inhabitants leaving the village. For the first time, 15 natives of Cotiujeni, with diverse areas of expertise, took part in the meeting "Promoters for HOME" – a campaign launched by the UNDP's "Migration and Local Development" Project in its 35 partner communities.

As it happened during the pandemic, the natives could come home only online. They came together from all over the world but also from other communities of Moldova.

The purpose of the gathering was not just to say how much they miss home, but also to discuss common plans for the community based on the expertise that each and every one of them has in such areas as economy, social work, education, medicine, justice, logistics and transport, banking, tourism, trade, IT, interior design, etc. They have thus set a joint purpose: to develop their home community. The most important, however, was that these promoters of local development planned the interventions while communicating directly with the mayor of the village and local leaders.

The meeting in Cotiujenii Mari was not the only one. Other 34 communities around the country organized such meetings during the time of Easter holidays — as part of the national campaign "Promoters for home". These meetings involved approx. 350 natives with professional expertise in various areas, settled in over 20 countries. They came up with over 250 initiatives, which they will implement at home in such areas as IT, economy, tourism, organic agriculture, health, PR and communication, project writing and management, construction, education and sports, culture and history, etc.

**Fourth and fifth anti-coron**a package adopted in Slovenia. In the Act on Intervention Measures to Prepare for the Second Wave COVID-19 temporary measures include mitigation and elimination of consequences of the epidemic in the field of labour, employment, scholarships, and social protection. The main solutions relate to the extension of the measures related to temporary lay-off, compensation for the quarantine order, field of institutional protection under the Social Protection Act and a mobile application for informing citizen about contacts with the infected. The fifth package covered measures in the fields of health, labor, social protection, the economy, education, the enforcement of criminal sanctions and justice, agriculture, economy, food and infrastructure. The package of measures introduces or extends existing measures aimed at protecting jobs, caring for the elderly, and preventing the spread of COVID-19 infections.

**Urban design, planning solutions and delivering social services in municipalities affected by migration.** Marmara Municipalities Union (MMU), in the framework of the RESLOG project, continues to work on tackling the challenges of urban health, safety and security and migration. The rapid population growth caused by migration puts pressure on urban infrastructure and cities' health system as well as increases the demand for municipal services. RESLOG helps identify solutions that take into account public health and security and helping local authorities to manage this difficult situation. Cooperation among stakeholders is key along with the necessity for a holistic and inclusive planning focused on data-driven measures in order to create a healthy and secure city in which social consensus and cohesion are secured.



### The regulation, management and financing of local government social sector responsibilities in Albania

By Elton Stafa, NALAS, and Aida Cacaj, Albanian Association of Municipalities

## 1.Introduction

In 2015, the Government of Albania (GoA) consolidated 373 urban and rural local governments into 61 municipalities.<sup>15</sup> Shortly thereafter. parliament passed a new Law on Local Self-Government (LSGL)<sup>16</sup> and a new Law on Local Self-Government Finance (LGFL).17 These laws were considered as critical components of a larger strategic plan to expand the role of democratically-elected local governments in Albania by creating larger municipalities and giving them more responsibilities and resources.<sup>18</sup>

The LSGL substantially increased the role of local governments in Albania by assigning to them a number of new own-functions. The most important of

them is the responsibility for financing and managing preschools. Others include fire protection, irrigation and drainage, providing counselling services farmers. and managing and to maintaining forests, pastures, and rural roads. Equally importantly, the LSGL also transformed into own functions formerly shared functions in education, social protection and healthcare. In short, the LSGL significantly expanded local government responsibilities in the social sector.

The LSGL also eliminated the category of shared functions. So now there are only own (exclusive) functions and delegated ones in Albania. The elimination of the category of

<sup>&</sup>lt;sup>15</sup> Municipalities make the first tier of local governments. The second tier, are the 12 Regional Councils.

<sup>&</sup>lt;sup>16</sup> Law no. 139/2015, On Local Self-Government (LSGL).

<sup>&</sup>lt;sup>17</sup> Law no. 68/2017, On Local Self-Government Finance (LSGFL).

<sup>&</sup>lt;sup>18</sup> Government of Albania, National Crosscutting Strategy for Decentralization and Local Government (2014).

shared functions, has had important implications for the intergovernmental finance system. As "own functions" municipalities should have sufficient legal authority over these services to deliver them in ways that are aligned with the preferences and priorities of their constituencies. They should also be able to finance them from their general revenues and not from conditional grants from the national government.

When the LSGL was passed in 2015, however, it contained a provision that allowed these new own functions to be financed by conditional grants —called Specific Transfers—for three years. This transitional period was put in place to give the national government time to both harmonize sectoral legislation and to introduce changes in the intergovernmental finance system that would allow municipalities to pay for these new responsibilities from their general revenues. But as of today, this hasn't happened, and the future financing of these new own responsibilities remains unclear and problematic.

# 2.Local government social sector responsibilities

In the area of education, the LSGL that municipalities mandates are exclusively responsible to regulate and administer preschool education and construct and maintain primary and preschool secondary schools. In education, they pay the wages of all pedagogical and support staff and determine school budgets. In primary and secondary education, they pay the wages of some support staff as well as some of the other operational costs of schools. Municipalities are the legal owners of all school facilities. They have also been made responsible for dormitories for pre-university students. Transport costs for student and teachers are covered by the Ministry of Education.

The previous framework law on local self-government (of year 2000) had educational facilities they own, but also for:

defined education as a shared function, and local governments had been given ownership of all schools located in their jurisdictions. As owners, they were assigned responsibility for maintaining and improving school facilities and for paying the costs of all school utilities out of their general revenues. In 2003, local aovernments were briefly aiven conditional grants to pay the wages of all pre-university staff. In 2006, however these payment responsibilities were recentralized for teachers but left in place for support staff.

Law no. 69/2012, "On the pre-university education in the republic of Albania", mandates that municipalities are responsible not only for the construction and maintenance of the

a) guaranteeing the inviolability of the educational institutions, as well as surrounding premises;
b) guaranteeing the hygiene - sanitary conditions and heating in the buildings of public educational institutions;
c) continuous improvement of the quality of the service for all pupils in pre-university education;
d) supporting pupils' enrollment in schools;
e) based on the proposals of the (deconcentrated) local educational units of the Ministry of Education, the Teachers' Councils and criteria approved by municipal councils, support for particular categories of pupils, including those from poor
families, and those with disabilities;
f) the professional development of educators
a) the provision of didactic materials and equipment.

The Law on Pre-university Education enumerates significantly more education responsibilities for local governments than does the LSGL. But it strangely omits that the entirety of preschool education is now an exclusive function of municipalities. This simple example demonstrates that further efforts must be made to clarify the respective roles of the national government and municipalities, not just in preschool education, but across the sector as a whole.

In the area of **social protection**, municipalities are exclusively responsible for the establishment and administration of social welfare services at the local level for people with disabilities, disadvantaged groups, children and women that have suffered violence, abuse and trafficking, mothers or parents with many children, and the elderly. Local governments are also responsible for building and administering social housing and social service centers.

Even before the passage of the LSGL, municipalities had some responsibility to deliver social care services. In fact, social care services were first decentralized in 2005, when a number of mainly residential facilities such as children homes, elderly homes, and centers for people with disabilities were transferred to municipalities. The LSGL also requires municipalities to establish a "social fund for financing social services", in cooperation with the Ministry in charge of social affairs.

In addition to the delivery of social care services, municipalities also have some minor responsibilities in implementing two cash benefit programs, one for the poor, one for people with disabilities. These programs are regulated and financed by the central government and until 2015, local governments played a role – then considered a shared function-- in determining who was eligible for benefits according to the e criteria

established by the law. In 2018, however, this role was eliminated and municipalities now have narrowly defined delegated functions with respect to these two programs<sup>19</sup>

Local government responsibilities in social protection are further specified in the Law on Social Care Services<sup>20</sup>. This law defines the types of social care services that can be provided; eligibility criteria for beneficiaries; as well as the roles and responsibilities of the institutions in charge, including municipalities. The central government, through the Ministry of Health and Social Protection retains the prerogatives of policy design and overall oversight in the social protection domain, including social welfare services.

In the area of **healthcare**, local governments are exclusively responsible for the maintenance of primary healthcare facilities (Ambulatory Centres in 61 municipalities, as well as their affiliated units some 320 communes) and some public health functions (mainly information and awareness campaigns). Primary healthcare centers, provide the basic package of services as defined by the Ministry of Health and Social Protection.21 This includes emergency services; health services for children, health services for women of reproductive age, health services for adults, health services for the elderly; mental health services, as well as health promotion and education.

Local governments were assigned the responsibility for the management of the physical facilities and certain operational aspects in primary healthcare, as a shared function, between 2004 and 2005. However, also in this case, the government did not develop a clear and comprehensive strategy and there was no clear definition in the law of the respective responsibilities of the two levels of government in the area of primary healthcare.

Despite the declarations of the LSGL (or its predecessors), municipalities do not in fact maintain primary healthcare facilities. The Ministry responsible for healthcare retains full authority over the management of primary healthcare services, although some local governments do deliver small scale maintenance work for primary healthcare centers.<sup>22</sup>

Infrastructure in the healthcare system needs significant improvement, despite considerable investment in the recent years. The Ministry of Health and Social Protection is carrying out a program to reconstruct 300 healthcare centers by 2021 and is making improvements in hospital infrastructure. It is also running a program to place doctors outside of the major cities.

<sup>&</sup>lt;sup>19</sup> Municipalities act on behalf of the central government to receive applications and pay out benefits. They no longer have oversight of the social assistance program, or discretion in decision-making over eligibility (run through a computerised system based on a proxy-means tested scoring formula); nor the size of benefits once eligibility is established. The criteria for eligibility, as well as size of benefits are determined through a Council of Ministers Decision.

<sup>&</sup>lt;sup>20</sup> Law 121/2016, "On Social Care Services in the Republic of Albania"

<sup>&</sup>lt;sup>21</sup> Basic package of services in primary healthcare, Ministry of Health, can be accessed <u>here</u>.

<sup>&</sup>lt;sup>22</sup> Mid Term Review, National Crosscutting Strategy for Decentralisation and Local Governance, Ministry of Interior, 2018.

## 3.The financing of local government responsibilities in the social sector

Local government social sector responsibilities in Albania are funded through a combination of numerous earmarked grants and transfers, and local government general revenues.

**Pre-university education**. Total public expenditure on pre-university education

in Albania is equal to 2.5% of the GDP or 8.4% of total public spending. Municipal expenditure on education, which is mostly for preschools, represents more than a quarter of the total and equals 0.7% of the GDP and 2.3% of total public spending.

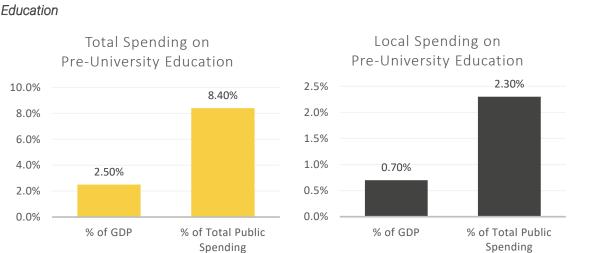


Figure 13. Total Spending on Pre-University Education and Local Government Spending in Pre-University Education

Essentially, as of 2020, preschool education is financed through **a block grant** which provides the funding for the wages of the pedagogical and non-pedagogical staff involved in preschool education. Also, the funding for the support staff in primary and secondary education is provided to local governments through a block grant. The block grant for preschool education is allocated to municipalities on a per pupil formula, adjusted by the number of teachers. The budget instruction of the Ministry of Finance, provides that municipalities now have full discretion on how they spend the funds provided for preschool education, as long as these funds are spent within the function of preschool education.

Municipalities may (and do) top up the funds provided to them by the national government for preschool education out of their **own general revenues**. In fact, the block

Source: Ministry of Finance and Economy, 2020.

grants finances only about 60% of the costs of preschool education. Municipalities contribute another 22% from their general revenues finance while the remainder is financed by a combination of **investment grants** distributed by a central government committee, or by other investments financed by the Ministry of Education (11%) and parental fees (5.8%).

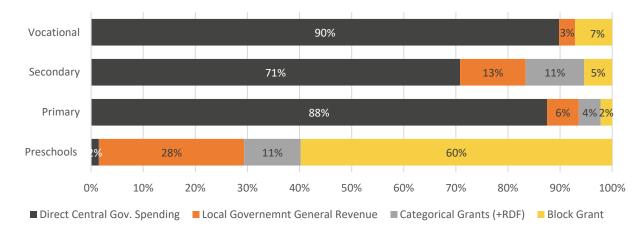
The block grant for preschool education, was formerly called the **Specific Transfer** and was earmarked for the salaries of the pedagogical and support staff employed in the system. For four consecutive years, between 2016-2019 local governments were not entitled to change the destination of the funding. As explained earlier, this was in contradiction with the principles of the European Charter of Local Self-Government and Albania's own framework laws on local government general revenues. To some extent this tension has been relieved since the funds started to be considered as block grants, providing local governments with some level of autonomy in their utilization – as opposed to narrowly defined earmarked-categorical-specific grants.

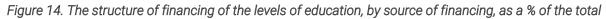
In 2019, the Ministry of Finance and Economy together with the Ministry of Education, Sports and Youth, with the support of the USAID's Planning and Local Governance Project reformed the formula for allocating wage funds for preschool education across local governments. The new formula allocates 60% of the funds on the basis of the number of preschool pupils – as required by the Albanian legislation, and suggested by international good practices, and 40% on the basis of the existing number of teachers.

The funds necessary to finance the new formula, however, were unfortunately not added from the national government's budget. Instead, the funds were taken from the Unconditional Grant that all municipalities receive. Unable to convince the national government to add new funds in the system, policymakers redirected funds from the Unconditional Grant to the (then called) Specific Transfer for preschool education. This was done in the expectation that municipalities that received the extra funding would use it to hire more teachers, and bring their staffing patterns closer to the national average. This would have reduced the huge inequalities across local governments with regards to staffing patterns.

But the procedure further confused how the sector should be financed. In addition, some municipalities did not spend the funds to hire new teachers but on other needs in the sector. Learning from this lesson, and short of reintroducing the category of shared functions or folding the funds dedicated to support preschool education into the general unconditional transfer, the establishment of the block grant addresses at least in part, the existing legal and financial tensions.

In primary and secondary education, local governments are responsible for financing some maintenance and support staff functions, but not the wages of teachers. These responsibilities are financed by a combination of grants and local government general revenues. Figure 14 below shows the financing structure for each level of education by the source of financing. Preschool education is almost exclusively managed by local governments, financed mostly through block and categorical grants, while primary, secondary and vocational education are mostly managed and financed directly from the central government.





#### Source: Ministry of Finance and Economy, 2020.

The grant for support staff for primary and secondary education is distributed to local governments on the basis of the historical number of personnel employed by the central government when it used to perform the function. There is in tension with the Law on Pre-University Education which requires that education financing in Albania be based on a weighted per pupil formula.

Total public spending for **social protection** and care in Albania is equal to 1.79% of the GDP and 6.14% of total public spending. This does not include pensions for the elderly or any type of pension. Local government spending in the sector represents over 70% of the total (1.29% of GDP and 4.37% of total public spending) suggesting that municipalities manage social protection and care. Instead, it is managed and financed almost exclusively from the national government.

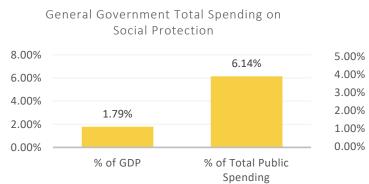
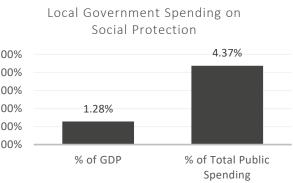


Figure 15 General and local government spending on the social sector

Source: Ministry of Finance and Economy, 2020.



The Law on Social Care Services state that social care services can be funded from the following sources:

- The state budget (delegated funds)
- Funding from local budgets
- Service fees from beneficiaries

In short, multiple financing streams for social care services exist, following unclear lines of accountability, which mirror the different stages of policymaking in the delegation of social functions. Three different financing modalities are implemented within the Ministry in charge of social policy alone. Other financing streams originate from the Ministry of Finance, alongside annual transfers to local governments; as well as financing from discretionary resources of the local budgets.

The social protection budget programme, under the Ministry of Health and Social Protection<sup>23</sup>, is the main programme that supports social welfare policies and provides financing to local governments. The two main cash benefits programmes are channelled through this budget programme and are delivered through the local government, which acts on behalf of the central government. The social budget programme is dominated by the cash benefit programmes for poverty alleviation and disability, accounting for over 95% of the total budget programme during the last three years.<sup>24</sup>

The Ministry of Health and Social Protection provides funding to 29 social care institutions, of which 12 are national social care institutions and 17 social care services that were *de jure* decentralised in 2006 but which de facto remain centrally managed. The Ministry itself directly finances specialised social care services delivered at the regional level by select regional councils. Meanwhile, the Ministry of Finance and Economy allocates financing for 6 additional social care service centres – through earmarked conditional transfers that have been incorporated in the unconditional grant (between 2006-2015), when they were subtracted from the unconditional grant and regulated as specific transfers.

Local government financing for social care services has steadily increased in the recent years, from 400 million in 2015 to more than 700 million in 2018 and 1,2 billion in 2019. At an average annual growth of more 20%, financing from discretionary local budget funds has become the largest source of financing for social care services in the medium term. Although local government financing for social care services is increasing at a rapid pace, it is, however, concentrated in a handful of relatively 'wealthy' municipalities. There are marked disparities in the distribution of discretionary spending across municipalities. In 2019, bigger cities including Tirane, Durres, Elbasan, Shkoder, Berat,

<sup>23</sup> Previously the Ministry of Welfare and Youth.

<sup>&</sup>lt;sup>24</sup> The baby bonus programme, a new cash assistance programme for child benefits introduced in 2019 is administered fully by the central government.

Korçe and Kavaja account for 68% of the total local spending in social care services from discretionary budget resources

The role of Albanian local governments in **primary healthcare** is very modest. The sector is financed through the Compulsory Health Insurance Fund, a special fund which is partially financed the state budget (Ministry of Health) and partially through health insurance contributions. The Fund transfers funding to all primary healthcare centers to cover personnel costs, the cost of the basic health package services provided therein, as well as very limited maintenance funds (less than 1% of the total). Although Primary Healthcare Centers (PHC) budgets are described as capitated, the Compulsory Health Care Insurance Fund funds the PHC centres based on historical expenditures.<sup>25</sup>

Although municipalities have not been formally assigned responsibilities in the area of primary healthcare, some have continued to commit modest amounts of funding to the sector, for small investments, repair work and other administrative services. Local government spending on primary healthcare has doubled between 2018 and 2019, while capital expenditure from own resources has increased more than 5 times in this period.

# 4.Social sector impact and response to COVID-19

As a result of the COVID-19 outbreak in Albania in mid-March of 2020, the Government recommended measures to contain the spread of the virus and which affected all social sector services. All educations facilities, including universities were shut down and pupils were asked to stay home.

Childcare services in nurseries, financed by local governments and parents, were suspended and local governments covered the parental share from their local budgets. Preschools were closed until early June, when they reopened again. Parental fees for preschools were also suspended for most of the year.

Primary and secondary education was provided through various tools. Lower elementary education was carried out via TV broadcasts and homework assignments delivered through electronic communications (e-mail, communication apps, etc.). Higher elementary and secondary education was provided via on-line collaboration and videoconferencing tools.

<sup>&</sup>lt;sup>25</sup> WHO, 2018, Primary Healthcare in Albania: Rapid Assessment.

In addition to payment exemptions in education, local governments swiftly launched a range of measures to assist affected citizens and businesses. Local governments suspended the collection of rents for leased premises and public spaces, deferred or exempted many taxes, fees, and charges. Larger and "wealthier" local governments were able to provide fiscal incentives to stimulate the local economy. Some local governments reduced tax and non-tax rates temporarily. To offset revenue losses, local government reduced non-essential funding for public events and civil sector programs, delayed some capital investments and utilized advancements of their unconditional grants.

The national government approved several packages to support businesses and households, including cash and in-kind donations. In fact, these constituted some of the most relevant social protection measures adopted by the government for vulnerable groups. Citizens and local businesses have contributed also to the funding and in-kind support for vulnerable groups.

## 5.Assessment, conclusions and recommendations for Albania

Albanian municipalities have inherited preschool and school networks that are physically run down, and which have radically different staffing patterns, pupil/teacher ratios, and enrollment rates. Some municipalities have too many underutilized facilities in rural areas. Others have too few teachers, classrooms, and support staff to serve the children living in their urban cores. Many municipalities face both problems.

The future of early childhood education in Albania is now inextricably linked to the future of municipal management and finance. Policy makers need to look at early childhood education through a municipal lens and to municipal finance and management through the lens of early childhood education. The central dilemma facing Albanian policy makers is how to improve the financing of preschool education when we know that existing funding is insufficient and unfairly allocated, and that data needed to make this allocation fairer and more rationally is unreliable.

### 3.2. Bosnia and Herzegovina



3.2.1. Federation of Bosnia and Herzegovina of Bosnia and Herzegovina

### The regulation, management and financing of local government social sector responsibilities in the Federation of Bosnia and Herzegovina (BiH)

By Gregor Jurišić, representing the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina (Bosnia and Herzegovina)

## 1.Introduction

Bosnia The Federation of and Herzegovina has a highly decentralized and responsibilities structure in education, social protection and health are shared in often overlapping and unclear ways between the Government of Federation of B&H (central level), 10 cantons and 80 municipalities and cities. The dominant share of these responsibilities lies with the cantons, which all have different legislation. As a result, therefore are many differences in

systems place and the way education and social protection services are delivered differ significantly across the Federation.

Article 8 of the Law on the Principles of Local Self- Government in the Federation of B&H outlines the general responsibilities of municipalities and cities in the social sector. Its states that municipalities and cities are responsible for *"assessing the work of*  institutions and quality of services in the areas of health care, social welfare, education, culture and sport, and required ensuring funds for the improvement of their work and quality of services in accordance with the needs of citizens and capabilities of the local unit self-government.<sup>26</sup> of This broad definition leaves enormous space for delegating new functions to local government without transferring the necessary funding. As a result, the principal that finance should follow function is often not respected. Further complicating the situation is the fact that each canton has its own sectoral laws on education and social protection.

With the exception of Canton Sarajevo, preschool education is a municipal own function in all cantons. Responsibilities in other levels of education, social protection however, shared are differently across cantons and local governments. Primary healthcare is generally shared between municipalities and cantonal health funds financed via compulsory contributory health financing schemes. Municipalities establish ambulatory clinics and primary health care institutions and cover the material expenses of facility maintenance and equipment purchase, while the health funds finance medical services, medical supplies and the wages of doctors, nurses, and other employees.

## 2.Local government social sector responsibilities

Preschool education: of all social sector responsibilities, municipalities play the most prominent role, in terms of power, in preschool education, which according to the 2006 Law on the Principles of Local Self-Government in FB&H is characterized exclusive as an responsibility. **Municipalities** are responsible for: "establishing а

preschool education policy, of the preschool improvement institutional network, and management and funding of public institutions for preschool education.<sup>27</sup> The General Law on Preschool Education of B&H provides broad legal framework for general principles of preschool education<sup>28</sup>, and cantonal laws further

 <sup>&</sup>lt;sup>26</sup> Law on Principles of Local Self-Government in FB&H,
 Gazette of Federation of B&H, 49/2006 & 51/2009
 <sup>27</sup> Law on Principles of Local Self-Government in FB&H,
 Gazette of Federation of B&H, 49/2006 & 51/2009

<sup>&</sup>lt;sup>28</sup> Framework Law on Preschool Education in B&H, Gazette of Bosnia and Herzegovina, 88/2008

specify how preschools should be regulated in each canton, though in two or three of them these laws are not relevant for lack of funding.

preschools. As founding bodies, their functions are: opening and closing the facilities, paying all the operating costs of preschools, including wages, material costs, and the costs of teaching materials. They also appoint the school boards of each preschool, boards which in turn hire and fire school directors. School Boards also set -within guidelines defined by each municipality-- the level of parental fees that preschools can collect for the purchase and preparation of meals. In some cantons, cantons provide additional funds for teacher development, the purchase of didactic materials, and additional support for the inclusion of vulnerable children. In many cantons, the cantonal authorities also fully fund the costs of the preparatory year of preschool education that precedes primary schooling.

A corollary of the fact that public preschools are founded and funded by municipalities is that the quality of preschool programs differs significantly from place to place, depending on the budget of the municipalities and their level of development. Indeed, quality varies significantly not just between cantons, but between municipalities in the same canton.<sup>29</sup>

Municipalities and cities, excepting those in Canton Sarajevo, are the legal founders of

Primary and secondary education: In FB&H, primary and secondary education. with corresponding educational policies, is a cantonal responsibility, but many particular functions --such school as maintenance, the purchasing of equipment and didactic materials etc. -are, actually shared between cantons municipalities and, therefore, and financed both from cantonal and local budgets. In five cantons both cantonal governments and municipalities can legally establish primary schools, while only cantons can establish secondary schools.

Because education is one of the core of competencies cantonal governments, each of the ten cantons sets their own rules and regulations. So, there are ten cantonal Laws on Primary education and ten Laws on Secondary Education. These define specific functions in this area more thoroughly, with the role of municipalities varying depending on the canton. Constructing and reconstructing of primary schools and the establishment of primary schools can generally be gualified as own functions of the local government.

Local governments also participate in the firing and hiring primary school

<sup>&</sup>lt;sup>29</sup> MIKOVIĆ, Borjana (2019). Uloga predškolskog odgoja i obrazovanja u pružanju jednakih životnih šansi. Friedrich-Ebert Stiftung, Sarajevo

directors. They typically also appoint one or two members of School Boards, which set school budgets. In several cantons, cantonal governments are legally defined as the founder of the primary schools, but on the prior suggestion of the municipal/city councils. In 3 cantons maintenance and material costs of school facilities are strictly defined as LGs own functions, while in other cantons this function is shared between cantons and municipalities.

The wage bills of schools, however, are everywhere financed exclusively from cantonal budgets, while the maintenance and construction costs of school facilities and other material costs are conventionally financed from municipal budgets. Pupil transport is also generally a municipal function, but one which municipalities often consider an unfunded mandate because they typically do not receive financial support for carrying it out. In four cantons, however, municipalities do receive categorical grants for pupil transport.

Health care: The healthcare sector in FB&H consists of 11 ministries of health (10 cantonal + 1 on the federal level), 11 health insurance funds and 11 institutes for public health. Cantonal governments play a major role in healthcare sector. Each canton has its own health insurance institute, which finances the healthcare system on the territory of the canton. About 70% of health expenditure is publicly financed.<sup>30</sup> About 90% of public health expenditures are funded by health insurance funds, which are financed through compulsory health insurance contributions schemes. About 10% health expenditure is financed from government budgets (federal, cantonal and local). Since primary health care is the responsibility of the local governments, municipalities and cities finance some investment expenditure for this level of healthcare.

According to the Law on Health care of FB&H, the function of public healthcare at the local level encompasses the assessment of the work of health institutions and the quality of health services, as well as ensuring funds for improving their services according to the needs of local citizens and in line with capabilities of local government. The Law also states that local governments can be the legal founders primary health of care centers, ambulatory clinics, health resorts, nursing homes, pharmacies, and special facilities for healthcare. If municipalities are the founders of these sorts of institutions, they are partially funded by the municipal/city budgets, and municipalities appoint their Boards of Directors and their Directors.<sup>31</sup>

Municipalities also establish health councils within their administrations. Health Councils typically include

<sup>&</sup>lt;sup>30</sup> Institute for Statistics of FB&H. *National Health Accounts Statistics in the Federation of BiH, 2018.* Sarajevo: 30.4.2020.

<sup>&</sup>lt;sup>31</sup> *Law on Health Care in FB&H*, Gazette of Federation Bosnia and Herzegovina, 46/2010 & 75/2013

representatives of local government, healthcare facilities, doctors, and patients. They plan and evaluate the implementation of health care activities on the territory of the municipality and give opinions on the plans and programs of local health care services. They also suggest measures to improve the availability and quality of health care, monitor patient's rights, and take other actions related to maintaining public health.

The Law on Health Insurance of FB&H states that funds to finance mandatory healthcare insurance contributions can be provided by cantonal or local budgets. This is to ensure that socially vulnerable groups who cannot make their own health insurance contributions can be covered.<sup>32</sup> Municipalities are also often responsible for the physical maintenance of primary healthcare medical facilities, for purchasing some medical equipment, for hiring and firing the management of medical facilities and for administering and ensuring that health facilities maintain accounts and records according to law. But it is the health care funds, which finance the wage bills of all health care institutions. purchase medical supplies and equipment, and provide emergency services. Emergency services are often financed both by local budgets and health care funds.

When municipalities are the founders of primary health care centers or ambulatory clinics, they typically support them with investments or by providing them with grants to purchase equipment. But the medical services these institutions provide are financed by cantonal and federal health funds. Local primary health care centers employ family doctors and nurses and provide primary health care services to the local population. They are also responsible of hygienic-epidemiological protection, immunizations, emergency medical care, the protection of women's reproductive health, health care for nonspecific and specific lung diseases, physical and mental rehabilitation in the community, dental care, laboratory and radiological diagnostics at the primary level, pharmacies, detection and control of risk factors, and home and palliative care.33

The largest share of municipal expenditures (47%) on healthcare is for the administration and management and supporting activities of health care facilities and for the coordination, assessment and supervision of local healthcare services and programs.

Social protection: Social protection in FB&H is highly decentralized and fragmented, with functional assignments being often unclear and overlapping between the Government of FB&H, cantonal governments and municipalities. This unprecise, loose, and poorly coordinated system provides fertile ground for cantons to shift functions and responsibilities to local

<sup>33</sup> *Law on Health Care in FB&H*, Gazette of Federation Bosnia and Herzegovina, 46/2010 75/2013), Art. 33

<sup>&</sup>lt;sup>32</sup> Law on Health Insurance of FB&H, Gazette of Federation of Bosnia and Herzegovina, 30/1997, 7/2002, 70/2008, 48/2011, 100/2014, 36/2018

governments without the provision of adequate funding.

Generally, municipalities provide a wide range of social services through local centers for social protection and their own social welfare administrative departments.<sup>34</sup> These services include home, mobile and residential services support for poor families and children, the elderly, veterans, victims of war, and the disabled. The extent and significance of municipal/city involvement in all these services varies across cantons and depends on cantonal laws and regulations.

In some cantons, municipalities play a greater role in providing some services than in others, or in making specific transfer types of payments to individuals. And in a few cantons, the role of municipalities in social protection is limited. At the same time, the real extent of municipal involvement in the provision of social services -and their guality-is heavily dependent on their financial and administrative capacities, capacities that differ significantly both within cantons and across the Federation as a whole, which creates inequalities between citizens living in different municipalities/cities.

Throughout the Federation, municipalities are the founders of **Centers for Social Protection** and manage and finance their activities. The Centers directly provide all sorts of social protection services to vulnerable groups. The also play an important role in family, juvenile, and criminal court proceedings as expert witnesses and as surrogates for parties that cannot represent themselves. The Centers may also provide care for homeless children, for children with behavioral disorders, for the disabled, veterans and the elderly. The Centers also conduct surveillance over beneficiaries of social protection services and children in foster homes. Other tasks include guardianship, ameliorating family conflicts, counselling services and professional assistance, analyzing social problems, encouraging charity and voluntarism, addressing substance abuse, monitoring of and providing data and statistics on health conditions to higher levels of government.<sup>35</sup> These Centers, as well as the Social Welfare Departments of the municipalities in which they operate, act as first instance bodies for addressing and providing services. They social also play important roles in determining the eligibility of vulnerable individuals for cash assistance, and/or as the payment agents for this assistance, though these roles differ substantially across cantons.36

Some municipalities also are the founding bodies of orphanages and/or homes for the elderly. In these cases, the full costs of these institutions are financed from municipal/city budgets.

<sup>&</sup>lt;sup>34</sup> INSTITUTE FOR BETTER AND MORE HUMANE INCLUSION (IBHI) & MASTRICHT GRADUATE SCHOOL OF GOVERNANCE. *Budžetske novčane naknade za* 

socijalnu zaštitu u BiH: Šta funkcioniše, a šta ne (I). Sarajevo: IBHI, 2013.

 <sup>&</sup>lt;sup>35</sup> Several cantonal laws on social protection
 <sup>36</sup> Ibid.

Municipal social welfare departments also administer, finance and implement local social policies, assess the eligibility of vulnerable citizens for residential services or make some payments. Municipalities also frequently provide support to victims of the civil war and to veterans through locally determined grants and transfers to individuals or to local associations of war participants. Indeed, many municipalities have separate departments to support veterans and victims of the war.

## 3.The financing of local government responsibilities in the social sector

In general, municipalities finance most of their social sector responsibilities through their freely disposable revenues. Local governments receive direct transfers for the purposes of financing social sector mostly from the cantonal governments. From the Government of FB&H, they receive transfers for these purposes only as a part of a general transfer allocated on a discretionary basis each year. This means that some LG receive usually categorical investment grants from the federal governments for purposes of physical maintenance of primary school or preschool facilities, construction of local schools, project of warming schools, building school's sports halls, constructing health centers, medical equipment, increasing energy efficiency in primary schools, etc.

There is great variation in how cantons support local social sector functions with grants and transfers. In many cantons, additional revenues for social sector function are provided not directly to local governments but to the organizations providing the social sector services, meaning directly preschool and primary schools, health care facilities, centers for social protection and residential homes.

In 2018, in four cantons, cantonal governments supported preschool education with additional transfers. But in most cases these funds were provided directly to preschools. Generally, these funds were allocated to preschools using formulas that are in part based on enrollment and in part on teacher employment. Individual municipalities may also receive investment grants to improve preschool facilities, and some of these grants can originate from the budget of the Federation.

In primary and secondary education, grants are also incidental because cantons pay the wage bills of schools, and local governments maintain their physical infrastructure. About 5% of total spending on primary and secondary education comes from municipal own revenues, while cantons fund 88% of directly from their budgets, and another 7% is provided by federal or cantonal governments in grants to schools or local governments. Most of these grants are categorical and are designed to support particular investment projects, or particular functions like free textbooks or support to the children of war veterans. In four cantons municipalities receive regular categorical grants to support pupil transport.

In social protection the situation is particularly complicated both because of the variety of legal regimes governing the sector and the heterogenous and wide scope of local government functions in the sector. In most cantons, municipalities receive grants on a regular annual basis to support the operation and activities of the Centers of Social Protection. In some places these funds go through the municipal budget and are fairly freely disposable. In others, they go directly to the Centers themselves for particular tasks, and/or to support their more general operations. Finally, cantons may use both local governments or their Centers for Social Protection to make transfer payments to vulnerable households or individuals.

Cantonal grants to municipalities or their Centers for Social protection are allocated on the basis of the number of citizens considered at risk or vulnerable, estimated by these centers and responsible municipal/city services for social affairs. The annual volume of these grants is determined by the responsible cantonal ministries in accordance to these estimated needs of local governments and the number of their beneficiaries. Municipalities are obliged to regularly report on the use of all grants and acquired funds.

## 4.Social sector impact and response to COVID-19

After the coronavirus outbreak on the territory of Federation of Bosnia and Herzegovina, all of municipalities and cities faced serious challenges dealing with the health, social and economic consequences of the state of the emergency declared by the Government. As the front line of defense against epidemiological threats, municipalities were immediately forced both to try to prevent the spread of the disease while maintaining or increasing continuous provision of public services. Due to the fact that primary healthcare and part of the social protection programs are their responsibilities, local governments in FB&H had the instruments to conduct prevention and containment measures to curb the spread of the "coronavirus" and adapt policies measures based on their local needs and structures, because they can identify and detect which activities are most appropriate for the local population and extent of the local needs and problems on their territory.

Since the Law on Local Self-Government in FB&H lists conduct of activities for ensuring proper sanitation and health conditions as one of the exclusive responsibilities and functions of the local governments in FB&H, almost all of the municipalities and cities have conducted several hygienic activities including massive washing and disinfecting streets, public facilities and overall public services, with several local governments having installed disinfection tunnels or public hand sanitizers on their territories.

In the segment of health care expenditure, local governments have certainly intensified their activities supporting primary health care centers with additional funds for purchasing medical equipment corresponding to their needs. Local governments have also, within their capabilities, directly purchased medical supplies, medical equipment, hygiene supplies and ambulance vehicles for medical centers. Some of the municipal and city governments have purchased hygiene protective masks, gloves, disinfectants for all of their citizens, and some have decided to make these purchases just for the targeted groups such as pensioners, socially vulnerable categories or employers in the malls.

Social protection expenditure of the local governments also recorded increase, because some of the LG supported pensioners, people with disabilities and socially vulnerable categories by supplying them with food, and basic medical and hygiene supplies, and one-time cash allowances. Some municipalities and cities formed mobile teams for supplying pensioners and other people with staple. Some wealthier municipalities in Canton Sarajevo provided tablets for pupils in primary schools to facilitate their participation in online-schooling during the declared state of emergency. In order to stimulate agriculture and food production during the pandemic, many municipalities have also provided their residents with seeds for spring sowing or simply provided people with cash payments for these purposes.

In accordance with their capacities, many local governments have taken some proactive responses in order to mitigate the economic consequences of the state of the emergency caused by the pandemic and to maintain or revive their local economies. These responses include: payment of a minimum wage to workers and employees, whose work was forbidden, suspended or made impossible by the lockdown measures imposed by the federal government; grants to artisans and small businesses; cofinancing utilities costs; subsidizing interest rates; or one-time payments to workers most severely hit by the lockdown. Some municipalities have exempted business and individual from the payment of local communal fees and charges, as well as rents for business spaces, restaurants, taxi stands, city markets, newsstands, garages and other spaces and surfaces owned by the local government.

This has produced a major decline in municipal non-tax own revenues. But more disruptions will follow as municipalities share of both Federal VAT revenues and Personal Income Tax returns shrink with the economic contraction.

### 5. Assessment and conclusions

Given the variety of legal regimes which govern the role of municipalities in the provision of social sector services in FBiH and unclear and unharmonized system of shared responsibilities with uncoordinated laws regulating education and social protection, as well as the wide variation in the resources and capacities of municipalities both within and among cantons, it should come as no surprise that the extent and quality of these service differs radically across the Federation as a whole. In some cantons. well-endowed municipalities can provide services of reasonable or even high quality. In undeveloped municipalities others. struggle to provide adequate services resulting in practically minimal or no social payments and rundown local schools. In short. administrative fragmentation and the lack of policy coordination across cantons, makes it virtually impossible to achieve equitable levels of public service provision in FBiH, and results in many unjust disparities and inequalities. This situation is further compounded by the fact that many cantons are reluctant to provide municipalities with adequate grants and transfers when they delegate functions to them. The system of unclear, fragmented and overlapping shared

<sup>37</sup> Objections from the questionnaire on the delegated functions conducted for the purposes of the *Analysis* 

responsibilities between cantonal and local governments provides much space for delegating some additional social functions and responsibilities to local government without transferring concomitant sufficient funds to fully meet and properly execute these delegated functions. Indeed, local governments object they are increasingly requiring them to pay for functions that should be cantonal responsibilities, like affairs some regarding war veterans of paying for the health insurance costs of socially vulnerable individuals.<sup>37</sup> Also, one of the shortcomings of system of transfers to local governments is that some grants are being allocated on a discretionary basis, without determining fixed criteria.

In order to overcome these difficulties, further steps must be taken to thoroughly define and specify the specific social sector responsibilities of all municipalities in FBiH, and to coordinate and harmonize the cantonal laws and regulations that shape these responsibilities in practice. As AMCFB&H has been advocating, this could be done by enacting a new Law on Financing Local Self- Government in FB&H, which would regulate

on the Allocation of Public Revenues to Local Governments in the FB&H.

sources of LG revenues, and precisely specify list of functions and responsibilities that local governments ought to finance and define mechanisms of transferring concomitant funds in cases of delegating and imposing new responsibilities and functions to the local government.

The real process of functional decentralization, that is, decentralizing and transferring responsibilities to local governments, has not been conducted in FB&H in the full sense. In *Analysis on the Allocation of Public Revenues to Local Governments in the FB*&H<sup>38</sup>, conducted by the AMCFB&H, one of the suggestions is that functional decentralization in FB&H should be conducted respecting financial capacities of local governments, analysis of the current responsibilities of LG and way of their financing and financial effects of this process.

A clear, harmonized and precise system of financing local government in FB&H should be established in a way that revenues and transfers allocated to municipalities and cities correspond to their functions and expenditure needs, respecting their capacities and the quality of public service provision.

<sup>&</sup>lt;sup>38</sup> LENIĆ, Brankica (author) and JURIŠIĆ, Gregor (coauthor). *Analysis on the Allocation of Public Revenues to Local Governments in the FB&H*. Sarajevo: Association of Municipalities and Cities of the FB&H, 2019.

# 3.2.2. Republic of Srpska of Bosnia and Herzegovina

The regulation, management and financing of local government social sector responsibilities in the Republika Srpska

By Goran Rakić, Association of Municipalities and Towns of Republic of Srpska (Bosnia and Herzegovina)

### 1.Introduction

Republika Srpska has one tier of local government composed of municipalities. Municipalities have two types of competencies, own competencies and delegated ones. All municipalities have the same own and delegated competencies regardless of their size or fiscal capacity. Some competencies are not clearly allocated between the national government and local governments and in some cases sectoral legislation often makes it difficult for municipalities to independently manage their own functions.

#### 2.The regulation and financing of local government responsibilities in the social sector

**Preschool Education**: Preschools can be established by the national government, by municipalities, by religious communities and by legal or private persons. The Minister of Education is responsible for the Rulebook on Standards and Norms for the field of preschool education. The governing bodies of preschool institutions are the Board of

Directors and its director, but Boards of Directors are obligatory only when the founder of the preschool institution is the Republic or a unit of local self-government.

There are approximately 160 preschool facilities in Republika Srpska, and about 22.5% of 3-5-year-old children attend preschool. Municipalities are the founding organs of about half of all preschool facilities, with almost all of the other half owned by private companies or individuals. Preschool education is considered a municipal own competency and is financed by a combination of parental fees and the general revenues of municipal governments. Preschools may raise revenue through fees, sponsorships and donations. Municipalities receive no regular financial support from the national government to support preschool education. But the Ministry funds the professional development of preschool workers, the development of didactic tools and toys, and the periodic evaluation of preschool programs. The Ministry may also provide funds for the procurement of materials for early learning and the creation of a stimulating environment in the preschool institution.

Most municipalities stimulate preschool enrollment by setting parental fees at 10 to 20% of the actual monthly costs of preschool enrollment. Parents may also request this amount in cash and use it to lower the costs of enrollment in a private preschool. Municipalities are also obligated to fully fund the costs of providing preschool education to children with disabilities, children without parental care, children beneficiaries of financial assistance and children victims of domestic violence, in accordance with regulations governing social protection.

**Primary education:** Responsibility for providing school space, equipment and accompanying infrastructure for unhindered access and participation of students in the educational process is shared between the Republic government, municipalities and school. The Republic government is the founding organ and owner of all primary schools. But municipalities can petition the government to open a school on its territory.

The Ministry of Education appoints all 7 members of the Governing Boards of schools. The Ministry also appoints the directors of all schools for 4-year terms. The Republic government funds the wages of all primary school employees as well as the other operating costs of schools. The Republic is also responsible for constructing schools and maintaining their physical infrastructure as well as for financing the professional development of teachers, and the transport of both students and teachers who live more than 4 km from the school. Schools may raise own revenues through sponsorships, donations and the rental of school facilities. Municipalities may contribute to the building or improvement of school facilities from their own budgets if they see fit.

**Secondary education**: secondary schools can be established as a public or as a private institution. The initiative for establishing a secondary school founded by the Republic is initiated by the local self-government unit in whose area the school is planned to be opened and submitted to the Ministry for consideration. The Republic and local self-

government units, together with the school, are responsible for providing school space, equipment and accompanying infrastructure for unhindered access and participation of students in the educational process.

The school board is the school management body that is responsible for determining and implementing school policy. Six of its seven members are appointed by the Ministry of Education, and one by municipalities. The Ministry also appoints school principals for 4-year terms.

Funds for the operation of a school established by the Republic are provided from the budget of the Republic, the budget of a local self-government unit or several local self-government units together in whose territory the school is located, and other sources. As in primary education, the Republic government is responsible for financing the wages of all high school employees. But unlike in primary education the Republic government is not fully responsible for funding the construction, equipping or maintenance of secondary schools.

Instead, municipalities are expected to finance most of the non-wage operating costs of secondary schools, including heating, electricity, water, cleaning and office supplies, teaching materials, communication costs, books, and routine maintenance costs. Municipalities also finance staff and professional development, as well as staff transport and staff medical exams. The municipal financing of these costs is typically governed by Memorandums of Understanding between individual schools, and the municipality

**Social protection**: In the field of social protection local governments establish, operate and finance Centers for Social Work. Through these Centers, they monitor the needs for social protection on their territories and provide services to vulnerable groups. The Council of the municipality adopts the Work Plan and the Work Report of the Centers for Social Work.

Municipalities pay for the full operational costs of these Centers from their general revenues, though the Republic government may contribute funds for their construction, equipment, and improvement. They are also responsible for paying half of the benefit allowances for many categories of people entitled to social assistance, though the Republic government covers the full cost of payments to people with disabilities and to vulnerable children. Payment of funds to beneficiaries is made by the local self-government unit through the Center for Social Work. The Minister issues instructions on the manner of payment of funds to local self-government units.

Municipalities fund the right of people to accommodation in institutions, the right to care in foster families, the right to day care, the right to care and assistance at home, the right to onetime financial assistance, extended rights in social protection, financing the costs of taking care of beneficiaries in another family, the work of Centers for Social Work and other social protection institutions whose founders are local self-government units. They also fund to incentivize development programs aimed at improving social protection of the population. **Health care**: Health care in Republika Srpska is centralized, with all important powers located in the Ministry of Health and Social Welfare, the Institute of Public Health and the Health Insurance Fund. The Ministry of Health and Social Welfare, as the central institution of the system, coordinates health activities, creates business policies and development strategies, and plans and coordinates the work of the network of health institutions. In addition to the Ministry, other institutions operate within the system, such as the RS Institute for Health Protection and the RS Health Insurance Fund.

The Institute of Health conducts research and education in the field of public health, health promotion and monitoring of the health of the population. The Health Insurance Fund finances the institutions that that provide primary, secondary and tertiary health care services. In Republika Srpska, there are 11 hospitals, one special hospital, one clinical center and 6 institutes in the public sector. Public health includes the scientific field of preventive medical science, including hygiene, epidemiology, microbiology, social medicine, health ecology, health statistics, health promotion and disease prevention.

Municipalities establish Health Centers on their territories which are under their jurisdiction. Municipalities also propose plans for the organization of health care institutions on their territories, and have responsibilities in the areas of health education, the prevention and control of epidemics, and in emergency relief, as well as in providing death certificates for individual who die outside of health care facilities.

Healthcare in Republika Srpska is mainly financed by mandatory health insurance contributions that taxpayer make to the Health Insurance Fund. The Fund than finances about 80% of all health care services provided by healthcare institutions, with the remaining 20% coming from copayment fees (10%) made by all users of the system

A health institution may generate financial resources from the Health Care Fund of the Republika Srpska, the budget of the Republic and local self-government, insurance organizations, health care users, teaching and scientific research activities and other sources. The Fund contracts the provision of health services with health institutions based on the health status of the population, the number and age structure of the population, the degree of urbanization, development and traffic connections of certain areas, equal access to health care, the required scope of health services and economic opportunities.

As of January 1, 2020, 16 Health Centers in the Republic of Srpska have switched to the treasury way of doing business through the select municipalities in which they operate. These municipalities have thus become the founding bodies these of health centers, and have taken assumed responsibility for both their management and fiscal probity. Before being transferred to municipalities, however, the Republic government cleared the Centers of all outstanding debt. The Health Care Fund will provide funds to the treasury system of these select municipalities, and the Health Centers will a lower spending unit of local communities.

### 3.Assessment and conclusions

Observed disproportions in size, economic development, number of inhabitants and other parameters of local self-government units indicate that it is necessary to redefine the competencies of local self-government units in accordance with their actual capacities and needs. In order to achieve the established vision of local self-government development, it is necessary to ensure the effective exercise of the competencies of local self-government units through:

- > Establish the concept of multi-type local self-government
- Improve the territorial organization in RS

Establish the concept of functional decentralization and redefine the competencies of local self-government

> Improve the forms and areas of mutual cooperation of local self-government

> Strengthen the capacity of local governments

After that, it is necessary to provide stable and certain sources of financing for local self-government units, and this implies a high degree of fiscal responsibility. In this way, greater independence of local self-government bodies and responsible budget planning would be ensured, which will create a better basis for planning future development projects.

To enable the availability of public services to all citizens on the territory of the Republika Srpska, in an optimal way with optimal costs and at the same time improving the quality of public services. It is necessary to ensure the availability and quality of public services to all citizens through:

> Transfer part of public services to the private and non-governmental sector

Improve the system of control over the provision of public services

> Improve the development of e-government and quality system management in the provision of public services

> Develop mechanisms for regular surveys of citizens' satisfaction with the quality of public services

> Improve the provision of public services through a public-private partnership model

#### 3.3.BULGARIA

The regulation, management and financing of local government social sector responsibilities in Bulgaria

By Yuliya Ivanova, National Association of Municipalities in the Republic of Bulgaria (NAMRB)

### 1.Introduction

The Law on Local Self-Government and Local Administration gives the right to the citizens and the bodies elected by them to decide independently all issues of local importance that the law has vested in their competence, including issues in education, healthcare and social services.

The responsibilities of the state and municipalities in education, health and social welfare are regulated by sectoral laws, particularly the **Preschool and School Education Act, the Health Act and the Social Assistance Act**. A new Law on Social Services replaced The Social Assistance Act.

Since 2003, when the Bulgarian fiscal decentralization process started, the responsibilities of municipalities for

public services have been conditionally divided into responsibilities delegated to the state them bv and own responsibilities. The way these responsibilities are supposed to be financed have also been clearly distinguished and regulated: Local governments finance their own responsibilities from their own source revenues, while they receive a General Subsidy to support the functions delegated to them by the national government. The national government has also approved the first annual standards for financing the activities delegated to municipalities. These standards are in turn used to determine the annual amount of the General Subsidy for the delegated functions.

The activities delegated by the state are defined as services to which all citizens should have equal access and which should be of relatively equal quality. Own responsibilities are services which the municipalities provide on the basis of a law and/or a decision of the municipal council and which are not financed as activities delegated by the state.

There are however, differences in the way municipalities are expected to manage and finance the different social services. For example, in secondary education and in most social services, it is expected the 100% of the costs of the standards referred to above will be financed by the General Subsidy. However, the costs of financing the standards of other delegated activities, such as- kindergartens, nurseries, and health offices in schools, are expected to be financed in part by the General Subsidy and in part by own source revenues. Municipalities can also provide levels of service for delegated functions that are higher than those mandated by the state if they chose to finance these higher service levels from their general revenues.

## 2. Local government social sector responsibilities

**Pre-University Education**. The structure, functions, organization, management and financing of pre-school and school education, including the respective roles and commitments of the state and of municipalities, are regulated in the **School and Pre-school Education Act** (effective from 2016). The directors of the Ministry of Education's regional divisions hire and fire school headmasters while mayors hire and fire the directors of municipal kindergartens. Municipal councils determine the conditions of payment, structure, and levels of parental fees for kindergartens. Fees can be used to cover only service not funded by the state budget, most importantly meals.

Local governments can open, transform, or close municipal preschools by order of the mayor after a decision of the municipal council. Municipalities also provide for, and control the outreach to children subject to compulsory pre-school; the free transportation of children; the security of school children; the conditions for the provision of school meals, the recreation and sports of children and schools; and municipal awards for pupils and students.

Local governments are responsible for paying for the maintenance of the physical facilities of the schools and preschools -- which are municipal property—from municipal revenues. Since 2008, all schools and some preschools (or all preschools, depending on the decision of the relevant municipal council), use delegated budgets. The system of the delegated budgets gives school directors the right to independently dispose of

the financing provided to them by the municipality from the general subsidy for delegated activities. The financing is determined on the basis of a formula and objective indicators, approved by an order of the mayor for the respective budget year.

**Health Care.** Regarding Health Care, the responsibilities of municipalities are established mainly in the Health Act, the Medical Establishments Act and the Narcotic Substances and Precursors Control Act.

After a decision of the municipal council and the consent of the director of the respective Regional Health inspectorate (RHI) local governments may set up, reorganize or close **nurseries** --distinct organizational structures, where medical and other specialists raise, educate and train children aged from three months to three years-- and **kitchens for children** --distinct organizational structures, where medical and other specialists prepare, keep and provide food for children aged up to three years. Local governments should also establish **health offices** in preschools and schools and implement health prevention services with the support of medical practitioners and **health mediators**.

The standards for delegated functions assure that the full wage costs of all employees working in nurseries and school health offices are financed by the General Subsidy. The central government also reimburses municipalities for expenses they incur to support the travel of eligible patients and for the business trips of the experts from the territorial expert medical commissions (TEMCs).

Local governments are responsible for paying for the maintenance of the physical facilities which they own. The also pay for the costs of providing meals in nurseries and for other services designed to ensure the health of small children. Municipalities, however are also allowed to charge parents fees for these services, as determined by the municipal council and in accordance with the Act on Local Taxes and Fees.

Some of municipalities own municipal hospitals or are shareholders in district hospitals. Municipal hospitals are municipal property, but they are separate legal entities and their budgets are not a part of the municipality's budget. Municipally owned hospitals are commercial law companies for which the municipal council serves as their Principal.

Municipal councils make decisions to create, transform and close these facilities. But they have no legal obligation to finance their operating costs. Instead, these are financed by the national government and the National Health Insurance Fund. Municipalities, however, are responsible for maintaining and improving their physical assets and for making capital improvements. These improvements can be financed by targeted subsidies from municipalities or the national government.

**Social Services.** According to the social legislation on Social Assistance, municipal councils decide whether to open, close of transform local institutions that provide social services, as well as whether or not apply for European funds designed to support social

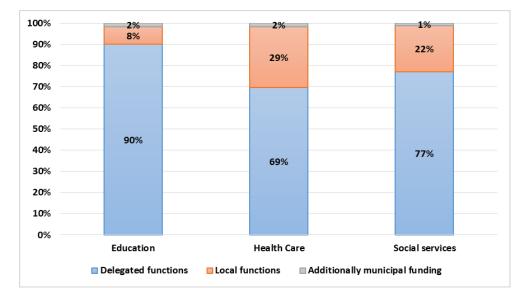
protection. Mayors manage the social services and hire and fire the directors of social service institutions. The services are grouped into residential services, community services and home services. The first two types of services are financed by the state and the municipalities receive almost 100% of the funding for them through the General Subsidy as delegated functions.

Adults pay a state fee for social protection and the revenues from the fee goes to the state budget. The national government is responsible for the collection of this fee and transfers it to a special Social Protection Fund of Ministry of Labor and Social Policy. This fund in turn finances mainly municipal social projects.

### 3.The financing of local government responsibilities in the social sector

The General Subsidy for delegated functions represents 75% of all transfers that the local governments receive from the national government. Municipalities do not have full powers over most state transfers, including the General Subsidy. This limits the ability of municipal councils to make independent expenditure decisions. Municipal budgets are strongly dependent on the state financing of delegated functions which significantly exceeds what municipalities spend on these functions from their general revenues.

Figure 16 illustrates the shares of expenditures on education, health and social protection for the three functions in 2019 by source of funding --expenditures financed by the General Subsidy, expenditures made on local responsibilities from municipal general revenues, and additional expenditures made from their own revenues on delegated functions.



#### Figure 16 Shares of social sector spending in 2019, by source of funding

#### Source: NAMRB

*Standards for delegated functions* are jointly developed by the respective line ministries, the Ministry of Finance and the National Association of Municipalities in the Republic of Bulgaria (NAMRB). Line ministries develop indicators and funding proposal within guideline set by the annual the budget procedure for the next fiscal year. These are submitted for review to the Ministry of Finance, which then proposes to the Council of Ministers a decision for their adoption.

The standards are the basis for determining the total amount of the General Subsidy for delegated functions, as well as how the subsidy should be allocated to municipalities. The total amount of the subsidy is then set in the State Budget Act for the next fiscal year. The use of funding standards for delegated functions has also been successfully expanded by the Ministry of Education and Science and the Ministry of Culture to fund some state institutions.

# 4.Social sector impact and response to COVID-19

Immediately after the announcement of the first cases of coronavirus in Bulgaria, municipalities took a number of measures to protect the population and limit the spread of the virus. Following the March 13<sup>th</sup> 2020 declaration of the state of emergency, municipalities mobilized significant resources - human and financial – to implement the orders of the national health authorities.

Under the COVID - 19 conditions, NAMRB has actively worked in close contact with its members, the central government, and members of the Parliament. Specific proposals of NAMRB for providing liquid support to the municipal budgets have been brought to the attention of the line ministers. The team of the Association has conducted a survey on the impact of the crisis with COVID - 19 on municipal budgets. Based on the results of this survey, NAMRB prepared a package of compensatory measures and mechanisms to minimize the negative effect of the crisis on municipal budgets which have also been presented to the central government. Most of NAMRB's proposals have been included in the draft changes in the Health Act and voted in the plenary sessions of the Parliament.

The NAMRB survey shows that municipal own revenues decreased by 41% between March and April 2020 compared to the same period of the previous year. The most affected are large municipalities - regional centres, where the average decrease is between 44-46%. The projected contraction of planned annual revenues is estimated at 11%.

Municipalities spent about 0.4% of their own source revenue to implement epidemiologic measures. But due to the unpredictability of the costs of anti-epidemic measures, it will be impossible to limit expenditures at the same rate as revenue will fall. Municipalities are making great efforts to maintain employment in municipal enterprises, whose operation were suspended, and which also lost the ability to generate revenue.

With the outbreak of Covid-19 pandemic local authorities undertook their efforts to introduce online and distance **education**. Students were provided with access to special webinars and video-classes. A number of different platforms could be used depending on the capabilities of each school – real time (virtual class rooms) or through other online options - via e-mail or internet application, or with assignments by phone, etc. The Government worked with mobile network operators to provide wi-fi access points for children with no internet available at their homes. Free electronic textbooks were also provided by the publishing houses. The National TV Broadcaster organized educational television and lessons.

Bulgarian municipalities have also **increased spending for healthcare**. In 79 municipal hospitals, 233 beds were allocated for intensive treatment and monitoring of patients with COVID-19, following the Order of Minister of Health. A total of 2,908 beds were provided for patients without complications. In many places, the implementation of the order required making unscheduled repairs and improvements in municipal health facilities. These were paid for from municipal budgets.

On their own initiative, several **municipalities started individual testing for Covid-19**. Pool testing for covid-19 was also employed in many municipalities, including the capital – Sofia. First to undergo the procedure were police officers, doctors, social workers, front office workers, and teams delivering food to homes.

**Doctors have assisted with online consultations at virtual health clinics.** Doctors, specialists in various fields, consult online with citizens. The unique online health consultation initiative compensates for the quarantine restrictions and helps the limited number of available physicians in the city. Doctors consult with patients and each other providing residents with an appropriate online medical help, for free. The **Volunteer Corps provided assistance in hospitals**, both for non-medical activities and for supporting medical teams (for volunteers with relevant education and training).

Undoubtedly, Bulgarian municipalities have been on the front lines of the crisis with respect to responding to needs of the most vulnerable population groups. The crisis

has led to a significant increase in the number of people being cared for by the municipal social services. Municipalities have **increased their own spending for social care residential services, community services and home services**. Municipalities have also established **municipal hotlines** and have **coordinated efforts with volunteer groups** to support citizens in needs.

Volunteers have supported by delivering food, medicines and essential goods and services to the elderly, persons with disabilities and other isolated citizens. Municipalities have provided volunteers, staff and senior citizens with protective equipment, fuel, vehicles, and other logistic support at their own expense provide. NAMRB has been supporting the coordination of relief responses through the single information system that links municipal needs and available volunteer teams.

Municipalities have also organized campaigns to support families and citizens in need. Mayors and other municipal officials have also been donating part of their salaries and/or their personal finances to support these campaigns. Municipalities have also been cooperating with the post office to distribute pensions to retirees so as to avoid gatherings in public offices.

Municipalities have adopted **fiscal packages to support local businesses** and small and medium enterprises. These measures have targeted the most affected sectors and include tax relief packages in order to support more vulnerable local businesses and households; exemption from rents for activities performed in municipal properties and markets; exemption from fees to use public space; as well as the abolition of parking fees. Municipalities have also been revising their spending policies in order to finance relief measure and to balance their budgets. The capital city of Sofia has also raised a guarantee fund for loans to self-employed persons and SMEs affected by the crisis.

#### 5. Assessments and concluding remarks

The allocation of responsibilities for the municipal services (delegated and local) in 2003 aimed to create an objective basis for determining the total amount of state transfers and their allocation among the municipalities Undoubtedly, the activities defined as "delegated", elsewhere are often local competencies and the distinction made between them in Bulgaria restricts the powers of local governments. This is not only because the money they receive through the General Subsidy on delegated functions is earmarked, but often requires local governments to contribute more from their general revenues.

The national government also often delegates functions to municipalities without providing adequate revenue. This additionally imbalances the system of local finances. Therefore, the main task of the NAMRB continues to be ensuring the adequate equitable provision of public services by requiring the national government to:

- Provide municipal grants and transfers through a modern, objective and flexible mechanism that ensures the normal provision of these services;
- Redefine current delegated functions as essential municipal services, and to give municipalities full management powers over them;
- To delegate state responsibilities to local governments only in isolated cases (e.g. civil registration, elections) and with adequate financing;
- To develop a legal mechanism to prevention the delegation of responsibilities to municipalities for the implementation of uncharacteristic and/or inadequately financed activities. The assignment of new responsibilities to municipalities should not be carried out without consulting local governments and without securing the long-term financing for these activities;
- To expand and diversify the catalog of municipal own revenues while making corresponding adjustments in the national tax system to prevent increasing the overall tax burden on citizens.

### The regulation, management and financing of local government social sector responsibilities in Croatia

By Dario Runtić, representing the Association of Cities in the Republic of Croatia

### 1.Introduction

Local governments in Croatia have limited but important responsibilities in education, social protection, and health. Most of these responsibilities are assigned to them as delegated or shared functions. Preschool education, however, constitutes and important exception. It is legally categorized as an own function of Croatia's 1st tier local governments, and municipalities and communes have fairly broad authority to manage the sector within the service standards deliverv set by the Parliament. In contrast, primary and secondary education are considered shared functions for both 1<sup>st</sup> and 2<sup>nd</sup> tier local governments. In expenditure terms, education constitutes by far the largest budget line of all social sector functions and represents 10,9% of all subnational expenditure.

Regional governments play important roles in managing primary and secondary healthcare services. But the financing of these services remains mostly in the hands of the national government, which also finances and manages tertiary health care. Although government total general public expenditure on healthcare is similar to that of education, health care spending represents only 1.4% of all subnational expenditures.

The payment of social allowances and benefits for poverty assistance, child and disability assistance, and unemployment benefits is mostly carried out by the national government. Responsibility for the provision of social services to vulnerable groups, however, is shared between all three levels of government. Spending on social allowances and social services is the largest of three expenditure categories and represents 14,7% of general government expenditure and 6.8% of subnational expenditure.

# 2.Local government social sector responsibilities

**Preschool Education.** Croatian local governments have broad competencies in the area of preschool education within service delivery set out in the "State Pedagogic Standards for Preschool Education". Preschool education is the only own function that local governments have in the social sector, and municipalities and communes have been running preschools since well before independence. Municipalities establish nurseries and kindergartens and are fully responsible for financing them out of their general revenues.

Local governments pay for the wages of all staff, as well as all other material operating costs of preschools, including didactic materials and meals. They are also fully responsible for the physical maintenance and improvement of facilities. Kindergartens are budgetary units of their respective municipalities and are run by independent managing boards. The boards hire all pedagogical staff through public tenders and principals are formally appointed by the local government at recommendation of the boards.

All children are entitled to meals while at school, with the number of meals depending on the duration of the program (up to 5 meals). Local governments can set parental fees to offset part of the costs of preschool education. On average parental fees cover 14% of these costs. Preschools can also be organized by regional governments, the national government, and private and religious entities. Local governments are also allowed to subsidize fees for children attending preschools established by other entities. On occasion the national government provides categorical grants to local government to support the inclusion of minority and/or disabled children in preschool education.

**Primary and Secondary Education.** Primary and secondary education is organized by local and regional governments in accordance with delivery standards set by the Parliament – State Pedagogic Standards for Primary and Secondary Education. These functions are referred to in both the relevant legislation and the literature as decentralized functions despite the fact that the national government still pays for all staff wages and supports provide both levels of education with significant other grants.

These functions decentralized to subnational governments between 2001 and 2003 during the so-called first wave of decentralization. Primary education is decentralized to local governments with sufficient fiscal capacity and more than 8.000 inhabitants. In all other cases primary education is has been decentralized to regional governments, who have also been assigned responsibilities in secondary education.

Subnational governments are responsible for the maintenance of education facilities and some (re)construction costs. At the primary education level, they also pay for food and pupil transport. Staff wages, other employee benefits, some (re) construction costs, and secondary education student transport are paid by the national government. Wage payments are made directly to teachers through the central treasury, while transport costs are reimbursed to private companies through local government.

Both primary and secondary schools are subnational government budgetary users and actual service providers. School principals are appointed for five-year terms through public tenders organized by School Boards, but their hiring and firing is subject to Ministerial approval. Other staff is hired through a two-step procedure: Schools report their hiring needs to the regional government in charge of registering all qualified school employees. If there is no match between available and requested staff, the principal can hire staff through a public tender procedure pending approval of the School Board.

**Healthcare.** Healthcare services are provided by three interconnected levels: Primary healthcare is generally provided though Health Clinics which are responsible for general family medicine, dental care, women's health, child healthcare, labor and sport health, laboratory, and special healthcare as well as Emergency Service. Secondary healthcare is provided through policlinics, general hospitals, special hospitals and special care services; and Tertiary healthcare is provided by university (clinic) hospital centers.

Regional Governments are responsible for both Primary and Secondary healthcare, but their decisions often require national government approvals. Staff wages are paid for by the national government and other costs in primary and secondary healthcare are covered by a mix of regional government revenues, national grants for minimal financial standards, and service fees paid by Health Insurance Fund which is extra-budgetary user of the national government.

Regional governments generally pay for the maintenance of medical facilities, supplies and equipment, food, and Emergency Services. They are also in charge of determining the catchment areas of clinics and hospitals, as well as for appointing the directors of medical facilities. Local governments, especially in economic centers or tourist destinations, often provide additional funding for additional medical or emergency teams because current financial standards are reportedly insufficient for peak seasons. **Social Protection.** The payment of social allowances are managed by agencies of the national government (e.g. Social Welfare Centers) or by the national government itself. The most significant cash benefit paid out locally is the Social (Powerty) Alowance (0,5% of general government expenditure), followed by child benefits and disability benefits. Subnational government provides cash benefits mostly to beneficiaries of Social Welfare Centers and on occassion to other individuals qualifying with social criteria (property census). Indirect social benefits are provided by the local governments through utility fees and charges exemptions, etc.

Key social services provided by subnational governments are elderly services, Youth and Cultural Centers, women's services and specialized services. Elderly services are a mixture of Elderly Homes, public or non-governmental home services and other elderly related programs. Youth and Cultural Centers and Women services are caried out either by establishing centers and shelters as local government budgetary users or through cooperation with non-governmental sector. In terms of specialized services large towns and seats of counties operate food centers, homeless shelters, social housing, subsidies for social and utility services, etc.

Local governments have different functions and competencies depending on whether services are being delivered by their budgetary users, through non-governmental organizations to which they provide grants, or through own service units. Budgetary users which provide services are empowered to autonomously provide a service within legal framework for such the service and make their own decisions about what to spend their funds on. When non-governmental organizations provide services, local governments can award grants through public competitions for specified purposed, and can oversee the use of funds. When local governments provide service through their own administrative units, they can provide the service as defined by the law and in accordance with the minimal funding standards set by the national government.

Education, health and social services have been decentralized in the so called first wave of decentralization during early 2000s'. During 1990s' Croatia centralized functions and increased the number of local governments, supposedly because of wartime exigencies. This situation persisted for 3-5 years after the war ended. Beginning in 2000, under new political leadership, constitutional amendments were put in place to prevent further territorial fragments, and to decentralize public services.<sup>39</sup> However, the partial decentralization of functions did not stop further fragmentation and new local government units were established.

<sup>&</sup>lt;sup>39</sup> Ivan Koprić: Karakteristke sustava lokalne samouprave u Hrvatskoj HRVATSKA JAVNA UPRAVA, (2010.), no. 2., p. 371–386

Moreover, partial decentralization combined with territorial fragmentation, strict approval and reporting structures, and the frequent reduction of local budgets did not do much to improve either local governance or public services. Funding for decentralized services was unstable and then decreased significantly after 2008 financial crisis until 2017. It remains to be seen whether the recent increase in the funding of decentralized services combined with a 2018 reform of the fiscal equalization system and the increased inflow of EU funds will improve decentralized service delivery.

The new fiscal equalization mechanism increased consolidated local government revenues by 8,9% with the aim of equalizing fiscal capacities of individual local governments in order to enable local governments to provide public services of equal quality. Since joining EU Croatian local governments have accelerated EU funds absorption from 12 to 243 million Euro (certified) per year and funded a number of (energy) reconstruction and improvement projects in education and other social sector functions.

# 3. The financing of local governmentresponsibilities in the social sector

Local government social sector responsibilities are funded from a combination of so called "decentralized funding" (also referred to as: minimal funding standards), own source revenues and, some conditional grants. Essentially, "decentralized funding" are personal income tax revenue shares earmarked for specific functions complemented with block grant which together equals to minimal funding standards as prescribed by the national government. However, service provision standards are not linked with minimal funding standards and therefore local governments are required to use own revenues to finance the source

difference between minimal funding standards and actual service provision standards.

Minimal fundina standards are calculated as the historical amount national government used to provide for particular of decentralized costs functions in 2000s' and corrected over time as the national government sees fit. The by-laws governing these standards say that they are calculated based on historical data, Government Guidelines of Economic and Fiscal Policy, and Ministry of Finance's instruction to local governments regarding budgetary planning.

Minimal financial standards are calculated by formula for each local government or budgetary user, depending on service provided. For example, the National Pedagogic Standard for Preschool Education sets the following standards:

- duration and purpose of the program
- education program for children with special needs and talented children
- number of children per group (5-25 depending on age)
- number of teachers and other staff (0,5-2 teachers depending on duration of program)
- healthcare and nutrition standards
- financing standards
- building and group standards
- equipment and didactic material standards

Since preschool education is local government own function, 77% of the costs are covered by local government own revenues, 14% by parent fees, 7% by categorical grants for implementation of national programs and policies and 2% by own source revenues of kindergartens.

For primary education, the National Pedagogic Standards set the following standards:

- minimum 8 classes, one per each education level
- maximum 32 classes in two shift schools
- minimum 150 pupils, not more than 28 per class
- preference is one-shift schools
- classrooms from 54-70m2 depending on program carried out
- staff requirements, equipment standards, shared facility standards, etc.

Calculation of minimal financial standards for each school is based on number of pupils, number of class groups and number of school building in a given school year. Total funding levels are calculated based on historic spending levels corrected as noted above.

Minimal funding standards are published each year in the Official Gazette. Details of calculation are not disclosed. However, calculations are available under Freedom of Information Act (FOIA) or can be verified using official statistics. Line ministries are responsible the calculations and for updating standards. The Association of Cities in Croatia has used FOIA and official statistics to verify the calculations.

Detailed breakdown of public spending for social services in 2019 in Croatia

Year of Data: 2019	General Government Expenditure in sector/subsec tor a as % of GDP	Local Government Expenditure in sector/subsec tor as % of GDP	Total Spending in the sector/subsecto r as % of General Government Expenditure	Local Government Spending in a sector/subsector as a % General Government Expenditure
Pre-University Education <sup>40</sup>	4,81%	4,02%	11,10%	9,28%
of which Early Childhood Education (0-5 y.o.)	0,85%	0,84%	1,95%	1,94%
Healthcare	6,01%	2,63%	13,86%	6,07%
of which <b>Primary</b> healthcare	2,16%	1,15%	4,99%	2,65%
Secondary healthcare	1,18%	1,17%	2,72%	2,69%
Social protection cash benefits	2,36%	0,60%	5,43%	1,37%
of which Social (poverty) Allowances	0,69%	0,22%	1,58%	0,50%
Child benefits	1,05%	0,15%	2,42%	0,35%
Disability benefits	0,59%	0,02%	1,36%	0,05%
Other cash transfers to individuals or households	0,03%	0,02%	0,07%	0,04%
Employment services	0,54%	0,01%	1,25%	0,02%
Social care services for specific individuals	0,90%	0,18%	2,06%	0,42%

# 4.Social sector impact and response to COVID-19

As a result of the COVID-19 outbreak in Croatia in mid-March of 2020, the Civil Protection service recommended measures to contain the virus and which affected all social sector services. All educations facilities, including universities were shut down and pupils were asked to stay home.

Some preschools have created on-line content for the children including video recordings of staff reading books, video guides for creative activities, and social platforms, apps and videoconferencing tools so that children, teachers and parent can maintain contact with each other. Since many parents lost wages or worse their jobs,

<sup>&</sup>lt;sup>40</sup> Includes pre-school, primary and secondary education up till grade 12, generally until 18 years of age.

or faced other types of social insecurity and preschools were closed, local governments suspended parental fees and covered the 14% loss in funds from their own revenue

Primary and secondary education was provided through various tools. Lower elementary education was carried out via TV broadcasts and homework assignments delivered through electronic communications (e-mail, communication apps, etc.). Childcare services in lower elementary schools, co-financed by local governments and parents, was suspended and local governments covered the parental share from their local budgets. Higher elementary and secondary education was provided via on-line collaboration and videoconferencing tools available through a national provider of information technology infrastructure and services for academic community (CARNET).

Unemployment rose from 6,8% in March to 8,1% in April<sup>41</sup> requiring additional funding for the unemployment benefits provided by Croatian Employment Agency (CEA). In order to preserve jobs in industries which were ordered to shut down (hospitality services) or which incurred significant revenue loss due to containment measures, the national government provided incentives for job preservation through CEA in the amount of approx. 530 EUR per worker a month. Furthermore, the national government allowed businesses affected by containment measures to deferred tax payments.

Personal income tax, a major component of local government funding, was affected due to job losses and deferred tax payments. The Ministry of Finance and the Association of Cities worked together to establish a short-term loan system for local governments facing liquidity issues. The loan system enabled the tax administration and local governments to execute tax returns ahead of schedule in order to assist citizens and, indirectly, the economy.

In addition to payment exemptions in education, local governments swiftly launched a range of measures to assist affected citizens and businesses. Local governments suspended the collection of rents for leased premises and public spaces, deferred or exempted many taxes, fees, and charges. Financially well-endowed local governments were able to provide fiscal incentives in an effort to stimulate the local economy. Some local governments reduced tax and non-tax rates permanently. To offset revenue losses, local government reduced non-essential funding for public events and civil sector programs, delayed some capital investments and reduced wages for public officials and civil servants.

<sup>&</sup>lt;sup>41</sup> Eurostat

### 5.Assessment and concluding remarks

The regulation of local governments' role in social sector service provision has been relatively stable over the course of past decade and this is probably one of its best qualities. Minimum financial standard calculations and indicators, as well as service performance standards are clearly stated and quantified. These have provided a reasonably solid foundation for long-term local government planning in order to achieve service delivery standards.

However, the current legal framework has drawbacks, particularly with respect to the complex, overlapping, and insufficiently clear division of competencies between different levels of government. This has prevented particular tiers of local government to excel in the organization and provision particular social services. Furthermore, service provision standards are set at levels that are not supported by the minimum funding standards.

The future reform of social sector service provision in Croatia should aim to decentralize complete competencies for specific services to specific tiers of government. Such competencies should be carried out autonomously by such government tier, with the national government keeping check on the constitutionality and legality of service provision. Should individual units of government lack the fiscal, organizational or other capacities to adequately provide a service, they should be encouraged to voluntarily cooperate with their neighbors –as is now sometime done in the area of preschool education.

General minimal service provision standards should be set by the national government, with multi-annual roadmap for achievement of such standards. Minimal fiscal standards should be tied to minimal service provision standards and the roadmap. Although such fiscal standards could be the most acceptable financial vehicle for the national government in Croatia, the ultimate solution for financing decentralized functions is the allocation of sufficient own revenues to local governments coupled with minor general fiscal equalization grants.

Other governments decentralizing social sector services to local governments should allocate exclusive competencies for each social service to individual tiers of government. They should also make sure that all units of government within each tier have the fiscal instruments to adequately fund the concerned service. If this can't be done because of existing revenue assignments, or because of jurisdictional fragmentation, then these revenue assignments should be adjusted, or more robust fiscal equalization systems should be put in place. Efforts should also made to encourage inter-jurisdictional cooperation, and to independently analyze optimal catchment areas, service standards and funding norms for particular services. The regulation, management and financing of local government social sector responsibilities in Kosovo

By Gani Berisha, representing the Association of Kosovo Municipalities (AKM)

### 1.Introduction

The Law on Local Self-Government is the fundamental law that sets out the main parameters of the functions of local governments in Kosovo. It includes a list of 'competencies' of the local government bodies. This list defines almost all of the functions in pre-university education, primary health care, and in social protection as local government own functions, despite the fact that they are financed primarily through sectoral block and categorical grants.

The majority of these competencies receive more detailed treatment in Sectoral Laws. The Ministries responsible for the sectoral areas have also developed Administrative Instructions and other Secondary Legislation that makes even more precise the policy expectations of municipalities

The Law on Local Government Finance is the key piece of legislation that defines the financial resources of municipalities. It specifies the own revenues of local governments as well as the types and purposes of the grants they receive. In addition to their own revenue, local governments receive a freely disposable general revenue grant whose size cannot be less than 10% of the total budget revenues of the national government, and which is allocated primarily on a per capita basis (89% of grant).

Municipalities are also entitled to Specific Grants for Education and Health, as well Grants for Enhanced Competencies. Some of the larger Serbian majority municipalities

have been assigned additional responsibilities and receive Grants for Enhanced Competencies to support them.

The municipal financing system has not changed since the introduction of the Law on Local Government Finance in 2009. Kosovo is in process of amending this Law aiming at **promoting economic growth** whilst at the same time providing **social sector services** in education, health and social welfare in a manner that is fair, open, and inclusive.

Dialogue between the central and local governments on municipal finance is designed to take place through the Grants Commission whose purpose and functioning is regulated by the Law on Local Government Finance. The Grants Commission reviews the Specific Grants (block grants) (each year and plays a critical role in the development of the annual Medium-Term Expenditure Framework, and the Annual Appropriations Law. It is the only formal body where National Assembly, Central Government and Local Government meet to make recommendations about the municipal finances.

The Law on Local Government Finance<sup>42</sup> regulates the major grants to local governments differently:

- For the *General Grant* it specifies the precise structure of the formula and as well as the basic parameters (population etc.) that are to be used in the formula.
- For the Specific (operating) Grants for education<sup>43</sup> and health<sup>44</sup> the law specifies the general principles governing the formula including the principle that the grant should fund a *minimum standard level of service*.
- The law also requires that Grants for the Enhanced<sup>45</sup> Competencies assigned to some Serbian majority municipalities, should provide a *minimum standard level of service*.<sup>46</sup>

#### 2.The regulation and financing of local government responsibilities in the social sector

**Education.** Article 5 of the Law on Pre-University Education, states that "The Ministry holds the primary responsibility for planning, setting standards and ensuring the quality of the pre-university education system". According to this article, the Ministry is tasked with developing policies, drafting and implementing a Strategy on Quality Assurance for

foreseen three Municipalities with Serbian majority population have responsibilities of secondary health care

<sup>&</sup>lt;sup>42</sup> <u>https://mapl.rks-gov.net/wp-content/uploads/2017/10/Law-On-Local-Government-Finance.pdf</u>

<sup>&</sup>lt;sup>43</sup> <u>https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf</u>, page 77 detailed formula

 <sup>&</sup>lt;sup>44</sup> <u>https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf</u>, page 80
 <sup>45</sup> <u>https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf</u>, page 81, in Law it is

Pre-University Education 2016-2020, as well as an Education Strategic Plan Kosovo 2017-2021. The Ministry of Education is also responsible for drafting legislation for the development of pre-university education and training, promoting and improving the quality and efficiency of education and training, with a view to enhancing the quality and oversight of the implementation of legislation in power.

Article 5 of the Law on Municipal Education, in turn, assigns the following responsibilities to municipalities: a) construction of school facilities; b) enrollment and admission of students; c) employment of teachers, administrative staff and technical staff of schools; d) selection of Management of Educational Institutions; f) payment of managerial staff as well as other staff (technical and administrative); e) training of educators and other professional staff; h) overseeing the education process in accordance with guidelines set by Ministry of Education.

Article 17 of the Law on Local Self Government 03/L-040 defined these responsibilities as the own functions of municipalities. It states that: "Municipalities shall have full and exclusive powers, insofar as they concern the local interest, while respecting the standards set forth in the applicable legislation in the following areas..... provision of public pre-primary, primary and secondary education, including registration and licensing of educational institutions, recruitment, payment of salaries and training of education instructors and administrators."

Article 25 of the Law on Local Government Finance 03/L-049 specifies that: "Municipalities shall receive a Specific Grant for Education and a Specific Grant for Health. The determination of the amount of such grants shall be based on an openended funding approach. The Specific Grant for education shall be defined and allocated to municipalities according to the allocation formula established by the Grants Commission; and such formula shall be based on student enrollment and standards supplied by the Ministry of Education, Science, and Technology. The formula shall principally be based on the normalized number of teachers and effective enrollment. It shall also take into account the national curriculum, special needs education, non-wage operating expenses, class size norms and location. Minority students shall be given higher weights.'<sup>47</sup>

The Ministry of Education, Science and Technology is responsible, in cooperation with the Ministry of Finance, for overseeing the development and implementation for the Specific Grant for primary and secondary education. Over 90% of the Specific Grant for Education go to wages, 5% for the purchase of goods and services, and around 2% for capital investments.

<sup>&</sup>lt;sup>47</sup> https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf, page 77 detailed formula

**Health.** The Law on Local Government assign municipalities responsibility for the provision of primary health care services, most of which are provided through Family Medicine Centers. These services include: promotion, prevention, treatment and rehabilitation of diseases, disorders and injuries; health education; immunization; initial diagnosis and basic health care including minor surgeries; promotion of oral health and basic dental health care; community based mental health care; community-based rehabilitation; provision of food and water which meet quality requirements.

Family Medicine Teams consist of a general practitioner, a dentist, a family medicine specialist, a pharmacist, a pediatrician, a gynecologist -obstetrician, a specialist of clinical biochemistry, as well as nurses, midwifes, physiotherapists and medical technicians. These personnel serve in the following Primary Health Care Institutions: Main Family Health Centers; Family Health Centers; "basic health care unit" / first aid and general practitioners; Emergency Health Center in municipalities with more than 150.000 inhabitants); Pharmacy; and Rehabilitation Center. Municipalities are in charge of drafting a plan for developing primary healthcare in accordance with the main Kosovo plan on health.<sup>48</sup> Over 70% of the Specific Grant for Health goes to pay the wages of the staff employed in Family Medicine Centers. About 20% goes for the purchase of goods and services, and about 10% to capital investments.

**Social protection.** At central government level, the Ministry of Labour and Social Welfare (MPMS) is the institution responsible for all policy and regulatory issues related to labor and social welfare. In January 2009, and in accordance with the Family Law, the Law on Social and Family Services, the Law on Local Government and MoUs signed between the MLSW, the Ministry of Local Government (MLG) and the Ministry of Finance (MoF), the competencies of the Centers for Social Work (CSW), were transferred to municipalities. Within municipalities level, the Department of Health and Social Welfare has the mandate and responsibility for local social welfare, and municipalities manage the Centers for Social Work (CSW). Under this agreement, the social services are municipal responsibilities under the management of the Municipal Departments of Health and Social Welfare.<sup>49</sup>

Social welfare is principally defined in the Law on Family and Social Welfare: "shall include the provision of direct social care, counseling, or, in exceptional circumstances, material assistance, for the benefit of people in need." The municipal provision of social welfare services, however is very limited by severe budget constraints and a shortage of skilled personnel. Total government spending on social welfare services (without cash benefits) is less than 0.2% of GDP. This is the lowest, or equal to the lowest level in the region and only 10% of the European average (2.0% GDP).

<sup>&</sup>lt;sup>48</sup> <u>https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=8666</u>

<sup>49</sup> http://www.komfkosova.org/wp-content/uploads/2017/05/Financing-of-Social-Services.pdf

Centers for Social Work mainly act to determine eligibility for social assistance (56% of CSW cost, €1.6M). The payment of social assistance entitlements is a delegated function and not a municipal own competence. The Ministry of Labor and Social Welfare in responsible for setting the basic eligibility requirements for social assistance and for determining the distribution of social assistance payments.

The government of Kosovo has recently recognized that there is an urgent need to improve social welfare provision. As a result, a decision was reached to introduce into the Local Government Finance Law a new Specific Grant for Social Services. This Grant will be similar to Education and Health grant, and designed to improve the provision of Social Services at local level.

# 3.Social sector impact and response to COVID-19

In March, the national government put in place Emergency Fiscal Package which foresees several measures to minimize the impact of Covid-19 on health and economy. The package foresees about 180 million Euros of interventions, of which some 60 million have already been made.

The national government is currently reviewing the 2020 budget and is looking to cut expenses in order to fund the remaining120 million Euros needed to implement the Emergency Fiscal Package. After intense lobbying, the Association of Kosovar Municipalities (AKM) succeeded in protecting municipal budgets which will not be cut to fund the Emergency Fiscal Package. Instead, the national government will reduce its own expenditures. There will however be another review of the budget in the fall.

To prevent the spread of Covid 19 the national government closed all schools and universities, suspended most business activities, shut down urban and inter-urban transport and taken other measure to restrict people movement and gathering.

All Kosovo municipalities activated local crisis headquarters and set up field operation teams. Crisis headquarters are made up of mayors, heads of the Health Directorates, directors of the Main Family Medicine Centers and police commanders. The operational teams are composed of members of the Directorate of Inspection and Municipal Order, the Sanitary Section, the Public Services Section, and the Social Welfare Section.

The pandemic has affected all municipalities in Kosovo. All municipalities have seen a sharp decline in the collection of their own revenues, especially in categories like the

property tax, fines, court decision, construction permits and fees for the use of public space by foodservice industry.

The situation is currently dangerously unstable because Kosovo, as many others, is experiencing a second wave of infection, and there are currently more cases of the disease than there were in March.

### 4.Assessments and concluding remarks

Kosovo has significant decentralized functions in local level, where municipalities can exercise their functions, including Education, Health and provision of Social Services.

As mentioned above there is in process amendment of main law on local finances in Kosovo. Draft law developed in consultation with AKM will also reconsider the **funding** of social services by creating additional specific grant for social services, similar to health and education grant.

The protection of the General Grant at 10% of Kosovo Revenue has been a powerful support to the totality of municipal finance, which in the future will be impacted by foreseen Specific Grant on Social Services. Government and international institutions such as the IMF have questioned this ratio. Other institutions such as the EU have argued for it to be maintained. The question of the 10% ratio has to be settled to avoid persistent uncertainty in municipal financing.

The Grants Commission reviews the Specific Grants in the financing formula each year. The General Grant is 'fixed' in the legislation. In ne LGFL it is aimed to be more precise about the rigid and flexible elements, and to **ensure safe mechanisms for formula adjustment** without regular revision of the law. The administrative structures around formula review (used every year in Budget Midterm Framework of Kosovo Government) need to be strengthened.

#### The regulation, management and financing of local government social sector responsibilities in Moldova

By Viorel Girbu, representing the Congress of Local Authorities of Moldova (CALM)

### 1.Introduction

Social sector spending accounts for about two thirds of all public expenditure in Moldova. Aside from spending on social benefits and health insurance, where financial resources are managed through specialized entities that have centrally determined budgets, much social spending is made from the budgets of Local Public Administrations (LPAs). Although financing social welfare represents a significant part of the total amount of the resources allocated to local budgets, most of the spending, (c. 80% in 2019) is for education. As such, and with the exception of education, Moldova has made limited progress in decentralizing social sector functions to (LPAs).

Moldova has two tiers of LPAs, communes (1<sup>st</sup> tier) and rayons (2<sup>nd</sup> tier). The degree of decision-making authority with respect to social sector functions differs significantly between them. Communes play a limited role in the social sector, contributing whatever they can from their limited own revenues. The situation with rayons, however is different. The role of rayons with respect to social sector functions is perhaps best characterized as representatives of the national government at the local level: Rayons allocate categorical grants from the national government for social sector functions to the entities that provide social services at the local level. As such rayons are effectively responsible for ensuring that the policies of national government ministries are realized by the organizations (e.g., schools and social welfare centers) that provide social services at the local welfare centers.

# 2.Local government social sector responsibilities

Moldova has developed framework legislation that guides (or should at least) the further development of the secondary legislation on the regulation of the local authority's competencies in accordance with the principles specified in the European Charter of Local Self-Government. The Law on Administrative Decentralization in Moldova guarantees local public authorities have the right and the effective capacity to regulate and manage, according to the law, an important part of public affairs under their own responsibility and in the interest of the local population. In this regard, the process of administrative decentralization is guided by the principles of subsidiarity, equity among local authorities, correspondence of resources with competences, financial solidarity, institutional dialog, partnership, and responsibility of local authorities.

In reality, however the implementation of the principles contained in the law is not straightforward. Many, if not all of the problems in this respect stem from the historical inheritance of a very fragmented system of LPAs at the communal level, a fragmentation which has been compounded by high levels of both emigration and internal migration. This has left many communes extremely small and with limited resources and capacities. As a result, and particularly with respect to social sector functions, most public services are managed hierarchically and are still very centralized according to the secondary legislation.

The Law on Administrative Decentralization refers to two social sectors that are under authority of the local authorities, at least to some extent. These are education and social protection., while Health care sector remains entirely under the direct management of the central authorities. In both education and social protection 1<sup>st</sup> tier LPAs are mainly responsible for the maintenance and development of the physical infrastructure. In this sense, communes are responsible for the construction, management, maintenance and equipping of preschools and extracurricular institutions (nurseries, kindergartens, art schools, music); for housing construction; and for the provision of other types of facilities for the socially vulnerable.

Rayons – which are significantly larger than communes - are in fact responsible for the management of the social affairs at the local level. According to the Law, 2<sup>nd</sup> tier LPAs for maintenance of primary schools and primary schools-kindergartens, gymnasiums and high schools, vocational secondary education institutions, boarding schools and boarding schools with special programs, other educational institutions serving the population of the district. They are also responsible for the administration of social assistance units of district interest; development and management of community

social services for socially vulnerable categories, and for monitoring the quality of social services.

Contrary to the provisions of the framework law, the current management of social sector function at the local level remains influenced by historical practices that differ significantly from the spirit of the Law on Administrative Decentralization. The national government still controls through Organizational Framework legislation the standard structure and functioning of all schools and educational institutions, as well as all institutions providing social welfare serves.

According to these regulations, the main function of the rayon departments concerned with both education and social protection is the implementation of the policy set by the national government. For example, to the information that can found on one rayon's web page. The Education Department is subordinated to the Ministry of Education in administrative and scientific plan - didactic, and to the district council - in matters of financial and material insurance." This sentence reflects the state of decentralization in Moldova: Social sector competences are mainly delegated to rayons whose councils have some authority with respect to the maintenance and improvement of physical infrastructure, but whose functional departments are directly subordinated to the Ministries of education and social protection. As such, rayons governments in the social sector essentially play the role of deconcentrated units of the national government and are fully responsible for managing the grants and transfers provided to them by the national government.

1<sup>st</sup> Tier LPAs have no fully autonomous decision power concerning the sectors financed by the categorical grants provided by the central authorities. For instance, school directors are hired by rayons in cooperation with 1<sup>st</sup> tier LPAs and communes can only establish, reorganize or close state preschool institutions with the agreement of rayon education directorates.

In social protection, some rayon responsibilities are implemented in cooperation with communes. For example, communes play some role in determining who is eligible for cash payments made to poor and disadvantaged households. But the final decision always rests with the rayon departments of social protection

### 3.The financing of local government responsibilities in the social sector

Social sector spending accounts for about two-thirds of total public expenditure in Moldova. In 2019, spending on education represented 17.1% of total public expenditure, with 14.8% of being made from local government budgets. Most of this local spending, however, is financed from categorical grants from the national government.

These are regulated by the Law on Local Finances which state that special purpose transfers from the state budget are allocated to local budgets to finance preschool, primary, general secondary, special and complementary education (extracurricular); local public road infrastructure; the competences delegated to the local public administration authorities by the Parliament at the proposal of the Government; capital investments; and other special measures." No provisions in the law call for the national government to provide transfers to LPAs for social welfare services.

In 2019, transfers for education accounted for 78% of all conditional grants received by LPAs. Another 2% were for social protection. LPAs received no national government funding for health purposes. LPAs spending on education was 13% higher than what they received from the national government in conditional transfers. They also added about 25% more in spending on social protection from their own revenues to the small amount of conditional grants that they received for the function in 2019.

Most of the spending on education and social protection comes from rayon budgets, who also receive the major conditional grants for these functions. Nonetheless, 25% of total spending on education and 10% of total spending on social protection comes from commune budgets.

The transfers allocated to LPAs from the national budget are determined on annual basis, within ceilings set by the Ministry of Finance. These ceilings are based on historical costs adjusted by factors relevant for the planned period. The allocation of transfers is governed by financial standards developed for each sector. In social protection, financial standards refer to normatives approved by the government for each type service and for different types of beneficiaries. In education, formulas have been developed for both primary and secondary levels. Each formula has a component for current and capital expenditures. For current expenditures, the formulas are on a per pupil basis, and flow from rayons to schools on the basis of enrollment and teacher employment without much adjustment. Rayons however are mostly in control of how the investment portion of the transfer is spent.

### 4.Social sector impact and response to COVID-19

The epidemiological crisis that began in 2020 had a significant effect on the Moldovan economy. During first four months of the year, total public fiscal revenue decreased by 4%, compared to the 8% growth that was registered during same period of the previous year. Overall, total public revenues have decreased by 1.4% compared to same period of the previous year.

As of July 2020, property taxes, a major source of local government own revenue, have been particularly hard hit. Nonetheless, the budgetary situation of local governments is

brighter than that of the national government because their total revenue grew by 5.6%, and their fiscal revenue 2.1% over the same period of the previous year. One reason for this is because income from shared taxes, have increased by 9,5%. Another reason for this is that grants and transfers to local government –which comprise over three quarters of local government revenue have increased 8.2%, in part because the national government revised the state budget with the onset of the pandemic, and decided to increase transfers by 2% to help local governments respond to it.

The additional financial resources that local governments are receiving from the national government are being spent in accordance with decisions taken by the central authorities to tackle epidemiological crisis. Many local government representatives have indicated that there are delays in executing these spending decisions, which are presumably associated with the higher scrutiny of local governments expenditures by central authorities.

Actions taken by the local authorities to combat the pandemic are focused primarily on sanitary measures and on disinfecting public offices, public spaces and local public enterprises. Local governments are also measuring the temperatures of their employees at the beginning and end of the day, providing them with protective gear, and in promoting online interaction in both the private and public sectors.

In the education sector, for example in the Chisinau municipality, employers are working to ensure continuous communication between medical institutions and schools to monitor children's health. Kindergarten staff use on-line communication tools to make daily assessments of children's' health according to parental reports.

### 5.Assessment and concluding remarks

Despite of the provisions of the framework law on administrative decentralization, decisional and financial autonomy of 1<sup>st</sup> Tier LPAs (communes) is limited. The content of the relevant secondary legislation follows the historical institutional mechanism in the provision of the public services at the local level. This tradition rests on a high level of centralized decision-making. The process of administrative and financial decentralization in Moldova is hindered by the high fragmentation of LPAs and the resulting limited capacity of communes to manage public services in the social domain, specifically in rural localities. Improving the financial autonomy of 1<sup>st</sup> tier LPAs, fostering voluntary amalgamation and enforcing cooperation among them for the final benefit of the citizens is the major precondition in order to achieve progress in the area of decentralization of social sector responsibilities in Moldova.

#### 3.7.MONTENEGRO

The regulation, management and financing of local government social sector responsibilities in Montenegro

### 1.Introduction

Municipalities in Montenegro have rather limited responsibilities in the social sector. They may participate in improving the conditions and services in the areas of healthcare, education, social and children protection, employment and other sectors of interest for the local population. However, it is the central government that is responsible for the regulation, management and financing of social sector responsibilities. Municipalities are not obliged to contribute to the development and financing of social sector responsibilities but they can do it within their own possibilities.

### 2.The regulation, management and financing of social sector responsibilities

Local governments in Montenegro have only few competences in the area of social protection, while they don't have any essential competence in the area of education and healthcare. However, the law recognizes the opportunity for Montenegrin LGs to contribute to the social sector responsibilities performed at the territorial level by the national government by adding their own resources to improve access to and quality of service.

In fact, the *Law on Local Government* foresees that Montenegrin municipalities, within their own possibilities, may participate in improving the conditions and services in the areas of healthcare, education, social and children protection, employment and other sectors of interest for the local population. In accordance with the law, they may carry out also specific responsibilities in the social sector service providing institutions and

support humanitarian and non-governmental organizations working within in those areas. They may also provide for social housing for vulnerable persons.

The law provides also for the opportunity of delegation of state administration responsibilities to municipalities if this ensures "the more efficient and economic performance". The conditions under which the delegation takes place are to be regulated by a special purpose law or a government regulation. Therefore, municipalities may perform delegated tasks in the fields of education, primary health care protection, social and children welfare, employment and other fields of activity of the interest to the local population, in accordance with this special law. From the financial perspective, *the Local Government Finance Law* prescribes that the funds for performing delegated tasks shall be provided by the Central Budget (Budget of Montenegro) in accordance with the regulation on the transfer or entrustment of these tasks.

**Education** is regulated, managed and financed by the central government. The education system of Montenegro consists of pre-school education, primary education, general secondary education (high school), vocational education, upbringing and education of people with special needs, adult education and higher education. Adult education is part of the overall system and is being implemented at all levels of education. Ministry of Education covers all costs related to education, including salaries of teachers and staff, recurrent costs, energy costs, maintenance, capital expenditure, etc.

Although municipalities do not have any formal competencies in this area, they usually provide land for the construction of the education facilities, participate in the current maintenance of schools, provide communal equipment and, they may also forego the land development fee for the construction of these facilities. Also, municipalities very often purchase textbooks for pupils in few classes in primary schools, award prizes to excellent students, primary and secondary school graduates, as well as students who are awarded one of the first three positions in national competitions. Municipalities may also support individual projects and provide one-time financial assistance to students and young creators. Nevertheless, these are services which municipalities provide in accordance with their possibilities and do not constitute a legal obligation.

*Healthcare* is regulated, managed and financed exclusively by the central government. Healthcare system consists of 18 health centers, 7 general hospitals, 3 special hospitals, the Clinical Center of Montenegro, the Institute for Emergency Medical Aid, the Institute of Public Health and the Pharmacy Institute of Montenegro. The Ministry of Health covers all costs related to the health care, including salaries of employees, current costs, energy costs, maintenance, capital expenditure, etc.

Municipalities do not have mandatory competencies in this area also. In accordance with the Law on Healthcare, the municipality, within its rights and duties, participates in

providing conditions for the realization of primary health care on its territory, in a way that: 1) monitors the situation, initiates and proposes measures in the field of primary health care; 2) participates in the planning and implementation of the primary health care development which is of direct interest to citizens; 3) participates in the management of a health institution founded by the state; 4) undertake activities for the improvement of primary health care, in accordance with this Law. Municipalities may participate in financing part of the costs of primary health care – for example during the touristic season, in accordance with a preliminary contract concluded with the relevant health institution. Municipalities usually provide also land for the construction of the health care facilities, participate in the current maintenance of facilities, provide communal equipment and, they may also forego the land development fee applicable for the construction of these facilities.

*Social and child protection* is provided, mostly, by the state and by municipalities, under the conditions and in the manner prescribed by the Law on Social and Child Protection. The law prescribes that municipalities participate in the financing of measures and programs for social and child protection, as well as in provision of the social protection material benefits. Municipalities may also establish an institution of social and child protection. Funds for the *basic material benefits and social and child protection services* are provided in the state budget. Funds for the performance of social and child protection activities are provided in the state budget and in the local government budgets as well as by performing the activities of service providers.

Municipalities, in accordance with *the Law on Social and Child Protection* and *within their financial capabilities*, can provide funds for *material benefits in social protection* (one-time payment assistance and subsidies in the payment of utility services provided by public companies established by the municipality) and *child protection* (payment assistance for a newborn child, payment assistance for the purchase of school supplies and textbooks) as well as for *social and child protection services* such as: home help, residential services, soup kitchen services, rest and recreation of children, supported housing, accommodation in a shelter, housing for socially vulnerable persons. If the municipalities are not able to provide funds for these services, the state will participate in their financing. However, the law prescribes the possibility but not the imperative obligation for municipalities in terms of financing and providing these services. Due to limited financial resources, municipal participation in social and child protection in Montenegro is not very high. The Union of Municipalities become more active and to allocate more funds for social and child protection services.

The need for greater participation of local governments in improving the quality of social and child protection in local government units is emphasized also in the Analysis on Implementation of the Strategy for Development Social and Child Protection System in Montenegro for the period 2013-2017 as one of the reasons for preparing the new Strategy.

In accordance with this request, the Union of Municipalities of Montenegro proposed further public administration reform in the direction of strengthening decentralization as one of the proposals for the Strategy of Public Administration Reform 2020-2024. These processes should enable a more efficient work and better meet the needs of citizens in those areas for which the central government already pressures municipalities to perform as bodies closest to the citizens. Some of these tasks, to a greater or lesser extent, are already performed by municipalities, depending on their possibilities, although they are the exclusive competence of the central government. From this perspective, the Union of Municipalities of Montenegro advocates that a deeper analysis in these areas is needed, to see how and whether additional tasks could be decentralised and be better and more efficiently performed by municipalities. These processes, should, of course, be considered under the underlying principle that administrative and political decentralization must be accompanied by sufficient and adequate fiscal decentralization as a key precondition.

## 3.Assessment and concluding remarks

Given the size of Montenegro in terms of inhabitants and also its territorial organisations into 25 local governments, the local delivery of very costly social sector services presents a number of challenges both in regulatory, administrative, management and financial terms. However, the need for a greater involvement of municipalities in the social sector services is recognized, although this should be accompanied by a careful analysis and more importantly by an improvement of the administrative and financial capacities of municipalities, as highlighted by the Union of Municipalities of Montenegro.

# 4.COVID-19 impact and response at local government level

In consultation with its members, the Union of Municipalities of Montenegro (UoM) developed policy proposals for the central government on measures to support the response to and recovery from the COVID-19 pandemic, as per the main challenges, needs and opportunities of Montenegrin municipalities. account needs of LSG for basic functioning.

Municipalities demonstrated an immediate commitment to *carry some of the burden and help with the economic recovery of local communities and economies.* 

Municipalities voices the urgent need to act in three main directions to mitigate the negative consequences:

- *within municipalities:* policy reviews, prioritization and cost rationalization according to the new reality, and earmarking available resources to mitigate the effects of the pandemic on the economy and the social situation;

- *support to the affected businesses and entrepreneurs* through fiscal relief measures such as exemption and postponing the payment of certain taxes, fees and rents for a temporary period;

- facilitate the provision of financial liquidity support *to municipalities and municipal utilities services* to ensure their functioning in the duration of the crisis, through credit lines from the State, banking sector and IDF support.

As regards the measures to be adopted by municipalities themselves, UoM proposed several measures to assist them in the preparation of their own municipal measures. Most of municipalities prepared and adopted them. The main proposals include the following:

- postpone the payment of surtax to the personal income tax for a period of 90 days, upon the request of tax-payer;
- postpone the payment of the property tax in 2 installments: until 31 August 2020 and 30 November 2020 at the request of tax-payer;
- reduce the amount of the local communal charge determined on the basis of occupation of the public space (summer gardens, indoor gardens, and other movable objects, taxi stops, etc.) for a period of 90 days, in which a user did not use the public space due to Government measures (at the request of taxpaver):
- reduce the amount of annual fees for the use of commercial facilities for a period of 90 days, i.e., the duration of the Government measures for which businesses did not perform the activity (at the request of taxpayer);
- release rent payments for a period of 90 days to tenants of business premises owned by local self-governments that did not carry out regular activities due to Government measures (at the request of the tenant);
- postpone the payment of construction land development fee, as well as fees for legalization of illegal facilities for a period of 90 days (upon request). Interest for arrears shall not be charged for the stated period;
- municipal contractors unable to complete works within the agreed deadline, due to lack of materials and human resources, will be extended the deadline for the completion of work, i.e., to draw up an annex to the contract, in order to avoid

the payment of penalties for failure to fulfill obligations stipulated by the contract;

- reduce the amount of membership contribution to tourist organizations for a period of 90 days, i.e., the duration of measures of the Government for which they did not carry out their activity (at the request of taxpayers);
- forced collection of tax liabilities for the duration of the Government measures will not be made to the entities impacted by the measures.
- instruct local government bodies, institutions and public companies whose founder is the municipality to immediately request from the competent court, i.e., public executor the postponement of execution initiated upon their proposal, for a period of 60 days, for companies whose work is prohibited by the order of the Ministry of Health, and not to submit new proposals for enforcement, except in cases where there is a threat of obsolescence, for which they will also immediately after the decision determining enforcement, request its postponement until the expiration of the period.
- instruct boards of directors of the public company that performs waste collection, removal and disposal services to ensure the exemption of payment of invoices for the period in which they did not perform activities by order of the Ministry of Health.

As a result of the improved provisions from the new Local Government Finance Law, the increased level of own revenues collection, as well as the increased discipline of tax payers, Montenegrin municipalities in 2019 succeeded to overcome the difficult period of their financing. However, COVID 19 crises shows that municipalities have to adapt on the new working conditions.

It is interesting to emphasize that the total municipal revenues for the first six months of the 2020 were actually at the same level for the same period of 2019. But, the analysis of the revenue structure shows different trends in certain types of municipal revenues. Revenues based on the PIT as well as on the Surtax on PIT are approximately at the same level as in previous years for this period. This is caused primarily due to the subsidization of wages in the economy within the Government measures. In order to limit the negative effects of the coronavirus pandemic, the Government of Montenegro in 2020 adopted three packages of measures to support the economy and citizens (assistance to the most vulnerable categories of the population and creating conditions for liquidity of the economy and the budget; ensure conditions for preserving jobs and faster economic recovery; short-term and long-term measures aimed at recovering Montenegro's economy through economic diversification and increasing domestic production). As a result of these measures, total public revenues from the PIT did not fall as expected, having in mind the coronavirus effects. Local revenues based on the Equalization Fund were also, with minor deviations, at the 2019's level for the first six mounts.

On the other hand, other and larger parts of own revenues shows a tendency of significant decline for the first six months of the 2020. The Property tax, which is the basic own revenue of municipalities, compared with the same period of 2019 decreased by 26%, the local communal charges revenues decreased to almost half of the 2019 amounts, while revenues from the municipal roads utilization fees decreased by 61%. At the same time, revenues from the Property Transfer Tax decreased by 35%. These negative trends in the local government revenues collection in the first half of 2020 have been overcome with the funds transferred from the previous year (1/3 of total municipal revenues for the first half of the 2020 comes from the funds carried over from the previous year). However, the real negative COVID 19 effects on the total municipal revenues will be very visible, once municipalities will spend these funds carried over from the previous year. Therefore, municipalities are under enormous financial pressure where they have to ensure conditions for providing local services according to their competencies. In the COVID 19 pandemic conditions, these competences gain additional importance. Cooperation and mutual understanding between higher levels of government and local government units in defining and implementing the economic recovery strategy is necessary. Of course, municipalities themselves have to contribute to that by more rational and domestic behavior in spending financial resources.

### 3.8.NORTH MACEDONIA

## The regulation, management and financing of local government social sector responsibilities in Moldova

By Blagica Petreski, Finance Think, and Sofija Stefanovska, representing the Association of the Units of Local Self-Governments of the Republic of Macedonia (ZELS)

### 1. Introduction

The decentralization process in North Macedonia really began on July 1<sup>st</sup>, 2005 with the transfer of major social sector functions to local governments. Initially local governments faced many difficulties, mainly due to untrained staff and insufficient funds to finance the new competencies. Fifteen years later, much progress had been made, but insufficient financing remains a major problem.

With decentralization, local governments were made responsible for the following social sector functions: pre-school education, primary and secondary education, and homes for the elderly. They became the owners of all these institutions and were made responsible for their physical

maintenance and improvement. More importantly, they became fully responsible for financing and managing their entire operation, including hiring and firing directors, determining school networks and staffing patterns, paying all wages and benefits, and organizing financing transportation and food.

The funds to finance the transferred competencies are provided through block grants from the national government. Local governments can also provide additional funds from their general revenues. But reliable data on these contributions are difficult to acquire, though it can be assumed that these contributions are relatively small given the financial constraints under which local governments are operating.

# 2.Local government social sector responsibilities

**Education.** Education is the most import sector transferred to local self-government units (LSGUs) during the decentralization process. Concretely, in 2005, LSGUs were made the founding organs of all primary and secondary schools. Since then, they have been responsible for the establishment, financing and administration of the vast majority of primary and secondary schools, though the Ministry of Education and Science still directly controls a small number of specialized secondary schools. Municipalities also have also the right to establish new schools.

When performing their competencies in the education sector, municipalities should respect the legal competencies determined by the Law on Primary Education<sup>50</sup> and the Law on Secondary Education<sup>51</sup>. According to these framework laws, the detailed rights and obligations of the LSGUs include:

- To keep a Registry of primary and secondary schools operating on their territories;
- To identify children and parents that don't respect the obligation for compulsory education, to determine the reasons and to find solutions;
- To determine the catchment areas of the primary schools;
- To organize the free transport of children living more than 2.5 km away from school as well as for all pupils with disabilities and their companions, no matter where they live;
- To propose plans and programs for enrolling students in municipal high schools, and in accordance with the needs of local labor markets.

The decentralization process also transferred the responsibility for pre-school education from the national government to the LSGUs, giving municipalities control over nurseries and kindergartens. Both are established by municipal decisions after obtaining an opinion from the Ministry of Labor and Social Policy. Municipalities are obliged to keep a register of the current nurseries and kindergartens as well as to hire and fire directors. The LSGUs also have right to establish a centre for early childhood development, for which the same rules apply.

Municipalities also, have competencies in the field of adult education. According to the Law on Adult Education<sup>52</sup>, LSGUs have the power to establish institutions for adult

<sup>&</sup>lt;sup>50</sup> Law on primary education, Official Gazette of North Macedonia No. 103/2008

<sup>&</sup>lt;sup>51</sup> Law on secondary education, Official Gazette of North Macedonia No. 145/2015

<sup>&</sup>lt;sup>52</sup> Law on education for adults, Official Gazette of North Macedonia No. 74/2012

education, provide programs that are financed by their own budget, keep a registry of available institutions for adult education, provide proposals for recruitment and enrolment, analyse local labor market needs and cooperate with the Centre for Employment and Ministry of Labor and Social Policy to create appropriate adult education programs.

Since 2007, municipalities have been given the responsibility to finance and manage student dormitories. According to the Law on Student Standards<sup>53</sup>, student dormitories may be established by an LSGU after obtaining a favorable opinion from the national government. The LSGUs have responsibility to provide accommodation, food, educational activities, health care, cultural activities, sport and recreation. Additionally, the LSGUs are obliged to keep a registry of current student dormitories on their territory.

In all the areas of education discussed above municipalities hire and fire directors, pay the wages of all staff, and are responsible for the maintenance and improvement of all school. Decisions for opening and closing institutions, as well as the determination of their budgets need a ministerial decision.

**Social Protection.** With the adoption of the Law on Local Self-government<sup>54</sup> in January 2002, opportunities for transferring competencies in the area of social protection were created. Municipalities were made the founding organs of homes for the elderly, at once becoming their legal owners, and responsible for their financing, administration, maintenance, and improvement.

Providing social protection to the other vulnerable citizens (e.g., disabled children without parents, street children, people with substance abuse problems) is done in cooperation with the Ministry of Labor and Social Protection. Here, the role of municipalities is much more limited, focused much more on analyzing the needs of its specific communities, and adopting their own development programs to supplement and enhance the services being provided by the national government. This includes financing certain events and training, providing benefits to their own employees, and providing material and technical assistance to the unemployed.

Municipalities have the right to establish both institutions and programs for social protection, with the exception for residential homes from children, and youth with behavioral issues, which remain completely under central jurisdiction. A Governmental decision is compulsory when establishing any kind of social protection institution. Also, the norms and standards for establishing a municipal institution for social protection are provided by the Ministry of Labor and Social Policy. But the Directors of municipally established institutions are hired and fired by the Mayor. Municipalities have the right to use their own revenues to fund improvements in current social services, and co-operate with the Ministry of Labor and Social Policy in their operation. There are several

<sup>&</sup>lt;sup>53</sup> Law on student standards, Official Gazette of North Macedonia No. 117/2008

<sup>&</sup>lt;sup>54</sup> Law on local self-government, Official Gazette of North Macedonia No. 5/2002

examples of Day-care Centres established by the national government – which remains responsible for enrolment and employment policy but for which municipalities provide space, pay maintenance, employ additional staff, and organize free transport and/or food for the beneficiaries.

The role of LSGUs in social protection was significantly improved and strengthened by the Law on Social Protection<sup>55</sup> which came into force on 23 May 2019. Municipalities are now required to establish two Councils for Social Protection, on municipal and regional level and are obliged to both prepare annual social protection programs, and to allocate a certain amount of budget funds for their implementation.

**Healthcare.** According to Article 22 of the Local Self-Government law, municipal responsibilities in the healthcare sector include: helping to manage the network of public healthcare institutions by having representatives on all their governing boards; provide preventive services; employee health; assistance to persons with specific needs; and the monitoring of infectious diseases. But municipalities do not own, run, or finance any health care institutions. These functions remain centralized in North Macedonia. Municipalities, however, often provide small cash relief to citizens with serious illnesses or who need a hospital treatment therapy. But these measures do not figure importantly in their budgets.

# 3. The financing of local government social sector responsibilities

The national government provides municipalities with Block Grants to finance the social sector responsibilities that have been transferred to them by law. <sup>56</sup> Block grants are provided to finance only three decentralized competencies: education, social protection and culture. Healthcare finance remains completely centralized. The amount of block grants is determined by a specific methodology based on appropriate indicators for each program. Block grants cannot be lower than the amount received in the previous year. In the following we discuss the financing of education and social protection.

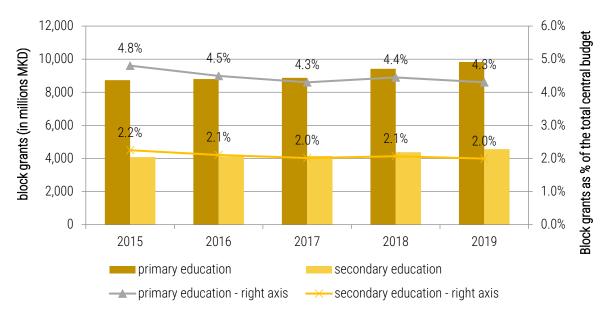
**Education**. Since 2012, all municipalities (except Plasnica<sup>57</sup>) finance the education competencies transferred to them through National Government block grants. Figure 17 shows that the size of block grants has increased since 2015, but have fallen as a share of total public expenditure. Also interesting is that spending on primary education is double what is spent on secondary education

<sup>&</sup>lt;sup>55</sup> Law on social protection, Official Gazette of North Macedonia No. 104/2019

<sup>&</sup>lt;sup>56</sup> Law on local self-government financing, Official Gazette of North Macedonia No. 192/2015

<sup>&</sup>lt;sup>57</sup> This municipality receives 3 million MKD of categorical grants each year, to finance the primary education. After completing the first phase of transferring and managing with the material and financial resources, the municipality will start to receive a block grant.





Source: Budgets of North Macedonia

The allocation of the education block grant is governed by several criteria: a flat sum for each municipality, pupil enrolment, student enrolment by subject or vocation, pupils with disabilities, and population density. Each year, the criteria and methodology are regulated by an Ordinance<sup>58</sup> passed by the Government. LSGUs must use the funds to finance the schools that have been transferred to them, including the operation and maintenance of facilities, payment of staff' wages and paying for pupils' food and transport. LSGUs may supplement block grants with their own revenues, but data on such spending is in not available. Pre-school education, is part of the social protection sector is analysed below.

**Social Protection.** As discussed earlier, homes for the elderly are the only institutions of social protection that were transferred to LSGUs. In North Macedonia, there are only 4 public Homes for the Elderly (in the municipalities of Berovo, Bitola, Kumanovo and Prilep. Hence, the central government provides block grants to these 4 LSGUs, and the amount is calculated according to precise methodology and criteria<sup>59</sup> which includes: basic amount per user according to the user's situation and use of mobile or stationary services, two months of estimated heating costs; and the number of employees. Most of these grants are used to finance employee wages. Beside block grants, these institutions earn revenue from user fees which are used to maintain facilities.

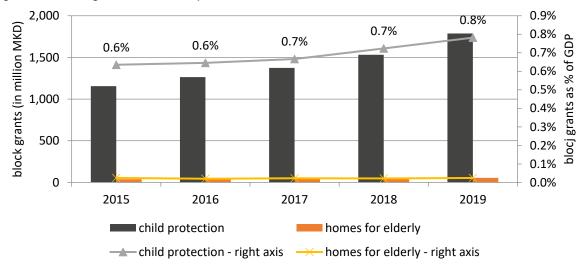
<sup>&</sup>lt;sup>58</sup> Ordinance for establishing methodology and criteria for primary education block grants distribution per municipality, in 2020, and Ordinance for establishing methodology and criteria for secondary education block grants distribution per municipality, in 2020, Official Gazette of North Macedonia No. 177/2019

<sup>&</sup>lt;sup>59</sup> Ordinance for establishing methodology and criteria for social protection block grants – Homes for elderly, Official Gazette of North Macedonia No. 145/2018

Municipalities rarely contribute their own revenues to the running of Homes for the Elderly.

Preschool education, again considered within social protection, requires rather large block grants to all municipalities in which public kindergartens and Centres for Early Childhood Development exist. Individual grants are calculated using the following criteria: basic amount per enrolled child, and the number of employees in the institution. The grant cannot be lower than 350.000 MKD per month or less than the existing wage bill of a facility.<sup>60</sup>

Figure 18 below shows the amount of block grants provided to LSGUs over the last 5 years. The amount for child protection (kindergartens and Centres for Early Childhood Development) has increased in in both absolute and relative terms. The amount of the block grants for Homes for the Elderly people is very small, probably due to the small number of public homes. In the last 5 years, the average amount of block grants for elderly homes has been 45 million MKD.





According to the Law on social protection, the LSGUs have the right to establish municipal institutions for social protection, and/or provide social services at their own expense. So far, however, only a few municipalities provide additional social services, like home or mobile services for the elderly or disabled or educational assistance to pupils with disabilities. Also, several LSGUs have financed from their own budgets, food, transport and maintenance costs of national run Day-cares or Shelter Centres. But again, there is no available data on the amount of own revenue that municipalities dedicate to social protection.

Source: Budgets of North Macedonia

<sup>&</sup>lt;sup>60</sup> Ordinance for establishing methodology and criteria for block grants to the child public institutions, Official Gazette of North Macedonia No. 245/2019

The new 2019 Law on Social Protection, provides national government grants to municipalities to fund some social sector projects. According to the law, the Ministry of Labor and Social Policy will hold annual calls for innovative social sector interventions, and will finance the best ideas. So far, only one call was opened, and there is no specific information or data about the sum of funds provided to LSGUs.

### 4.Assessment and concluding remarks

The main strengths of the current system of regulating and financing of local social sector responsibilities are related to building the capacity of LSGUs. The transferred responsibilities strengthen the operational capacity of local administrations to manage the delivery of social services. They also strengthen municipal financial management. Recent regulatory changes will provide opportunities for the further development of local social services, and could improve the quality of life, as well as municipal budgets.

The main weakness of the current system is insufficient funding for municipalities to increase their capacities by investing in developmental programs, like the construction and reconstruction of facilities, and improved service delivery.

Steps to further strengthen the role of municipalities in the social sector should include:

- Strengthening the financial capacity of LSGUs to provide more and higher quality services;
- Development of social services;
- Strengthening the fundraising capacities, in addition to transfers from the central government
- Strengthening participation of all local stakeholders, including participatory budgeting, involvement in the process of identification needs and priorities, and public private partnership.

#### 3.9.ROMANIA

### The regulation, management and financing of local government social sector responsibilities in Romania

By Radu Comsa and Adrian Miroiu-Lamba, representing the Association of Communes of Romania (ACOR)

## 1.Introduction

Local governments in Romania are divided in two administrative tiers. The first tier includes 3180 municipalities, which are classified as communes, towns, and cities. Communes are rural LGs, while towns and cities are urban. The second tier is made of 41 counties, which encompass between 40 and 114 municipalities. The capital city, Bucharest, is classified as a city, but its local government integrates the functions of a municipality and a county. All Romanian local governments are autonomous from the central government and counties have no authority over municipalities. Functions are assigned separately in the legislation on local public services. Intergovernmental

transfers flow directly from the Ministry of Finance to their recipients.

Romania's has a significant number of small municipalities, whose administrative capacity may be insufficient for optimal service provision. As of 2019 (see Table 21), communes (rural municipalities) have an average population of almost 3,400 and more than a 10% of them have less than 1,500 inhabitants. The average population of towns is above 10,000, but 10% of them have less than 5,000 people. The average population of cities is 80,000, but with large variation: almost 15% have less than 20,000 inhabitants while 10% have more than 200,000 people.

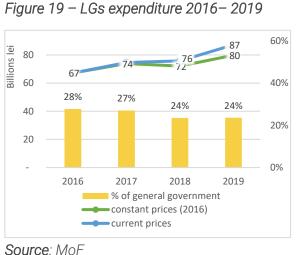
L.g. type	Number of LGs	Average domiciled population 2019	Total domiciled population 2019	
Commune	2862	3.379	9.670.339	
Town	216	10.871	2.348.135	
City	102	78.638	8.021.078	
County	41	488.770	20.039.552	
Bucharest	1	2.131.034	2.131.034	
Total	3.222		21.170.586	

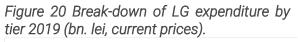
Table 21 – Number and average population of local governments.

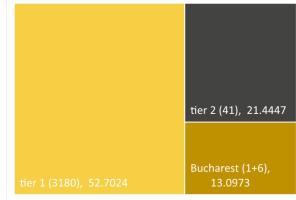
Source: National Institute for Statistics

Local governments expenditure represents about a quarter of general government expenditure. (24% in 2019 was 24%, down from 28% in 2016). As a share of GDP, LG expenditure went from 8.8% in 2016 to 8.3% in 2019. The centralization of preuniversity education wage bill in 2018 decreased the weight of local budgets in total public expenditure. The drop of education expenditure was partly offset by wage bill and investment growth in healthcare, transportation, executive authorities<sup>61</sup> and housing and development.

**Tier 1 accounts for the largest part of local governments expenditure** (60%,). Within Tier 1, communes and cities have similar shares of total expenditure (44% & 43%). The 41 county councils that constitute Tier 2 represent a quarter of total expenditure, while Bucharest (Tier 1 & 2), with 10% of the population, accounts for 15% of total LG expenditure.







Source: MoF

<sup>&</sup>lt;sup>61</sup> The budget chapter titled "executive authorities" includes all expenditure of municipalities' and counties' executive and legislative bodies (city halls, town halls etc.). Numerous local governments report as part of the budget chapter "executive authorities" expenditure with social workers, librarians and community nurses, when they do not establish dedicated institutions.

## 2.Local government social sector responsibilities

Legislation on decentralization regulate the assignment of functional expenditure responsibilities. The expenditure assignment to Romanian local governments is regulated by the Administrative Code<sup>62</sup> and by sector legislation drafted or issued by line ministries. The Administrative Code and the local public finance law<sup>63</sup> set general rules for the allocation of responsibilities and their funding.

The Administrative Code distinguishes between exclusive, shared and delegated competences in expenditure assignments. The Code has classified expenditure responsibilities in three categories, based on the roles played by LGs in service provision. Exclusive responsibilities refer to services whereby LGs alone design and implement specific local policy, organize provision, manage assets and provide financing. For shared responsibilities, local and central governments share at least one of the services' functions and each side's attributes should be clearly defined by sector legislation. Delegated competences are delivered by LGs on behalf of the central government, which also fully funds them and determines how they should be provided. In all cases, the approval of primary and secondary regulations, control and monitoring are entrusted to central government agencies (and the Parliament).

In addition to the framework laws, sector legislation and the annual state budget law provide the details of expenditure assignment. The actual assignment of responsibilities for each service, including the rules for financing, is detailed in the sector legislation drafted (and issued) by line ministries<sup>64</sup>. In addition, the annual state budget law makes concrete provisions on the size and allocation mechanism of conditional grants associated with shared and delegated responsibilities.

**Expenditure assignment differs by tier but is identical within tiers**. The main criterion for the assignment of responsibilities to tiers is the catchment area of different types of LGs. With the exception of the population register<sup>65</sup>, high-schools, hospitals and some cultural institutions, all services assigned to tier 1 local governments pertain to the beneficiaries within their borders. Moreover, all communes, towns and cities are expected to provide the same package of services, although in practice that is hardly the case, especially in communes. For counties, the responsibilities refer to services whose catchment area corresponds with county borders. In a few cases, however, such as county hospitals, the area of beneficiaries is larger than the county.

In the social sector, tier 1 local government responsibilities are mainly shared with the central government. Local governments in tier 1 have exclusive responsibilities over primary social services for vulnerable groups, such as children, the elderly and victims of domestic violence

<sup>&</sup>lt;sup>62</sup> Approved by Government Emergency Ordinance no 57/2019.

<sup>&</sup>lt;sup>63</sup> Local public finance law no 273/2006.

<sup>&</sup>lt;sup>64</sup> E.g., the law on education (Law 1/2011), law on the protection of children (Law 272/2004), law on the protection of disabled persons (law 448/2006), law on healthcare reform (law 95/2006).

<sup>&</sup>lt;sup>65</sup> All municipalities maintain a civil status register, but the population register is managed in less than 500 municipalities.

(prevention, counselling, home care, day care) (Table 22). They provide home services to persons with severe disabilities, either through the hiring of a personal assistant or the provision of cash transfers. This responsibility meets the criteria of a delegated function because local influence over service provision is minimal.

Responsibilities in preuniversity education are shared with central government, which participates in decision-making and financing. Tier 1 local governments own the buildings of preschools, primary, secondary and vocational schools. Their responsibilities in the field refer to organizing the school network, ensuring conditions for schools' functioning and conducting capital improvements. They also take part in school decisions through representatives in school boards.

The responsibilities of LGs in healthcare are also shared with central government. LGs are involved in the management and financing of public hospitals which they own (186) and are the principal providers of community care services (i.e., health promotion and mediation for vulnerable groups), care provision in schools (i.e., primary care services and dental care for pupils, where such facilities are available) and social-medical care (i.e., long-term inpatient care for persons with chronic conditions). Local governments own the buildings of walk-in clinics where both many family physicians and outpatient specialty physicians provide services as private practices.

Services	Strategy	Regulation	Organization	Provision	Financing	Asset ownership
Primary social services for children, elderly and domestic violence	Local	Central	Local	Local	Local	Local
Home care for severely disable persons	Central	Central	Central	Local	Central & local	n/a
Education (preschool, primary, secondary, vocational)	Central	Central	Local & central	Local	Local & central	Local
Community care	Central	Central	Local	Local	Central & local	Local
School medical care	Central	Central	Local	Local	Central & local	Local
Public hospitals	Central	Central	Local & central	Local	Fees & central & local	Local

Table 22 – government tiers involved in the main functions of social sector services in tier 1 local governments

Tier 2 local governments share all their responsibilities in the social sector with the central government. County councils are assigned responsibilities in residential social services for children, disabled persons and the elderly (foster care, family homes, residential centers, emergency centers) (Table 23Table 22). These are all shared with the central government mainly with regards to financing. Responsibilities in education are limited to special education and are shared with central government, which participates in decision-making and financing. Counties own 93 large and medium sized hospitals, which account for almost half of total tier 2 expenditure. LGs share with the central government - mainly through the Ministry of Health and the National Health Insurance House - responsibilities with regards to the management, maintenance, and financing of hospitals.

Services	Strategy	Regulation	Organization	Provision	Financing	Asset ownership
Residential social services	Local	Central	Local	Local	Central & local	Local
Special education	Central	Central	Local & central	Local	Local & central	Local
Public hospitals	Central	Central	Local & central	Local	Fees & central & local	Local

Table 23 - government tiers involved in the main functions of social sector services in tier 2 local governments

The relationship between local governments and central government in the social sector is conducted within the limits defined by law. Local governments cooperate mainly with the deconcentrated representatives of line ministries which are typically located in the largest towns of a given county. The latter are concerned with service organization, monitoring and control. In education, the deconcentrated services play an important role in human resources management and financing. In healthcare, the relationship is complicated by the existence of two payers, the MoH and the NHIH, and multiple contractual agreements and financing flows to local governments or directly to hospitals. In keeping with the legalist tradition of Romania's public administration, the cooperation between the institutions involved in service provision take place within the mandates and responsibilities provided in sector legislation.

All providers in social sectors must seek and obtain accreditation and observe hygiene and fire safety norms. Hospitals, day centers, shelters, residential centers and schools must obtain accreditation from national designated bodies. To this end, they need to observe quality standards for the organization and delivery of services. In addition, hygiene and fire safety norms are applicable to all service providers. The former refers to temperature, ventilation, space per beneficiary, lightning, lavatories etc. The latter deals with fire proofing, fire extinguishing capabilities and access & evacuation pathways. Local governments are not directly responsible, but as owners have to support their institutions in meeting the any applicable standards.

**Major decentralization initiatives ended in 2010**. The biggest waves of decentralization took place in the 1990s and early 2000s, when social services and education were transferred to

local governments. The latest major decentralization was conducted in 2010 when 375 public hospitals were transferred from the MoH to local governments in both tiers.

In 2018 the wage bill of pre-university education was centralized to the Ministry of Education (MoE). From 2001 to 2017, schools' wage bill had been financed from local budgets, which, in turn, received conditional grants from the state budget. Since 2013, the state budget financing had been determined against normative costs per pupil, which covered wage bill and some goods & services. Following the recentralization of wage costs in2018, schools have been financed from two budgets, namely MoE, for their wage bills, and local budgets for the rest of their expenditures. For the latter, a part of the financing was provided by the state budget through conditional grants. The rest was assured from local budgets' discretionary revenues and various investment grants, when applicable.

# 3.Financing local government social sector responsibilities

The social sector accounts for more than 40% of total local government expenditure (all tiers combined, including Bucharest). As of 2019, the biggest expenditure category in total local government budgets was healthcare (23%, up from 15% in 2016).



Figure 21 – LG expenditure trends in healthcare (Source: MoF)

Figure 22 – LG expenditure trends in social services (Source: MoF)

Figure 23 - LG expenditure trends in healthcare (Source: MoF)

Social protection was second, accounting for 13% of total expenditure (down from 16% in 2018, following the centralization of a delegated function related to cash transfers to disabled persons). Prior to the recentralization of school wage bills in 2018, education accounted 23% of total LG spending, and was the single largest expenditure category. By 2019, however, it had fallen to only 7% of LG expenditure.

In healthcare, the main sources of funding are the National Health Insurance Fund and the Ministry of Health. Local government expenditure accounts for more than half all spending on

public hospitals and 100% of community care. However, local governments contribute with only 5.5% this spending from their general revenues. The National Health Insurance Fund provides more than 75% of funding for locally-owned hospitals through fees for services and wage-bill subsidies. Moreover, the MoH provides a wide variety of conditional grants to local governments or directly to hospitals which account for about 15% of hospital expenditure. In community care and school medical units, the contribution to total expenditure is evenly split between local governments and the MoH.

In healthcare, conditional grants are determined based on estimated expenditure needs. Expenditure needs are estimated by the respective payers – NHIH and MoH – based on fee schedules, employee numbers, average monthly wages in the previous year and expected or statutory pay rises the current year. The resulting totals are negotiated with the Ministry of Finance, which then includes them in the draft state budget law. The draft law is endorsed by the Government and approved by Parliament. The law is approved by line item so no significant redistributions can be made once the law is passed. If the initial grant amounts are insufficient and redistributions cannot cover the gaps, they are adjusted when the state budget is rectified in the second half of the year.

In social services, conditional grants for social services rely on outdated normative costs per beneficiary. In 2019, conditional grants for residential services were suspended and the respective amounts were included in the equalization grant to county councils. As a result, in 2019, all expenditure on social services was funded from the freely disposable revenues of local governments. But with the exception of 2019, residential services for children, disabled and the elderly have been co-financed by the state budget through conditional grants, which are calculated based on normative costs per beneficiary.

The normative costs were approved by Government Decision in 2015 and have not been updated, making them insufficient for current expenditure needs. They are defined as absolute values per beneficiary by type of residential services (e.g., in children care, the costs are differentiated by children with and without disabilities and by type of service: foster care, residential centers, family homes, apartments, emergency centers, maternal centers). The sector legislation does not specify a share of funding which the state budget should support through the conditional grants. As a result, in recent years, the share of funding of the normative costs through conditional grants has been variable (2018: 90%, 2019: 0%; 2020: 50%).

In education, since the recentralization of wage costs, local governments' recurrent expenditure has been mostly on goods & services. Since 2018, local government expenditure in education has been limited to goods & services, transport of pupils and teachers, scholarships, social benefits<sup>66</sup>, other recurrent expenditure and capital improvements. The state budget provides a conditional grant to finance selected goods & services items, which is calculated per pupil. To this end, in 2019 the state budget allocated to tier 1 municipalities 1.1 bn. lei. Eventually, the execution of the respective items was 1.34 bn. lei, indicating that LGs added more than 20% from their discretionary revenue. Other conditional grants are earmarked for social benefits and snacks. Of total non-wage recurrent expenditure, more than 75% is for goods & services, while

<sup>&</sup>lt;sup>66</sup> Two type of benefits are available: for pupils with special education requirements attending regular classes and for children from vulnerable families.

the rest is for scholarships, social benefits and other transfers. Overall, the per pupil conditional grant finances less than half of LG recurrent expenditure on schools (43% in 2019).

Since 2013, school funding for schools has been allocated on per pupil basis. Per pupil funding has two distinct earmarked flows, one for wages, the other for goods & services. Instead of being allocated to local governments and then distributed by them to schools based on expenditure needs, the grant is allocated directly to each school (through the budget of the Ministry of Education, for wage bill, and the budget of the local government, for goods & services). The methodology for calculating the grant for goods & services uses three criteria: number of pupils per school (3 intervals), school tier (4 tiers) and climate (6 areas). Each combination of variables is associated with a relative value (coefficient) which is multiplied by a reference (base) value (387 lei/ 80 euro in 2020). The reference value is updated every year. A school will receive an annual value equal to the product of pupils, the applicable coefficient and the base value.

The annual funding of the education grant is decided in the state budget law, but the allocation to schools is calculated per pupil. The Ministry of Education (MoE) aggregates the total number of pupils, determines the number of relative pupils (by multiplying the relevant coefficients for school size, tier and climate area with the actual number of pupils – see above) and puts forward a budget proposal to the Ministry of Finance. The national value of the conditional grant is adjusted by the Ministry of Finance, based on budgetary projections and constraints for the respective year. Following Parliament's approval, the MoE then determines the annual reference value for the formula by dividing the grant to the number of relative pupils in all school tiers.

# 4.Social sector impact and response to COVID-19

COVID-19 has hit Romania very hard. By July 2020, it had recorded 150 infections and 9 deaths per 100,000 population. A nationwide lockdown was instituted March 16th and May 14th, followed by a gradual easing of restrictions on movement, business, and public services. Since the start of the outbreak, the national government has offered support to employers who furlough staff, and given out grants and cheap credit to businesses to avoid irreversible job losses. Before May 15th, guidelines have been issued for reopening of businesses and public institutions. Currently, a general requirement to wear masks in public transportation and indoor premises is applicable.

**Education.** Schools were closed in mid-March and remained so until the end of the school year. During this period, the national government has taken measures to provide pupils in rural communities with online learning tools. Following school closures, lessons were taught online, wherever technology allowed. However, in rural areas many pupils do not have access to internet, smart phones or tablets. To compensate for the shortages, the government pledged to buy and distribute 250,000 tablets and internet connections to affected children by the beginning of the new school year, namely by September 2020.

The National Council of Pupils stated that more pupils are in need of tablets and internet connections. Also, a survey conducted by UNICEF found that only 60% of pupils participated to online classes. Hence, it is expected that the government will put forward additional measures to facilitate online schooling just in case a new wave of the virus prevents schools from reopening in autumn.

Exams due for pupils in 8th and 12th forms were held. Children participated in person at school wearing masks and maintaining 1.5 m distance from each other. Local governments supported schools in ensuring hygiene and adequate premises.

**Healthcare services.** Following the outbreak, the government designated 88 hospitals (of 372) as COVID-19 hospitals, which would treat infected persons. They are classified as first line (10 hospitals), second line (35) and support hospitals (43). Many of the COVID-19 hospitals are owned by local governments. 1<sup>st</sup> and 2<sup>nd</sup> line hospitals are expected to run into budgetary problems this year because they are limiting the intake of non-COVID cases and hence are losing revenue. It is likely that the government will bail them out though ad-hoc conditional transfers.

The 1,700 community nurses employed by local governments are involved in the implementation of COVID-19 preventive measures in their communities. They monitor and support persons assigned to home isolation (i.e., who entered Romania from countries experiencing COVID 19 infections or who entered into contact with infected persons). Community nurses are also involved in team-based contact tracing, and the conduct of other field activities related to epidemic. Contract tracing teams are led by epidemiologists from county public health departments, which are subordinated to the Ministry of Health.

**Social services.** Residential social services were vulnerable to COVID 19 infections but have continued to function throughout the lockdown. Day services were closed from March to May and then were allowed to reopen gradually for essential activities. Residential services were kept running, but contacts with family members and outside persons were restricted. An important number of COVID infections were reported in residential centers (around 1,500 infections or 5% of total; 175 deaths or 10% of total). This was facilitated by the limited testing capacity in the first two months after the outbreak, when only symptomatic residents or employees were tested.

Since June, all residents and employees of centers are tested twice per month by the county public health departments. This has led to an increase of the number of identified infections. Since reopening, the Ministry of Labor and the Ministry of Health issued joint guidelines for day centers and residential centers with regard to preventive measures (working from home for non-essential personnel, contacts with persons from outside, mask wearing, distancing, hygiene, testing etc.). Local governments are supporting social services in meeting the regulatory requirements to ensure safe operations.

## 5.Assessments and concluding remarks

The expenditure assignments of tier 1 and 2 local governments was stable until 2018. The sector legislation on shared and delegated responsibilities had been sufficiently detailed to provide reasonable guidance with regard to which level of government should do what. In the case of exclusive responsibilities, overlaps may exist between tier 1 and 2 as a result of local choices (e.g., a city may decide to set up a residential home for the elderly, in addition to those run by the county council). In such cases, the financing would be born exclusively by the respective local governments.

In recent years, however, the procedures governing the adjustments of expenditure assignments have been inadequate, compromising predictability. The centralization of preuniversity education wage bill was conducted by a Government Emergency Ordinance less than a month before the state budget law for 2018 was approved. In 2019, the switch of social services funding from conditional grants to discretionary revenues, including changes to the equalization system, was unveiled in the draft state budget law without any prior consultation with associations of local governments.

Unfunded mandates have been a constant feature of expenditure assignments. But, despite being numerous, they have been relatively modest in total size. For instance, support services for persons with severe disabilities are a delegated responsibility, they have been financed through conditional grants that only covered 90% of local government costs (50% in 2020, 0% in 2019). Further unfunded mandates were identified by local government associations with regards to transportation costs for teachers and pupils, maintenance costs of hospital buildings and wage bill in community care services.

The existing normative costs in education and social services are inadequate and need to be structurally updated. In education the actual goods & services expenditure per pupil has been significantly higher than the norm provided by law on which conditional grants are based. In residential social services, the normative costs have not been updated since 2015; as a result, conditional grants have been far from the actual expenditure needs of county councils and the Government had to resort to ah-hoc transfers from the Reserve Fund to cover the gaps (2016-2018).

In education, the fragmented structure of per pupil funding and the excessive control on the use of grants reduces the potential for efficiency gains. The conditional grants are calculated per pupil, but are allocated separately: one for wage bill, which is paid by the central government, and one for goods & services, which is reflected in local budgets. A further problem is that the grant is allocated per school not per local government. All these prevent local governments from reallocating funds within and among schools by expenditure needs. This constraint decreases their motivation to pursue efficiency gains.

In 2020, the Association of Communes submitted two policy proposals to the national government designed to reverse the loss of accountability and predictability in education and social services: either full decentralization or full centralization. The proposals were presented to representatives of the Ministry of Education and will be debated further with all important actors in the field in the coming years. In the realm of social services, the association has

insisted that delegated functions such as home support for severely disabled persons, whereby local governments have no decision-making power, should either be fully centralized or fully financed by conditional grants. This goal will be pursued again during the drafting of the state budget law for 2021.

### The regulation, management and financing of local government social sector responsibilities in Serbia

By Aleksandar Marinković, Standing Conference of Towns and Municipalities (SCTM)

# 1.Local government responsibilities in the social sector

Until the beginning of 2001, local self-governments (LSGs) had a very modest range of own responsibilities. Since then, their own (original) and delegated (entrusted) competencies<sup>67</sup> expanded. The system for financing these competencies has also been reformed and there are now clearer rules governing the relationship between LSGs and the national government.<sup>68</sup> The expansion of LSG competencies has been particular important with respect to their social sector responsibilities in education, social protection and healthcare.

Preschool education is an own LSG function. Municipalities<sup>69</sup> are in charge of the realization of almost all activities necessary for early childhood care and education (half-day and full-day stay, nutrition, care and preventive protection of children of preschool age). The competences include the funding of all staff salaries and benefits, severance pay, as well as assistance to the employees of preschool institutions, their professional development, and their transport to work. LSGs are also responsible for providing transportation for preschool-age children and their companions to attend kindergartens if the pupils live more than two kilometers away. They also pay for all capital expenditures and other current expenditures, except for those funded by the central level.

<sup>&</sup>lt;sup>67</sup> Serbian law classifies LSG responsibilities into two categories, original and entrusted (own and delegated).

<sup>68</sup> Reform of Local Self-Government in Serbia - Bogoljub Milosavljevic

<sup>&</sup>lt;sup>69</sup> Serbia has two tiers of sub-national government, municipal and provincial (the latter covering just some parts of the territory)

The normative rules defined by the Law on Preschool Upbringing and Education prescribe average class sizes for each age group, number of preschool children per nurse or teacher or per group, different size of classes for urban and rural communities, as well as for children with disabilities. There are also a few bylaws, rulebooks and programs that define some additional issues with regards to service delivery standards. LSGs also adopt decisions that define in more detail the service delivery standards that are within competence of local government.

Primary and secondary education, including vocational education, are shared LSG functions. LSGs are responsible for funding all current expenditures other than staff wages, as this includes the provision of additional support to pupils in accordance with the opinions of the Interdepartmental Commission; transportation of elementary school students who live more than four kilometers from the school; transport, accommodation and nutrition of students with disabilities and their companions, regardless of the distance between the place of residence and school; transportation, professional development, special assistance and jubilee awards of elementary and high school employees; and capital expenditures and other current expenditures that are not funded by central level.<sup>70</sup> Since February 2020, LSGs can finance transportation of secondary school students.

LSGs in Serbia have an important role in social protection. They provide their citizens with both material support and social care services in accordance with the Law on Social Protection. They are also the founders and owners of Centers for Social Work. Through material support, LSGs protect their citizens from sudden and short-term risks, as well as chronic poverty. They also provide financial support during childbirth and in the raising of children. Benefits are in the form of money or in-kind, including free meals in soup kitchens, subsidies for paying utility bills or transportation, reimbursement of expenses in preschool institutions, etc. Many benefits are awarded once or occasionally, but some are also in the form of monthly support. Beneficiaries are mostly poor families with children, and children and young people from vulnerable groups.

Social care services in LSG mandate are defined by the Law on Social Protection and the Rulebook on Detailed Conditions and Standards of Provision of Social Care Services. They include community day care services (day care, home care, and drop-in center services as well as other services that support the ability of vulnerable citizens to receive care at home), support services for independent living (supportive housing, personal assistance, training for independent living and other types of support necessary for the active participation of beneficiaries in society), supportive housing services for persons with disabilities (only in LGs whose level of development is above

<sup>&</sup>lt;sup>70</sup> Law on Educational and Pedagogical System.

the national average), counseling-therapy and social-educational services (except counseling and training of foster parents and adoptive parents), shelter service and other social protection services in accordance with the needs of local government.

Until April 2019, when the new Law on Healthcare was adopted, LSGs were the founders of primary care facilities. As the founders, they were obliged to provide the means for exercising the founding rights over healthcare institutions in accordance with the law, and to plan the network of health institutions. This included leasing business premises and equipping, constructing, and maintaining healthcare institutions. As a result, they paid for maintenance and improvement of facilities, purchase of medical and non-medical equipment including vehicles and IT systems necessary for integrated healthcare management, as well as for other obligations stipulated by the Law. They did not however, pay the wages of healthcare workers or for medicines or most medical equipment.<sup>71</sup>

With the new Law on Healthcare, the founding rights of primary healthcare facilities were transferred to central authorities (or to provincial in their territory). As a result, most of the non-wage costs of healthcare provision were transferred to the central / provincial level of the government.

LSGs can still take measures to provide and implement healthcare services of interest to citizens in their territory, thus creating conditions for better availability and accessibility of healthcare in publicly owned healthcare institutions (all three levels). LSGs can also enact special healthcare programs for individual categories of population, or types of illnesses that are specific to a particular LSG, and for which no special healthcare program has been adopted by the national government.

Furthermore, as stipulated in the Law on Public Health, LSGs have competencies in: health promotion; implementing measures designed to preserve and improve healthy environmental work conditions; epidemiological surveillance; prevention and control of infectious and non-communicable diseases, injuries and risk factors; providing conditions for performing the activities of health institutions, planning and implementing programs in the field of public health; providing conditions for quick response in crisis and emergency situations; and providing conditions for monitoring the environment (water, air, soil, noise, vibration, ionizing and non-ionizing radiation) and the impact of environmental factors and the working environment on health.

<sup>&</sup>lt;sup>71</sup> LSGs could pay more if they have need to create conditions for better accessibility to health-care on their territories in public health institutions, in terms of space, equipment, staff, medicines, and medical devices (up to the norm defined by the Law on Health protection).

### 2.Financing of local government responsibilities in the social sector

The main source of LSG general revenues (c. 37%) comes from a large share of the Personal Income Tax generated on their territories (between 66% and 77% depending on the type of municipality). Another 15.9% comes from the Property Tax, and around 11% comes from a freely disposable General Grant.<sup>72</sup> Expenditures on social sector responsibilities in education, social protection and healthcare accounts for almost one quarter of all first-tier LSGs expenses (24.7%). The main sources of funding are by far general LSG revenues, while the funds from conditional or block grants represent 4% of total public funding for these first-tier LSGs responsibilities.

Education accounts for 18.4 % of all first-tier LSGs expenses and is almost exclusively funded from LG general revenues. Preschool education accounts 10.4 % of total first-tier LSGs spending (43% of spending for social sector responsibilities and 56% of spending for LG responsibilities for education). It is funded from LSG general revenues, with the exception of the preparatory preschool program, which is financed from the central level through a categorical grant. This Program is part of a regular preschool program, which is implemented with children in the year before school. Funds from this categorical grant account 6.4% of total spending for primary education and 7.1% of public spending in preschool education.

Primary and secondary (including vocational) education accounts for 7.7 % of the firsttier LSGs expenses and is funded by LSG general revenues. Primary education represents 5.4 % of the total first-tier LSGs expenses and 29.5% of LSG expenditures for education, while secondary education represents around 2.3% of the total first-tier LSGs expenses and 12.5 % of LSG expenditures for education.

Social Protection accounts for 5.1 % of all first-tier LSGs expenses and is mostly financed from LSG general revenues. Total LSG expenditure for material support is twice as much as for social services. The block grant which supports social protection services at the local level was introduced in 2017 and these funds are available only for LSGs that have the level of development below the national average. Funds from this grant account for 17.1% of LSG spending on social protection services and around 5% of total LSG spending for social protection.<sup>73</sup>

<sup>&</sup>lt;sup>72</sup> All financial data is from 2017.

<sup>&</sup>lt;sup>73</sup> The Law on Social Protection (2011) foresaw the adoption of the Bylaw on Earmarked Transfers, finally adopted in 2016, with the main objective to provide additional funds to LSGs for social care services from the national budget. The Bylaw sets the transfer amounts, criteria for their allocation, as well as criteria for LSGs' contributions. It also specifies that the funds are intended for social care services in underdeveloped LSGs, in municipalities in which residential institutions are located, and for innovative social care services of particular importance for the Republic of Serbia.

The allocation is based on a specific and complex formula for the purpose of financing social protection services financed by LSGs, according to the Law, social protection services in the LSG in which the home accommodation institution is undergoing transformation, including the costs of transformation and innovative and social protection services of particular importance for the Republic of Serbia<sup>74</sup>. The main criteria include: level of development, number of inhabitants, numbers of inhabitants under 19 and over 65, number of users of social protection benefits from the central level, number of inhabitants in the social protection institutions, as well as the surface area of an LSG. LSG expenditures for healthcare represent 1.1% of total LSG spending, and are fully funded from LSG general revenues.

### 3.Local government responses to COVID-19

Already in late-February and early-March, local healthcare councils held extraordinary sessions to discuss preventive measures related to the COVID-19 epidemic. After the introduction of the state of emergency on 15 March, public health measures to respond to the pandemic were taken over by Crisis Headquarters. managed by the National Emergency Situations Headquarters. SCTM coordinated the supply of disinfectants to LSGs and facilitated inter-municipal cooperation in response to the pandemic.

The social protection system at the local level responded to the challenges posed by the pandemic by providing additional support to vulnerable groups, especially the Roma. This included assistance in food and hygiene packages, one-time cash assistance and open access to services such as the provision of personal assistants, personal companions, and assistance at home. This support was realized through continuous and intensive cooperation of LSGs, social work centers, service providers and other actors in the area of social protection. The provision of services that requires gathering of a larger number of users in one place (like living rooms) was temporarily suspended to prevent the spread of COVID-19.

During the COVID-19 pandemic, the education system underwent radical changes. All schools were closed on 17 March 2020. Within three days of the declaration of the state of emergency, the Ministry of Education organized online classes through the national TV broadcaster for all primary and secondary school students. As a result, school age children were able to attend regular classes during the pandemic.

<sup>&</sup>lt;sup>74</sup> Services which support and contribute to the preservation of the natural family and other children in families, as well as support to the elderly (65+) in rural areas and sparsely populated areas.

Schools were closed until the end of the school year, but in June students who wanted to improve their grades were allowed to return to classrooms, as long as the wore masks and gloves and strictly respected the social distancing rules. The final graduation exam for primary school students was also organized in classrooms during the second half of June.

During this period, LSGs actively worked on providing computers and internet access to children from socially vulnerable groups. Preschools were also closed during the state of emergency so LSGs released parents from obligation to pay preschool fees for that period. In most LSGs, preschools resumed operation on 11 May, but with the mandatory implementation of 35 measures to prevent the spread of COVID-19.

### 4.Assessment and concluding remarks

With the process of decentralization that started in 2002, LSG competencies in the social sector expanded and the system for financing them has been reformed. Still, this is an ongoing process which will likely require further improvements and adjustments over time.

In the area of education, the emphasis will be on continuing the process of transferring primary schools into the LSG ownership and increased access to preschool education. In the area of social protection, the emphasis will be on further development, sustainability and availability of social protection services in LSG mandate in accordance with the Draft Social Protection Strategy, which emphasizes deinstitutionalization and home care. In regard to healthcare, the priority is the strengthening of LSG capacity for the implementation of competencies in the field of public health and improving the situation and financing of emergency medical care.

The process of decentralization of social sector responsibilities to the local level has to take into consideration not only the current LSG capacities and readiness to take over those responsibilities, but also the need for further development of intermunicipal cooperation and continuous support to LSGs in performing those responsibilities.

## Local governments and the social sector in Turkey

By Mustafa Kabil, representing the Marmara Municipalities Union, Turkey

In Turkey, the responsibilities of local governments in areas such as education, health and social protection are very limited. Although these responsibilities are mainly fulfilled by the national government, local governments can also contribute to these functions as much as their resources allow. Municipalities are the most important pillars of local governments in Turkey and are regulated by Municipal Law No. 5393. Article 14 of the law defines the duties and responsibilities of the municipalities and states that "provided such services be of local and common nature, municipalities:

- a. Shall provide or cause to provide services in the following areas: urban infrastructure facilities such as land development planning and control, water supply, sewer and transport; geographic and urban information systems; environment and environmental health, sanitation and solid waste; municipal police, fire fighting, emergency aid, rescue and ambulance services; urban traffic; burial services and cemeteries; tree planting, parks and green areas; housing; culture and art, tourism and promotion, youth and sports; social services and social aid; weddings; vocational and skills training; economic and commercial development. Metropolitan municipalities and municipalities with a population of more than 100,000 shall open shelters for women and children. Other municipalities may open shelters for women and children in accordance with their financial situation and service priorities.
- b. May (provide)<sup>75</sup>; build or cause to build state schools at all levels, carry out or cause to carry out the maintenance of and repairs to such school buildings and provide them with all the equipment and supplies they need; open and operate health care facilities of all sorts; ensure the conservation of cultural and natural assets, of the historical urban fabric and of areas and functions of historical significance to the town, carry out maintenance and repairs for such purpose

<sup>&</sup>lt;sup>75</sup> The expression "may open pre-school educational institutions..." in subparagraph (b) of the first paragraph of this Article was annulled by the Decision of the Constitutional Court No. E. 2005/95, K. 2007/5 dated 24/1/2007.

and, where conservation is impossible, reconstruct them in their original form. When necessary, municipalities shall give sports materials to youngsters, provide cash benefits, benefits in kind and necessary support to amateur sports clubs, organize any type of amateur sports games, may award, with a resolution of the municipal council, sportsmen/sportswomen who have demonstrated excellence or received ranking in national or international competitions. Municipalities may operate food banking."

The reason why the share of expenditures of local governments in these sectors is much lower than the central government is obvious in the law. The most important contribution made by local governments within the scope of pre-university education is the construction and maintenance of school buildings. In addition, they supply various educational materials and equipment needed to the schools. Local governments render important services in terms of vocational training and personal development training apart from formal education.

Some local governments provide services in the health sector as well, such as home care services. In addition, there are a few local governments which own healthcare facilities such as medical centers, women's healthcare centers and even hospitals.

Within the scope of social protection, local governments provide social assistance for the poor and needy. This social assistance can be in the form of cash benefits or benefits in kind. Besides, local governments open shelters for women and children. As stated in Article 14 of the Municipal Law, metropolitan municipalities and municipalities with a population of more than 100,000 shall open shelters for women and children. Other municipalities may open shelters for women and children in accordance with their financial situation and service priorities. Moreover, local governments provide discounted public transport to students, and discounted or free transport to citizens over age the ages of 60 to65.

The national government is not obliged to provide any grants to municipalities for social sector services. But it is important to note that 45% of municipal revenues come from shared national taxes.

It would not be wrong to say that municipalities in Turkey are the closest public institutions to the citizens. For this reason, and although it is not compulsory, municipalities try to provide additional services to citizens in such areas as education, social protection and health. Obviously, it would not be efficient to transfer the responsibilities in all these sectors to local governments. Yet, a significant increase in service quality could be achieved if some of these responsibilities --such as the construction, maintenance, repair, and equipping of facilities-- were transferred to municipalities with the necessary resources.



# 4.1. Overview of local governments in South-East Europe

### Number and types of sub-sovereign governments

Table 24 presents the numbers and types of sub-national governments in South-East Europe.

**Bosnia and Herzegovina** (BiH) is the most complicated SEE economy and has four-plus levels of government: 1) The state of BiH 2) Two entities: Republic of Srpska (RS of BIH) and the Federation of Bosnia-Herzegovina (FBiH of BiH) - plus the Brcko District; 3) Cantons in FBiH (BiH); and 4) municipalities in both entities, 80 in FBiH and 64 in RS. In FBiH (BiH), the entity level government is small and the cantons receive the lion's share of public revenues and provide almost all public services, at the cost of both the entity government and local governments. The financial data used in the report for local governments in FBiH does not include the revenues or expenditures of Cantons.

2019	Levels of Sub-National Government	Types of Sub-Sovereign Government	Number of Municipalities	2 <sup>nd</sup> Tier/ Regional Level
Albania	2	Counties; Municipalities	61	12
Bosnia and Herzegovina	3	Entities; Cantons; Municipalities	144	11
FBiH (BiH)	2	Cantons; Municipalities	80	10
RS (BiH)	1	Municipalities	64	
Bulgaria	1	Municipalities/Communes	265	
Croatia	2	Counties; Municipalities/Communes/ Cities	556	20
Kosovo	1	Municipalities	38	
North Macedonia	1	Municipalities	81	
Moldova	3	Autonomous Province; Raions/ Regions; Municipalities/Communes	898	32
Montenegro	1	Municipalities, Municipality within Capital City	25	
Romania	2	Counties; Municipalities/Communes	3,181	42
Serbia	2	Autonomous Provinces; Municipalities	145	
Slovenia	1	Municipalities	212	
Turkey	3	Provincial Self-Governments; Regional Self- Government; Municipal and Communal Self-Governments	1,398	793
Western Balkans			494	23
South-East Europe			7,004	910
EU 28			88,072	1,232
OECD 35			136,806	4,519

Table 24 Number and Types of Sub-Sovereign Governments

Albania and Croatia both have democratically elected county level governments. In Albania, the *qarks (counties)* play a very limited role while in Croatia the *zupanije* are more important, though both are small compared to the municipal sector.

The situation in **Moldova** is more ambiguous. Moldova has three levels of sub-sovereign government: 1) The autonomous province of Gaugazia 2) *raions* or regions, and 3) communes and municipalities. *Raion* heads are indirectly elected by *raion* councils but operate under strong central influence. They also exercise significant control over the budgets of municipalities and communes. This blurs the distinction between 1<sup>st</sup> and 2<sup>nd</sup>-tier governments in Moldova, as well as the distinction between local governments and the territorial arms of the national government. Because education and other social sector functions are still at the *raion* level, Moldova appears to be a highly decentralized small state, but in fact remains quite centralized.

**Romania** has two levels of sub-sovereign government, communes and municipalities on the one hand, and counties or *judets* on the other. *Judets* play a more important role than their counterparts in Albania or Croatia, particularly because of healthcare. Nonetheless, communes and municipalities are the fiscally weightier level of government.

In the report, the local revenue and expenditure data for Croatia, Romania, and Moldova include both communes and municipalities, and 2<sup>nd</sup>-tier local governments at the county or regional level.

**Serbia** has two levels of sub-sovereign government: 1) provincial and 2) municipal. The financial data in the report rerfers only to municipalities.

**Turkey** has three levels of sub-sovereign government: 1) Provincial Self-Governments, 2) Regional Self-Government and 3) Municipal and Communal Self-Governments. Only the last one is considered 1<sup>st</sup> tier local government but the data on subnational finance covers all of them.

### The Average Population of Municipal Governments

For the 11-year period since 2007, the SEE population increased by 10.1 million and reached 137.5 million in total. The increase rate is more than twice the one in the EU28 (2.8%).

The average population of 1st tier municipal governments differs significantly across SEE. As can be seen from Figure 24, Moldova has the smallest municipal governments, averaging less than 4,000 inhabitants. Municipalities in Romania, Croatia and Slovenia are also relatively small, averaging less than 10,000 inhabitants. After the administrative reform in Albania, significantly reducing the number of 1st tier local governments (from

373 to 61), their average size jumped to over 47,000 thus joining Turkey, Kosovo and Serbia which have similar average sizes (above 40,000). Nonetheless, the average size of municipalities in the SEE region (roughly 20,000) is significantly larger than the average for the EU (approximately 5,800).

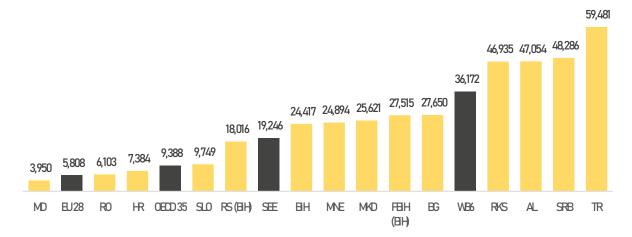
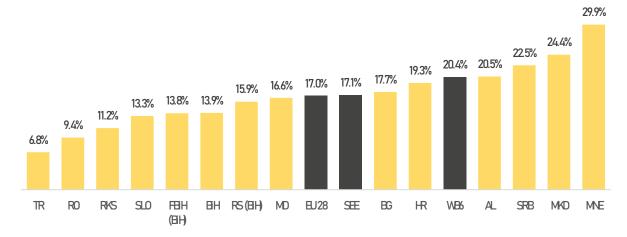


Figure 24 Average Population of 1st Tier Local Governments

The diversity among SEE economies in no surprising at all - the EU is quite diverse as well – of almost 90,000 municipalities in the EU, nearly 80% are located in just five countries: 41% in France, 13% in Germany, 9% in Spain and Italy and finally 7% in the Czech Republic. From this prospective, countries such as Austria, Hungary, Cyprus, the Czech Republic, France and Slovakia, are very similar to Moldova and Romania - below 6,000 inhabitants on average per municipality. On the other end of the spectrum Kosovo, Albania, Serbia and Turkey, resemble the United Kingdom, Lithuania, Denmark and the Netherlands with over 40,000 inhabitants per municipality.

The increasing concentration of people in the capital and metropolitan cities poses a number of social, economic, administrative and development issues, which, in general, works against decentralization. This trend is not unique for SEE only – during the period 2008 to 2019, the population of the capitals in EU 28 increased by 6.6% - more than twice than the total population increase. Figure 25 shows that the share of EU 28 capital cities' population reaches 17% of total.<sup>76</sup>

<sup>&</sup>lt;sup>76</sup> The data accounts for the population if the metropolitan regions around the capital cities thus not limited to the administrative boundaries of the capital cities.



#### Figure 25 Percentage of Population Living in Capital Cities

The 10% ration for SEE as a region reflects similar trends, ranging from below 10% in Turkey and BiH to above 20% in Albania, Serbia, Macedonia and Montenegro. Almost 20% of the population of Turkey lives in Istanbul metropolitan area and despite not being Turkey's capital, this concentration also should be taken into account.

If we detach the capital cities, the average population of the other local governments will be much lower (and much closer to the real status of the typical municipality). For example, in this case (Belgrade excluded), the average size of the Serbian municipalities would be 37,500 inhabitants – almost 11,000 inhabitants less.

The oversized importance of capital cities in the region skews economic activity towards a single metropolitan  $area(s)^{77}$ . This creates several challenges to decentralization and the overall local government development:

- ✓ For an increasing number of smaller local governments, it is not uncommon that the local administration (including its financially dependent units such as kindergartens and schools or the municipal companies) is the major employer;
- ✓ In places with negative population growth, the quality of the municipal staff deteriorates due to the competition from the private sector, i.e. two sectors compete for a decreasing number of skilled labor force;
- ✓ As a consequence, major shifts in needs for public services are registered the pressure for social assistance increases while the own revenue base shrinks;
- ✓ Both national and local governments face a growing dilemma:
  - On one hand, capital cities produce the lion's share of GDP and public revenues;
  - On the other, the obvious public need (but not politically obvious) to allocate less transfers to the capital cities while increasing the funding for the municipalities from which the population is migrating. The typical

<sup>&</sup>lt;sup>77</sup> Three metropolitan areas in Turkey – Istanbul, Ankara and Izmir.

example is the local infrastructure - maintaining it is not closely related to the population using it.

One of the good, non-partisan, ways to resolve this issue is to adapt and improve periodically the equalizing transfers based on objective and easy-to-measure indicators for both the local needs and the available local revenue base.

### 4.2.Overview of fiscal decentralisation indicators in South-East Europe

The most straightforward indicators of the relative importance of local governments in a country's governance structure are local expenditures and revenues as shares of total public expenditures and revenues, and as a percentage of GDP. Their significance, however, depends on both the functions that local governments are responsible for and what revenue sources are assigned to them.

To make reasonable judgements about the role of local governments in a given country it is important to know 1) what functions they have been assigned, and in particular, 2) whether they are paying the wages of teachers, doctors or other social sector employees.

Some answers to the <u>first question</u> can be found in the following table, presenting the weight of expenditure according to the Classification of the Functions of Government (COFOG). The variety is clearly visible and is due to various factors, among which could be noted the local traditions and the legal framework, guiding the service responsibilities, and, to some extent, the fact, that for some cases the data include all sub-national levels.

2019 in % of total	Education	Economic affairs	General Public Adm. Services	Health	Social protection	Other Local Services
Kosovo	55%	7%	16%	15%	2%	5%
Moldova	56%	11%	9%	1%	8%	15%
Bulgaria	40%	10%	11%	3%	8%	28%
Slovenia	23%	24%	19%	1%	7%	25%
Romania	7%	20%	13%	23%	13%	24%
Albania	21%	22%	19%	0%	3%	35%
Croatia	11%	20%	20%	1%	7%	41%
Turkey	2%	18%	36%	1%	2%	42%
Bosnia and Herzegovina	5%	11%	47%	0%	8%	29%
South-East Europe	25%	16%	21%	5%	6%	27%
EU 28	17%	13%	14%	14%	24%	18%
OECD 35	27%	18%	17%	5%	16%	17%

Table 25 Local government expenditures, by functions of government – share of total in % in 2019

Despite the variety and the funding sources, the function, which has the greatest significance for SEE local governments, is primary and secondary education. In Moldova (all sub-nation levels included) and Kosovo its share is more than 50%; in

Bulgaria it is 40% and in Albania and Slovenia more than 20%. The other economies have lower but still significant shares in funding education. The only exception is Turkey where the state funds directly the education system. Romanian and Kosovar local governments have also significant responsibilities in healthcare.

Maybe the most important difference between the EU and SEE is the role of the local governments in social protection. In the EU, these account for 24% of the expenditures of the EU while in SEE the share is much smaller – up to 6%; in Kosovo and Turkey, from a budgetary perspective, local governments practically are not involved in this social activity.

If we examine the way the EU responded to the 2009 economic crisis and are responding now to the COVID-19 crisis, one of the lessons learned is that in countries with a high level of decentralization, the safety net for the most vulnerable people, managed and funded at local level, is crucial for absorbing the negative financial impacts.

The <u>second question</u> about the wage costs associated with education, health and to a lesser extent, social welfare services have its own importance, because they are so big that they inevitably change the nature of the intergovernmental relations. For example, most OECD countries spend up to 27% of all public revenue on pre-tertiary education, of which between 60 and 80% goes to wages<sup>78</sup>. As a result, assigning important social sector functions to local governments fundamentally alters the nature of intergovernmental fiscal relations.

In short, if the full costs of running schools or hospitals are devolved to local governments, then they must be given large grants by the national government because there is no way that these services can be financed by locally raised revenues. Equally important, they cannot reasonably be financed by shared taxes. This is because the proceeds from robust taxes such as the Personal and Corporate Income Tax are highly skewed towards a limited number of economically advanced jurisdictions, but the services that need to be financed are everywhere. Worse, the costs of providing many of those services actually go up in the poorest places (*think small schools in rural settings or elderly people needing personal assistance at home*), just the opposite to the tax revenues generation potential.

The social sector responsibilities of SEE local governments are extensively analysed in Chapter 1 – Comparative Overview of Social Sector Responsibilities in the SEE.

<sup>&</sup>lt;sup>78</sup> See Education at Glance, OECD Paris 2013, pp 193, 218, 240-48.

### 4.3.Local governments revenues in South-East Europe

One of the key indicators for the relative size of local governments finance is shown in Figure 26, which displays total public revenues and local government (LG) revenues in SEE, as well as the average for SEE and the EU.

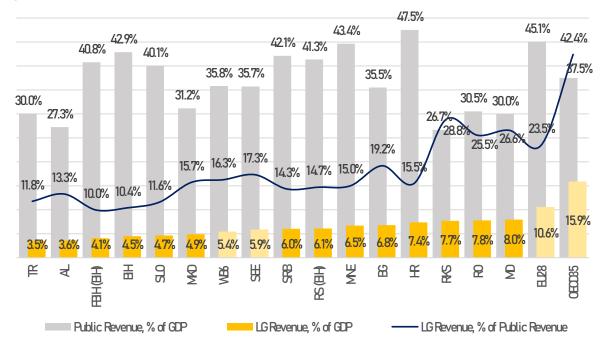


Figure 26 Public Revenue and Local Government Revenue in South-East Europe

The previous NALAS reports have demonstrated that there is no correlation between the size of the total public sector and the share of the local sector within it. The data for 2019 reaffirms this also. The public sector in SEE continues to lag far behind the EU average – 35.7% vs 45.1% of GDP. Surprisingly, it shrinks by 1.6 pp compared to 2015. The local sector revenue share decreases by close to 0.5 pp to 5.9% compared to 2015, so the difference with the EU (which stands at 10.6%) still remains considerable – almost twice lower. One of the conclusions is that the countries of the EU have both larger public sectors and have decentralized more revenue to local governments than their counterparts in SEE.

Figure 27 further explores the level of fiscal decentralization by plotting the share of local revenue as percentage of total public revenue against local revenue as share of GDP. The figure helps identify three main groups with different levels of (fiscal) decentralisation. NALAS members whose local government sectors most closely resemble those of the EU28 as both percentages of GDP and total public revenue are Moldova, Romania and Kosovo. As is often the case in the EU, local governments in Kosovo, Romania, Moldova, Macedonia, and Bulgaria are all responsible for these services. In addition to that, in Kosovo and Romania they are also responsible for

funding primary and secondary health care. It is thus not surprising that their local governments get larger shares of the total public sector than those of their counterparts elsewhere in the SEE and, respectively, require larger shares of their GDPs to finance these social sector responsibilities.

At the same time, one might expect that the share of LG revenues of all public revenues in the EU member countries in SEE should be considerably higher thanks to the EU grants (which flow mainly to the local governments). The reality is different – what mainly drives these ratios is the scope of the service provision responsibilities at local level. For example, the main reason for Romania's place in the chart is the fact that local governments pay for teachers, nurses and doctors' salaries. For the same reason, Bulgaria is slightly ahead of the two other EU member states – Croatia and Slovenia.

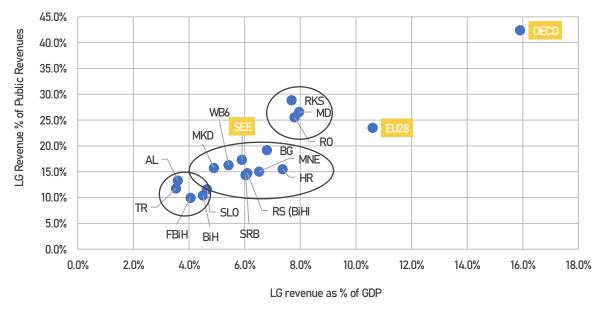


Figure 27 Local government revenue in SEE, % of GDP and Total Public Revenue, 2019

Figure 28 shows SEE local government revenue as percentage of a GDP in 2006, 2009, 2014 and 2019. The level of LG finance autonomy is decreasing in SEE. On average, local government revenues in SEE decreased by 0.5% between 2009 and 2019, both as a percent of the GDP and Total Public Revenues. As it can be noted, for most of SEE as a region, LG revenues in 2019 are slightly lower than in 2006 and 2009 and in some cases, lower even than in 2014. Only in Kosovo and Albania, and to a lesser extent, in Bulgaria, Serbia and Croatia, LG revenues in 2019 are higher than five years ago in 2014.

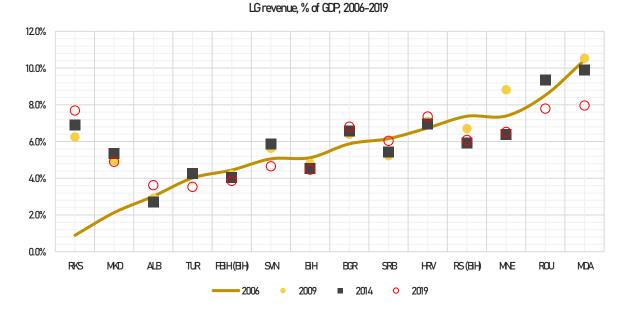
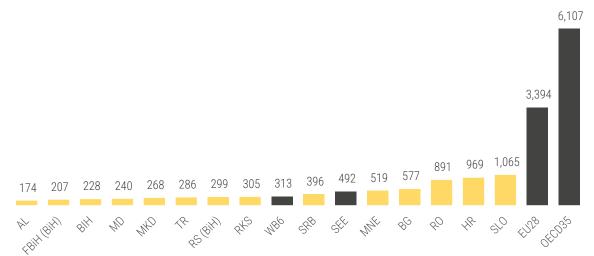


Figure 28 Local government revenue as a share of GDP in 2006, 2009, 2014 and 2019

Figure 29 shows the per capita revenues of local governments in Euro in 2019. The figure is a useful reminder of how little revenue the local governments of most of SEE have to work with, especially when compared with their EU partners. On average, **local governments in SEE dispose of seven times less Euro per capita than their European counterparts**. Even the richest one, Slovenia, gets 3.3 times less. Across the region the variation is also striking – Slovenian's local governments are more than 5 times richer than the poorest ones – those in Moldova which get less than 200€ per capita. It is also particularly staggering that local governments in Moldova, Kosovo, and Macedonia pay for teachers' wages on per capita revenues of less than 305€, while Croatian and Slovenian municipalities bear little of these costs and have per capita revenues 3 to 4 times higher. From this perspective, also with SEE there are wide differences and disparities in terms of LG, regardless of many similarities in service responsibilities.

Figure 29 Local Government Revenue, in Euro per capita



The fiscal scope, capacity and success of local tax collection varies significantly across SEE LGs. Figure 30 shows the level of Local Government Own Revenue in SEE, Euro per capita. LGs in Moldova raise on their own only 27€ per person per year, which is more than six times less than the SEE average.

From a regional perspective, local government powers to set and collect taxes, fees and charges are in continuous change – sometimes without a due process of consultation and/or compensation. Local taxes, fees and charges are amended quite frequently, and this is done mostly under the general expectations to improve business climate by reducing fiscal burdens to taxpayers. Unfortunately, this depresses local governments revenues and efforts too. SEE local governments continue to face similar challenges as regards to own revenue generation, regardless of the level of development and membership to the EU. The key challenges include the frequent and continuous amendment of the legal framework, outdated fiscal registers, weak tax compliance and enforcement etc.

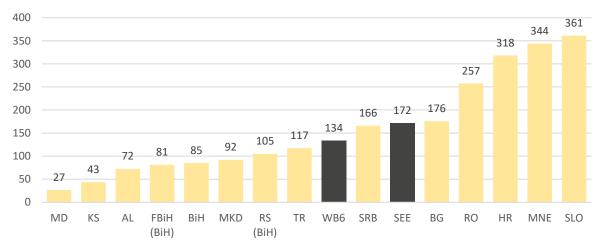
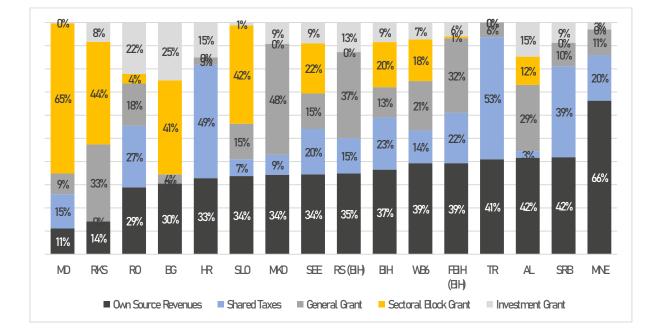


Figure 30 Local Government Own Revenue, in Euro per capita, 2019

# 3.4.Composition of local government revenues and local fiscal autonomy in SEE

Maybe the key aspect of local fiscal autonomy, besides the total amount and shares of the local budgets in comparison to the GDP or public sector, is the composition of the revenue base. And the main characteristic of the composition is the level of local decision-making authority over its components i.e., the level of the local fiscal autonomy. Although the general revenue categories may appear clear terminologically, their meaning and composition varies substantially across the region and, on several occasions, one general revenue component might consist of different revenue items. The reader should have this in mind because the occasional misclassification may significantly overstate the local fiscal autonomy. Having in mind the differences, the data is informative with regard to the composition of local revenues and fiscal autonomy.

Figure 31 shows the composition of local government revenue in SEE and to some extent helps us identify the level of local government fiscal autonomy. On average, in SEE, LGs raise on their own 34% of total local government revenues, while shared taxes make up 20% of the total followed up by the general grant that accounts for 15% of the total and sector block grants for social sector functions (mostly) which make up 22% of the total. In the six economies of the Western Balkans , the main difference is the higher share of own local government revenues to the total, driven mostly by Albania, Serbia and Montenegro, where own LG revenue makes up between 40-66% of total local government revenues. Given the extensive responsibilities in the social sector, in Moldova, Kosovo, Bulgaria and Slovenia, sectoral block grants make up the most important part of total local government revenues, ranging between 40-65% of total local government revenues. From another perspective, SEE LGs raise on their own about one third of their revenues, while the remainingr two thirds come from higher levels of government in various forms of intergovernmental transfers, such as shared taxes and conditional and non-conditional grants.



#### Figure 31 Composition of LG revenue in SEE, % of total, 2019

# With the devolution of more social sector functions to local governments, local governments typically become more financially dependent on their national governments than before.<sup>79</sup>

Being financially dependent is not necessarily a bad thing for the local governments – in Europe; almost all municipalities receive some kind of financial support from the state. The real question is, if this support reduces the scope of the municipal spending decisions. Further arguments for this fundamental question can be found in the European Charter of Local Self-Government,<sup>80</sup>, which, in article 9 requires:

**"5**. The protection of financially weaker local authorities calls for the institution of financial equalization procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures **shall not diminish the discretion local authorities** may exercise within their own sphere of responsibility.

**6.** Local authorities **shall be consulted**, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.

7. As far as possible, grants to local authorities **shall not be earmarked** for the financing of specific projects. The provision of grants **shall not remove the basic freedom of local authorities to exercise policy discretion** within their own jurisdiction."

The real question is: "Is it decentralization, if the process leads to a reduction in municipal discretion on spending decisions or, rather, deconcentration, if local governments' role is simply to fund the central government's decisions at local level?" Responding to this paradox is not easy, considering the many contextual variables that drive the policy choices in different economies. Unfortunately, it is not uncommon that such political choices exacerbate this paradox in many contexts: while economies and public sectors' size increase, it is not uncommon that national governments prefer to utilize sectoral block grants to fund the increase or expansion of services instead of financing instruments over which local governments have more discretion and authority. Ultimately, the decision over the funding mechanism should be pondered having in

<sup>&</sup>lt;sup>79</sup> See Blochlinger and King, "Less than you thought: The Fiscal Autonomy of Sub-Central Governments" OECD, 2006

<sup>&</sup>lt;sup>80</sup> Except Kosovo

mind the principles of local self-government and autonomy rather than what is the easiest for the central authorities to control.

The local governments in Kosovo, Romania, Moldova, North Macedonia and Bulgaria provide similar social services similar to their counterparts in the EU. The big difference is the extent of implementation of the subsidiarity principle which requires that the public services should be delivered by the public bodies that are closest to the citizens. If we exclude public functions such as defense, diplomacy, intelligence and migration, which, obviously, have nation-wide impact, almost all of the other public services, have local or regional significance. The subsidiarity principle means that the vast majority of these public services are. The logic behind this principle is based upon the proven fact that the municipalities possess the best knowledge of local conditions and needs and should have the powers (and being accountable for) to improve the effectiveness of the public money.

In fact, micro managing local governments from the central level via block grants works against the effective use of the funds and hides built-in deficiencies such as the inadequate consideration of regional disparities. Such a system is much less flexible and difficult to modify on a timely basis in order to answer the changes to the public needs.

The broader objective in the region is to constantly promote and nurture the intergovernmental dialogue that allows both central and local governments to seek and reach reasonable compromises over time. Unfortunately, despite the legal obligation, commitment to intergovernmental dialogue is weak across much of the region. One of the ways to overcome this contradiction and build trust could be to agree on a common set of rules regulating the overall size of the pool of the sectoral block grants, and its allocation among municipalities, while local governments preserve a high level of autonomy as regards the utilization of financial resources, within and outside the functions. On the other hand, the national government may use costing standards and service performance standards to measure how the municipalities use the Block Grant. In other words, instead of dictating how much local governments should pay the teachers; the ministries have to set commonly accepted and objectively determined costing standards and service performance indicators such as level of dropouts, exit educational tests, parents' satisfaction etc. It is important to appreciate that Local autonomy does not mean lack of accountability. On the contrary - the system must contain both incentives for achieved performance targets and financial threats in cases of no compliance such as partial disbursement of the Block Grant.

### 4.5. The property tax in South-East Europe

Traditionally the NALAS Fiscal Decentralisation Report puts a separate accent on property taxation for two reasons:

- 1. Its potential significance for the local governments finance, and
- 2. Promoting more equitable and fair taxation of property of the individuals and the business.

Despite the good results, if we follow the European history and traditions, the property tax revenues' importance in SEE, for the foreseeable future, will be much smaller than the PIT (sharing or local surcharges) or even asset management revenues.

Throughout the region, national and local governments, to a large extent with the support of the donor community, have made substantial investments in the technical infrastructure for property taxation. From the regional perspective, between 2006 and 2019, the yield of the property tax almost doubled, increasing from 5% to 9% of local revenues and from 0.3% to 0.5% of the GDP. This tendency is driven by the outstanding performance of Bulgaria, North Macedonia, Montenegro and Serbia. Figure 32 also show that Montenegro and Serbia lead considerably above the rest of the group, which have similar indicators. Montenegro's and Serbia's indicators are the closest to the EU average of 1.6% of GDP and in line with Eastern Europe, members of the EU.

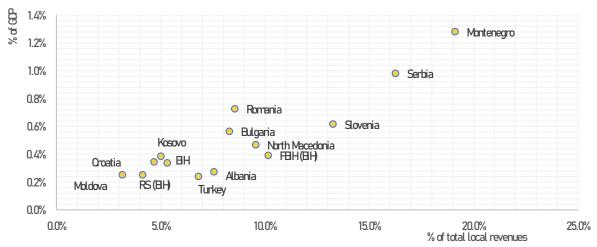


Figure 32 Property Tax, % of Total Local Revenue and GDP

The European model suggests that, in a long-term prospective, there is plenty of room for increasing the fiscal significance of the property taxation. The local taxing powers over the property-related taxes are the most common municipal taxing powers. The local option of setting rates within legally set limits (upper, lower or both) should not undermine the tax efforts of the local governments in general. In other words, local governments might be tempted to keep the rates low if they find other ways to attract money from the central governments (usually by more grants). This concept is especially important for the equalizing grants – the intergovernmental system should not "award" municipalities with low property tax rates (significant revenue potential).

### 4.6.Local government borrowing in South-East Europe

In most of the region, local government borrowing is a new phenomenon. One of the main constrains for this important source of financing, in particular for long term capital investments, (besides other factors like very conservative, rigid and centralized regulatory framework), are high levels of central government debt, budget deficits and the need (or plan) to try meet the Maastricht Treaty's guidelines for total public debt and annual budget deficits (*less than 60% and 3% of GDP respectively*).

Figure 33 shows the level of local government debt in South-East Europe in 2019. The municipalities only in RS (BIH), Montenegro and Turkey have ratios above 2.5% - 4% of GDP. Among the SEE economies facing levels of total public debt above the Maastricht limit, Albanian local government debt represents a negligible fraction of the total, while in Slovenia, Romania and Croatia – and to a lesser extent in Serbia, Bulgaria and the Federation of Bosnia and Herzegovina (of BiH), local borrowing is more substantial. In these economies, however, it is unlikely that the national governments may look favorably on new subnational borrowing. What is more problematic is that they may even constrain new local borrowing.

Given the infrastructure deficits facing local governments across the SEE region, this is unfortunate, and efforts should be made to ensure that municipalities have at least some access to debt capital to finance the much-needed capital improvements. In the other members of the group whose total debt remains well below the Maastricht limits, local governments should be encouraged to borrow for infrastructure, including by lessening up the regulatory constraints for accessing the capital markets.

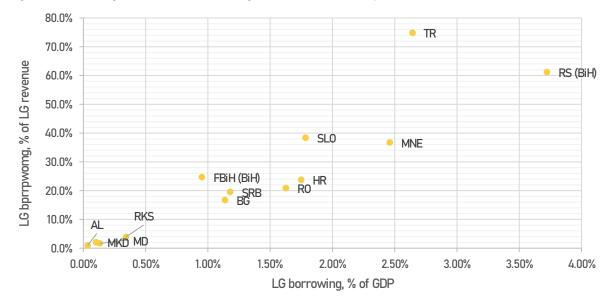


Figure 33 Local government borrowing in South-East Europe

In many places, the overall adequacy and predictability of local government revenues will have to be increased if municipalities are to prudently incur debt. Given the dependency of local governments on transfers, the rules regulating intergovernmental finances and borrowing need to be clear and stable if borrowers and lenders are to be confident that municipal governments will be able to pay off their debts. Other NALAS' studies have identified the following obstacles to local borrowing for infrastructure:

- In most of the SEE region, the law requires central government's (*Ministry of Finance*) approval prior to local debt issuing;
- In more than half of SEE economies, there are legal limitations on both the total outstanding debt and the annual debt service payments;
- Local governments will have to do a better job collecting own-revenues, particularly with respect to setting higher tariffs and then forcing utilities to collect them;
- Local governments will have to radically improve their ability to prepare, plan, and cost-out complex, multiyear investment projects - particularly in the water and solid waste sectors;
- The central governments should systematically promote incentives for investing on a pay-as-you-use basis (*mainly debt-financed*) instead of the currently predominant pay-as-you-build (*paid out of recurrent revenues*).

# 4.7.Local governments expenditure in South-East Europe

Figure 34 shows the composition of the regional average local government expenditures in the six Western Balkan economies, South-East Europe and the EU, by economic type and functions of government in 2019. It should be noted that as with revenues, there are inconsistencies in the way expenditure data is reported. For example, some places treat capital transfers to public utilities as investment expenditures while others record them as subsidies, which cannot be distinguished from transfers to individuals or grants to non-governmental organizations. Similarly, in many places, debt repayment is not accounted for separately, but included in the category "Other".

On average, in 2019 local governments in the SEE region spent 25.6% of their budgets on capital investments, about a third of their budgets on personnel expenditures and 23% on goods and services. Similarly, they spent 25% of their budgets on average on education, 5% on healthcare and another 6% on social protection. Compared to the EU, SEE LGs spent about two times more than their EU counterparts on capital investments. However, they spent about half of what the EU LGs spent on the social sector.

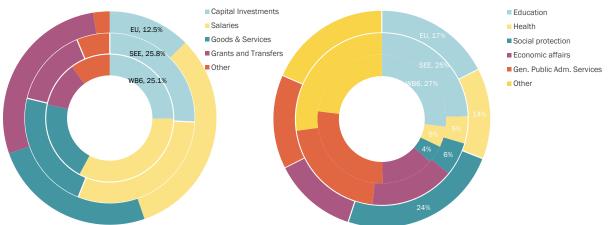


Figure 34 Composition of Average LG expenditure in South-East Europe and comparison with EU

Figure 35 shows the composition of local government expenditures by economic type across SEE, as well as the average for the group as a whole (SEE) and the average for the EU (EU28). Again, as explained above already, within SEE, in those economies that have decentralized social sector functions, local governments spend a higher percentage of their expenditures on wages (*up to almost 55%*).

More surprising is that local governments in SEE spend a larger share on investments than their counterparts in the EU. A number of reasons can explain this situation:

- SEE LGs often pay directly (out of their budgets) for investments that elsewhere in Europe are financed mainly through utility tariffs (water and sewer, waste collection and treatment, public transportation);
- The investment needs of SEE and EU are different in SEE more money is spent on building new infrastructure and reconstructing the old-one while in the EU more is spent on maintaining the existing infrastructure which is treated as operational expense;
- The greater decentralization of social sector functions within the EU requires higher operating costs, which depress the share of expenditure going to investment.
- Traditionally in the EU, more public investments are made at local than at central level. Among the OECD unitary states, this percentage is the same – The Netherlands and France have the highest share of above 60%<sup>81</sup>.

However, SEE LGs investment capacity may be overstated because of centrally controlled investment grants provided to local governments for their own functions, and on which local governments themselves have little discretion or decision-making authority. This is certainly the case in Albania, which presents the highest levels of LG spending on capital investments for the region.

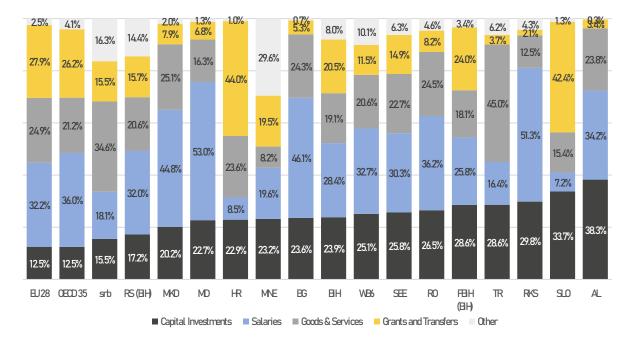


Figure 35 Composition of LG expenditure across South-East Europe and the EU

<sup>&</sup>lt;sup>81</sup> OECD national accounts data.

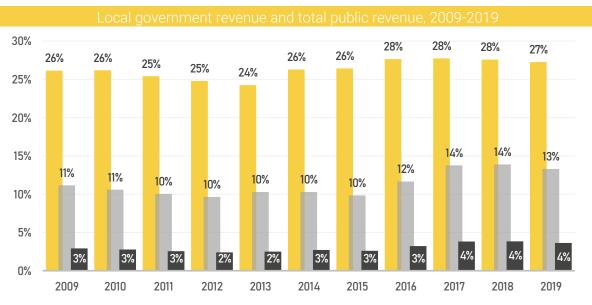
### KEY FISCAL DECENTRALISATION INDICATORS IN SOUTH-EAST EUROPE

#### 5.1. ALBANIA

Sectoral grants, 12%

General

grant, 29%

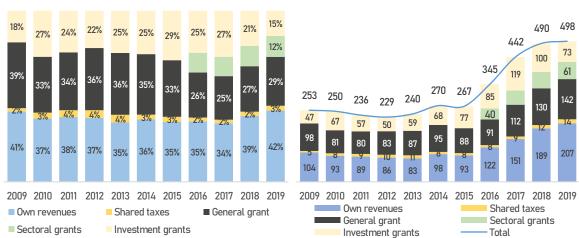


■ Total public revenue, % of GDP ■ Local government revenue, % of public revenue ■ Local government revenue, % of GDP



Shared

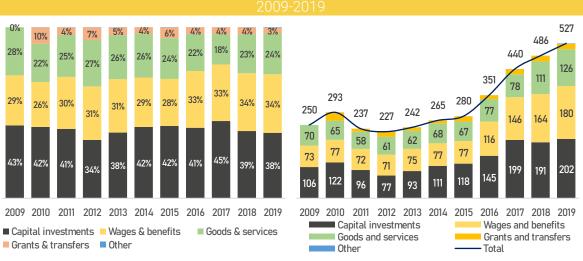
taxes, 3%

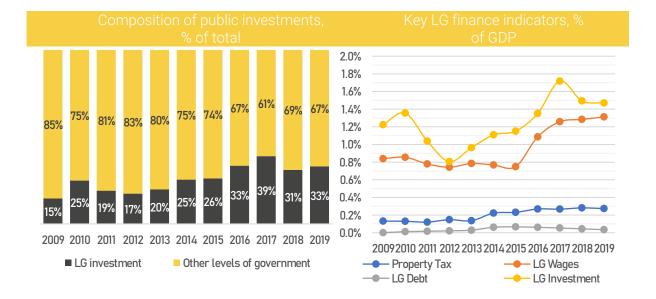


2009-2019

Wages &

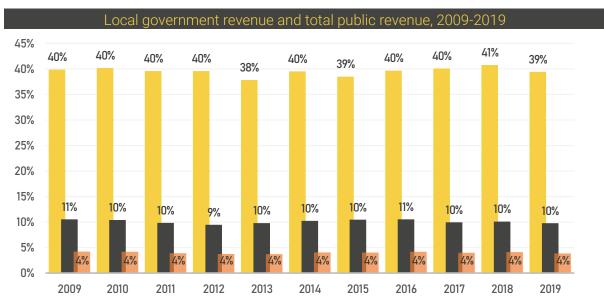
benefits, 34%

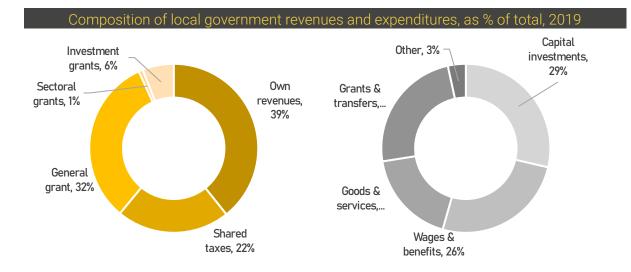


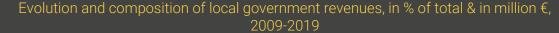


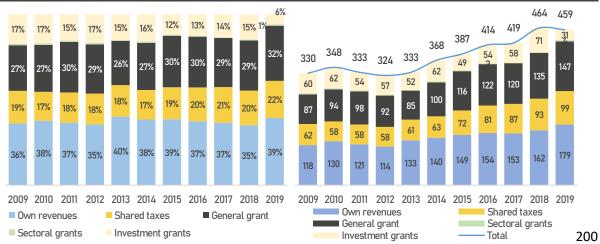
#### Evolution and composition of local government Expenditures, in % of total & in million 2009-2019

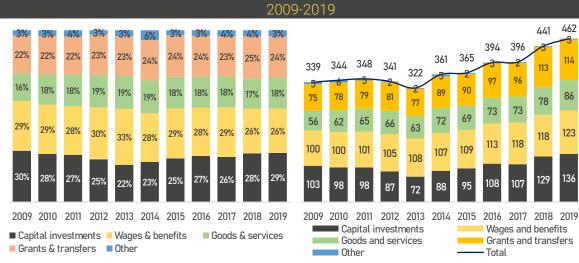
#### 5.2. BOSNIA AND HERZEGOVINA

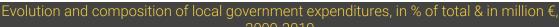


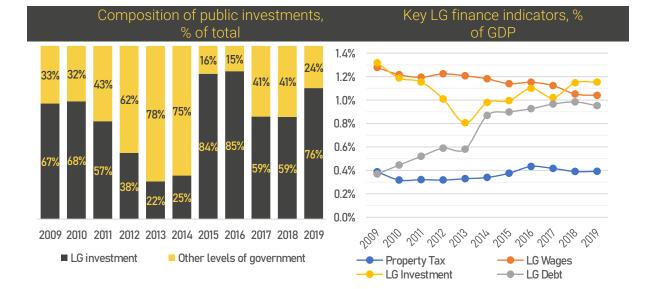










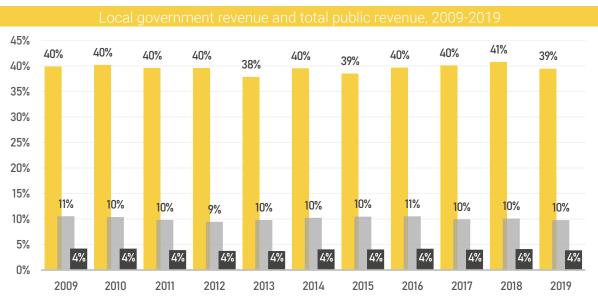


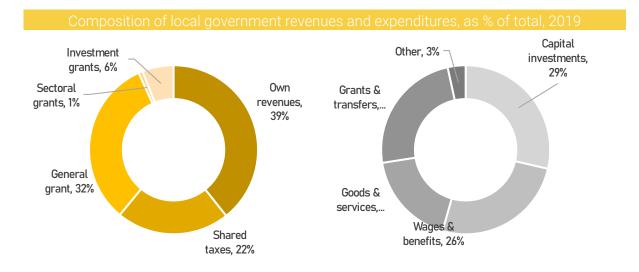
Wages and benefits

Grants and transfers

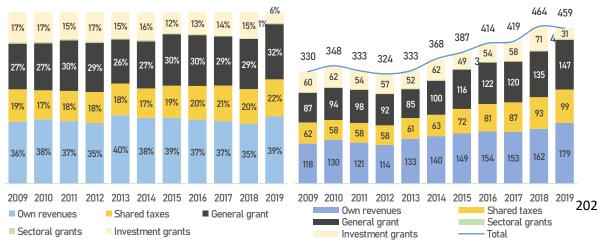
Total

## 5.1.2 Federation of Bosnia and Herzegovina(Bosnia and Herzegovina)

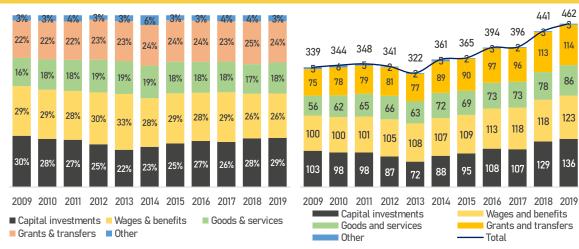


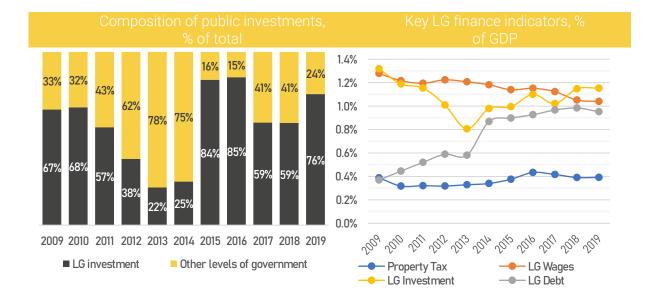




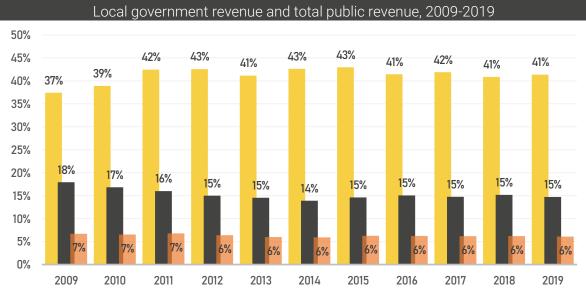


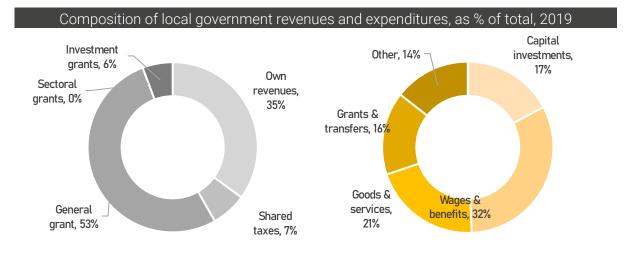


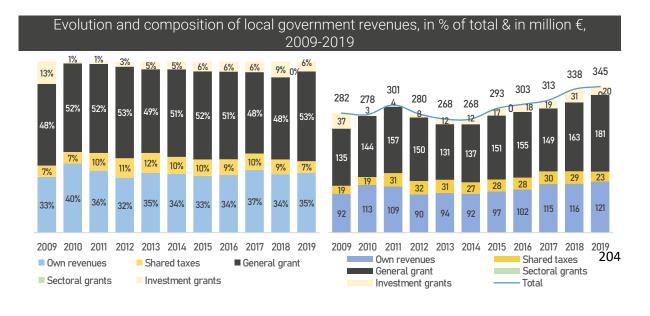


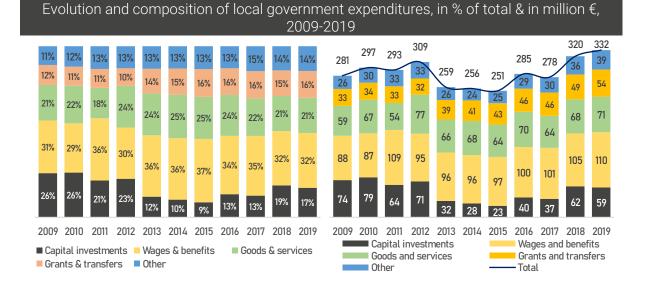


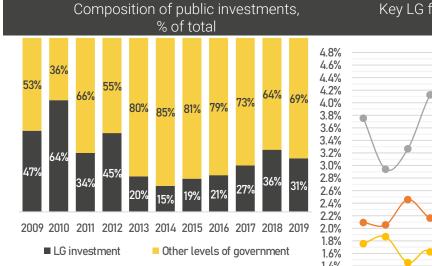
# 5.2.2 Republic of Srpska (Bosnia and Herzegovina)



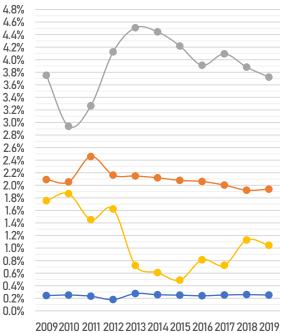






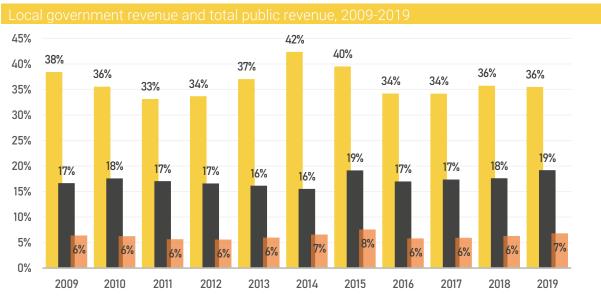


#### Key LG finance indicators, % of GDP

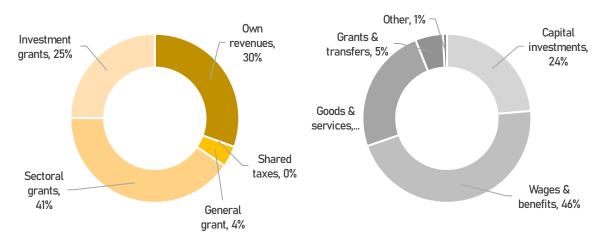


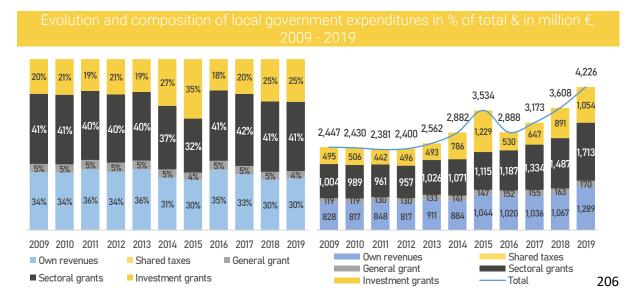




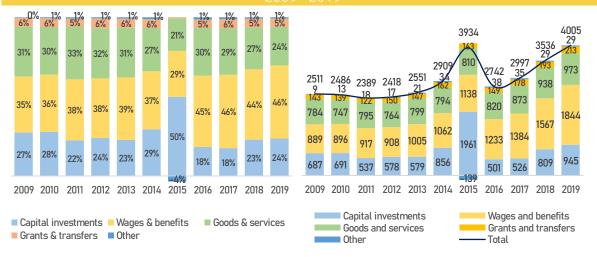


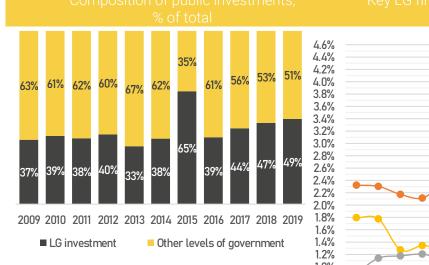


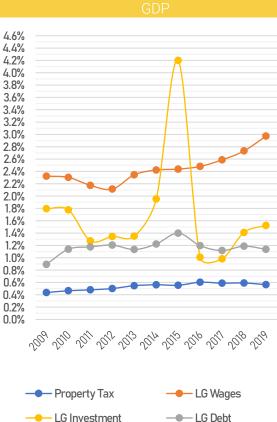




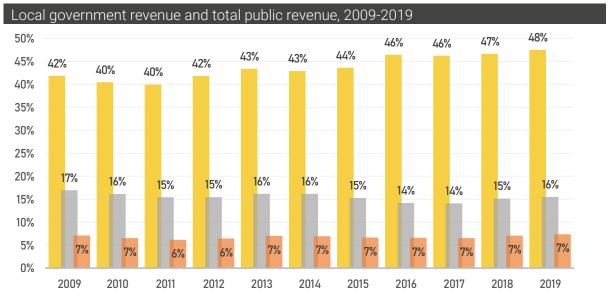
Evolution and composition of local government expenditures, in % of total & in million €, 2009 - 2019

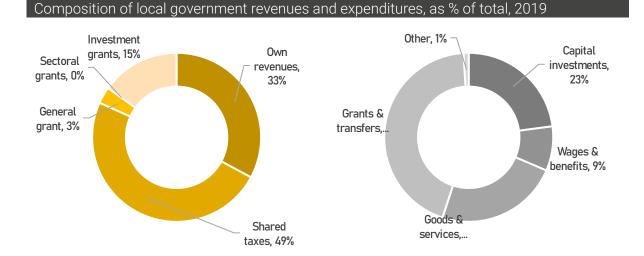




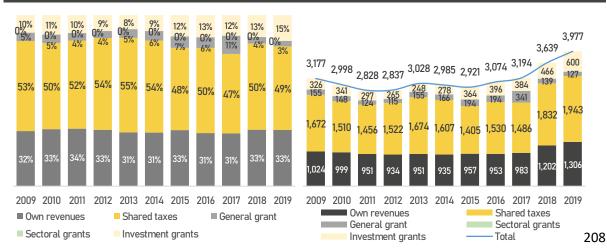


#### 5.4. CROATIA

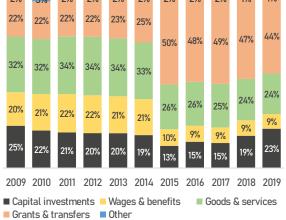


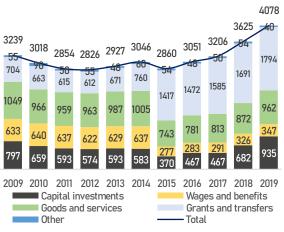


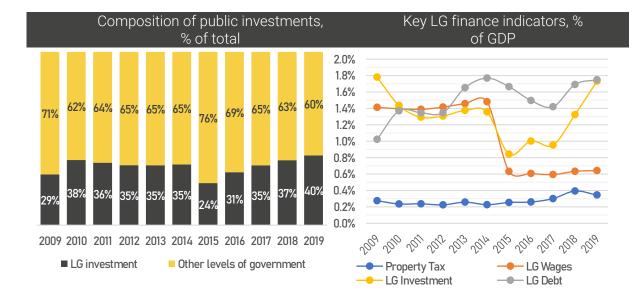




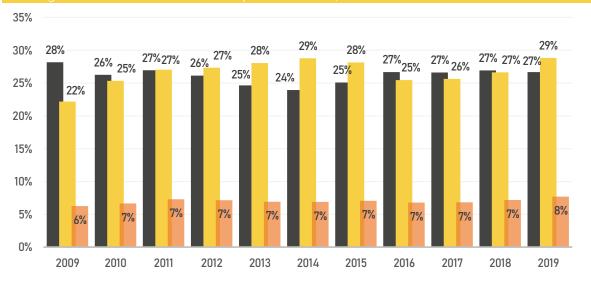




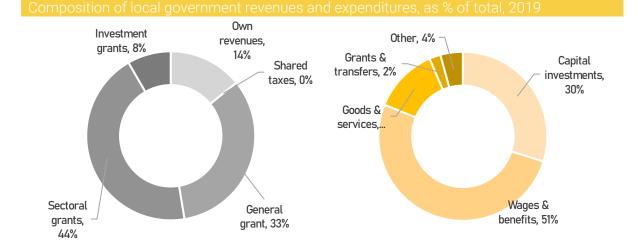




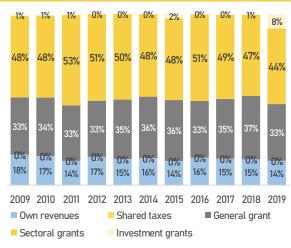


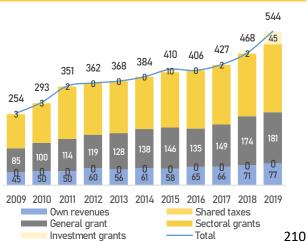


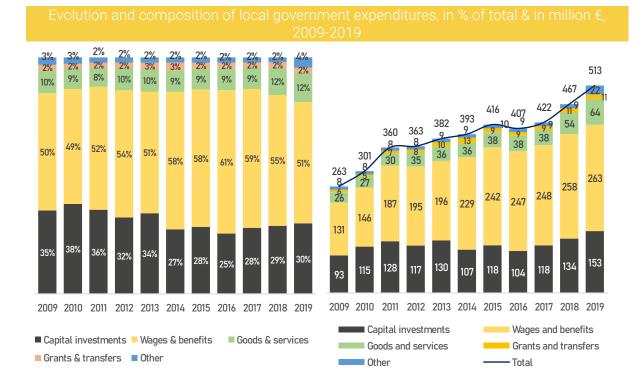
local government revenue and total public revenue, 2009-2019

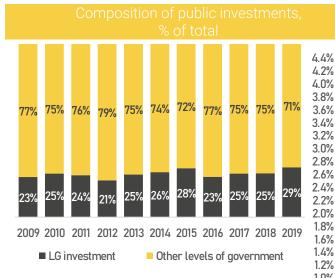




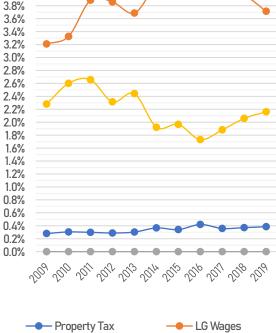




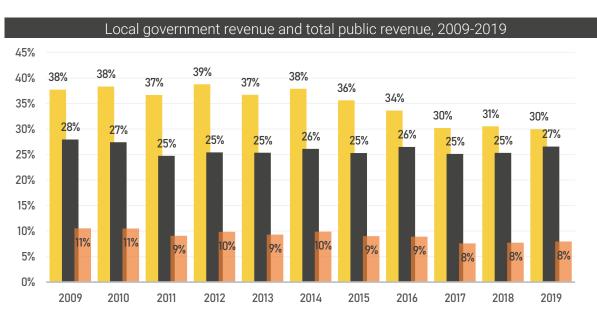




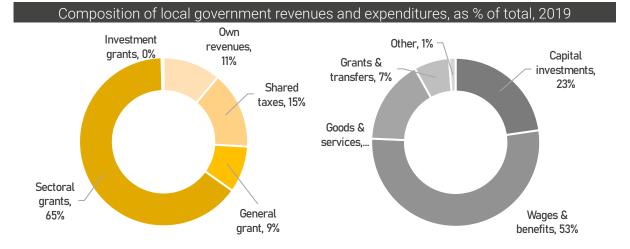


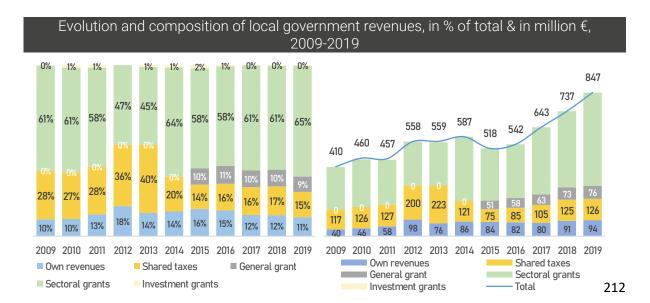


-------------------------------LG Debt

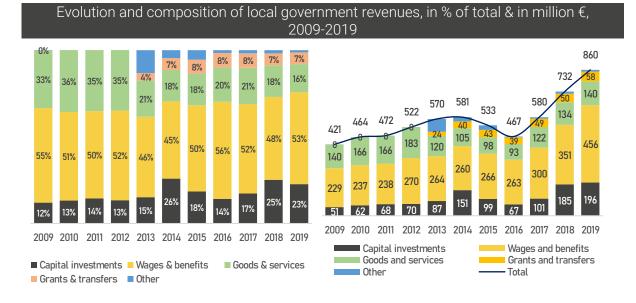


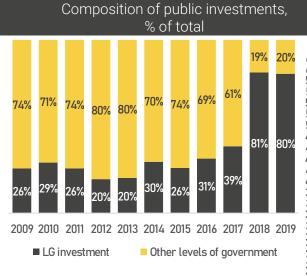
Total public revenue, % of GDP Local government revenue, % of public revenue Local government revenue, % of GDP

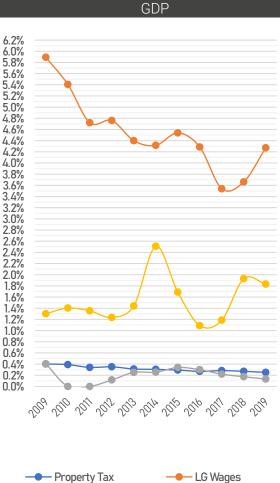




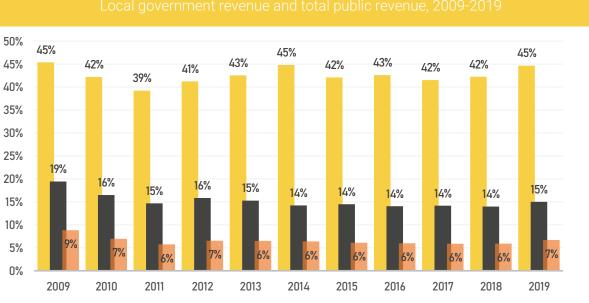
#### 5.6. MOLDOVA



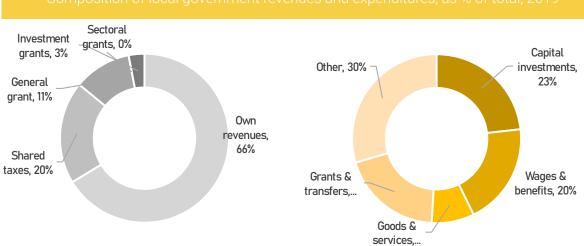




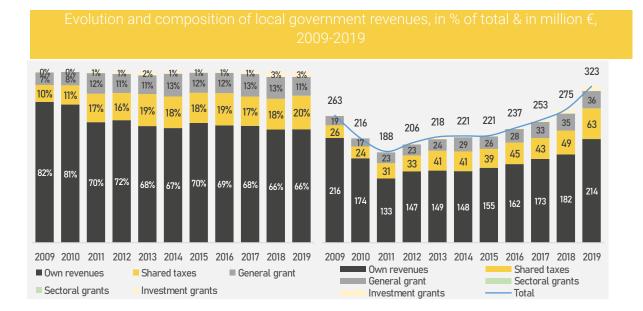
Key LG finance indicators, % of



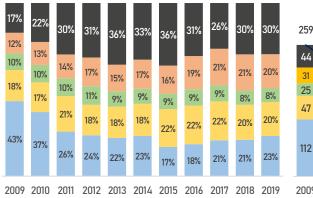
### 5.7. MONTENEGRO



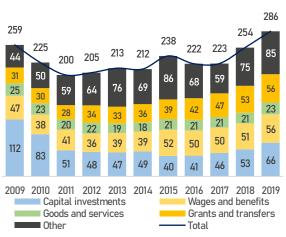
Composition of local government revenues and expenditures, as % of total, 2019

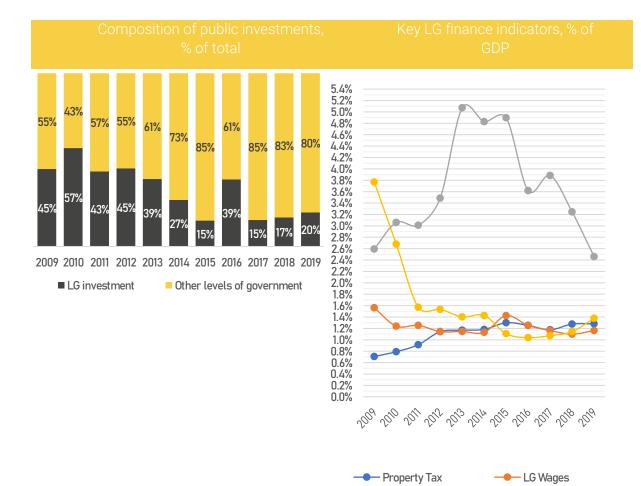


Evolution and composition of local government expenditures, in % of total & in million €, 2009-2019



Capital investments Wages & benefits Goods & services
Grants & transfers Other



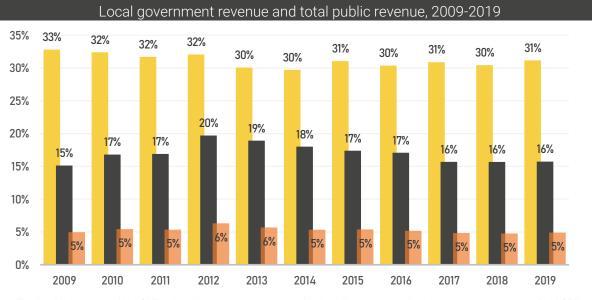




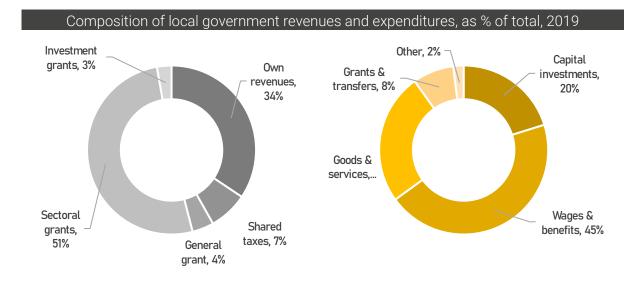
--------------------------------LG Debt

LG Investment

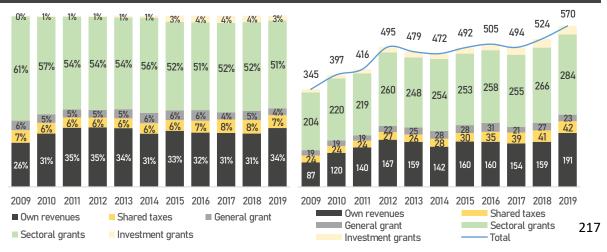
### 5.8. NORTH MACEDONIA

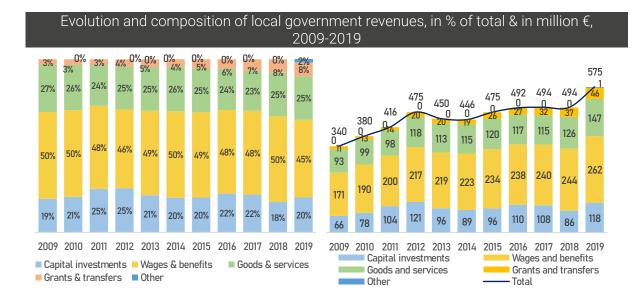


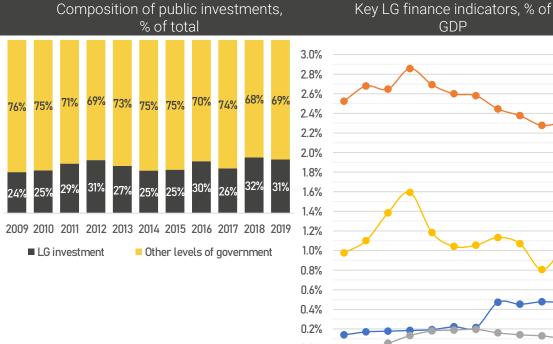
Total public revenue, % of GDP Local government revenue, % of public revenue Local government revenue, % of GDP

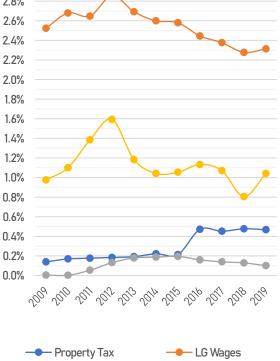


Evolution and composition of local government revenues, in % of total & in million €, 2009-2019



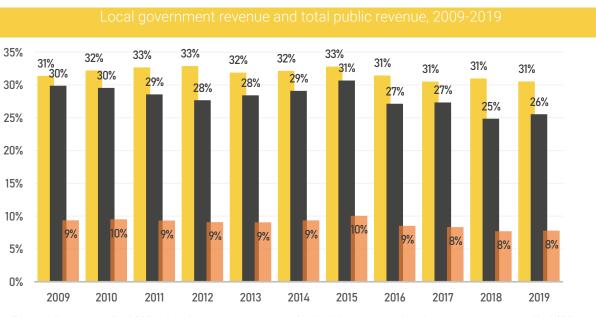






LG Debt

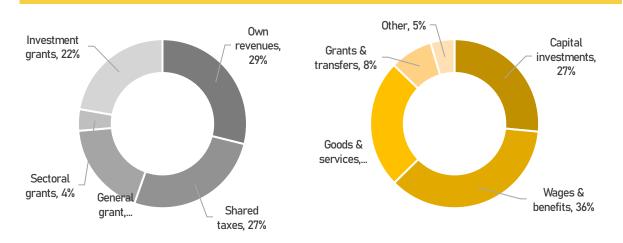
218

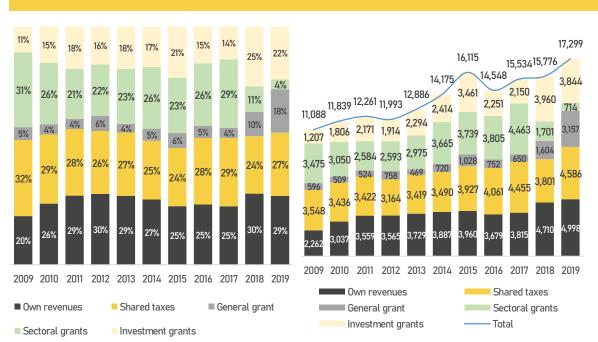


5.9. ROMANIA

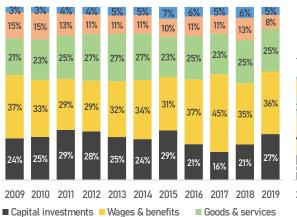
Total public revenue, % of GDP Local government revenue, % of public revenue Local government revenue, % of GDP

Composition of local government revenues and expenditures, as % of total, 2019

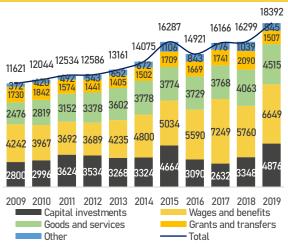




# Evolution and composition of local government expenditure, in % of total & in million €, 2009-2019

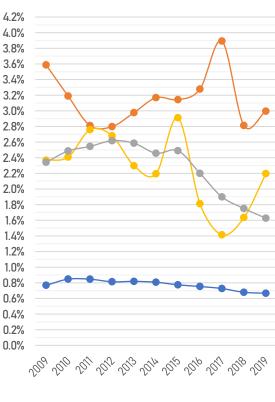


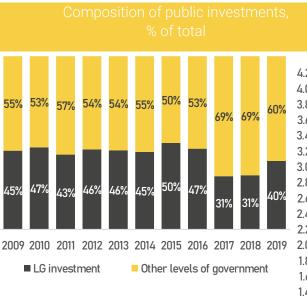
Grants & transfers Other



### ition and composition of local government revenues, in % of total & in million € 2009-2019

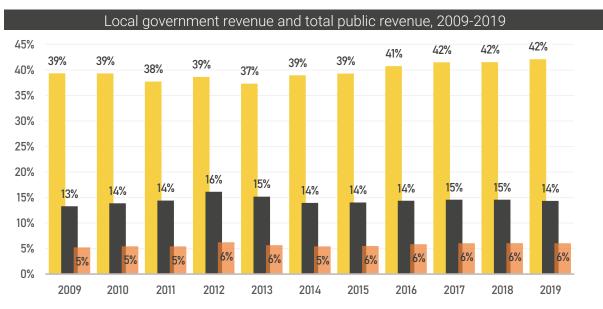




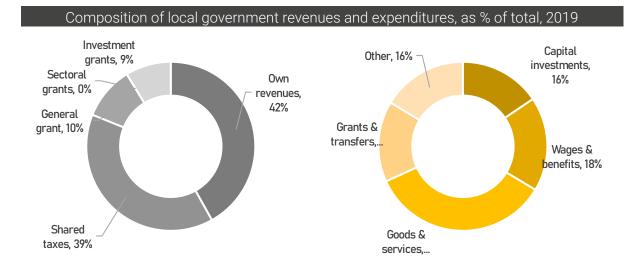




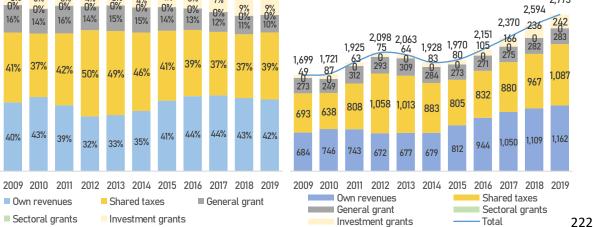
## **5.10. SERBIA**

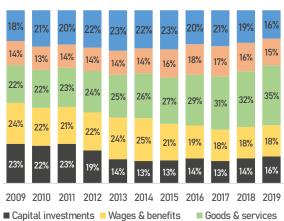


Total public revenue, % of GDP 🖬 Local government revenue, % of public revenue 💻 Local government revenue, % of GDP

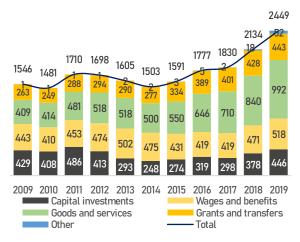


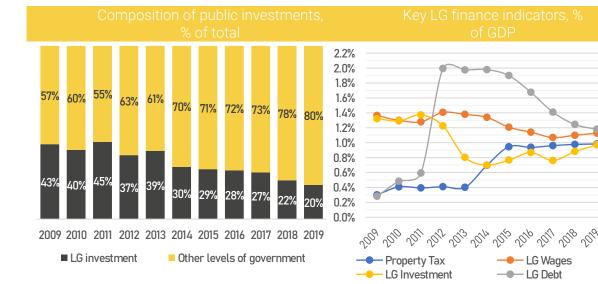






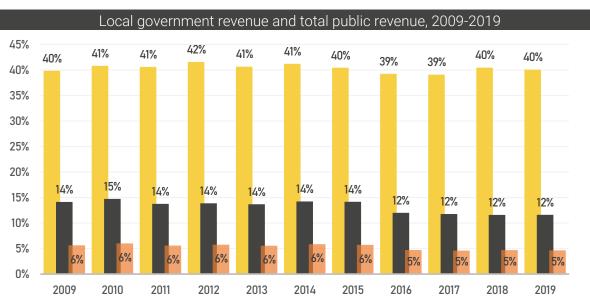
Grants & transfers Other





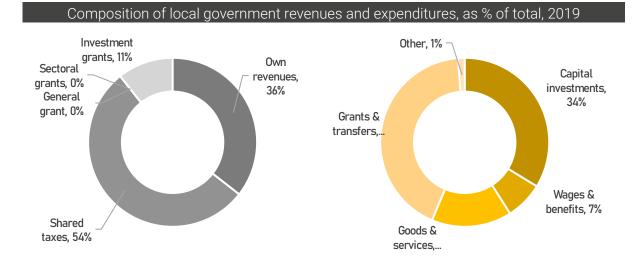
LG Wages

- LG Debt

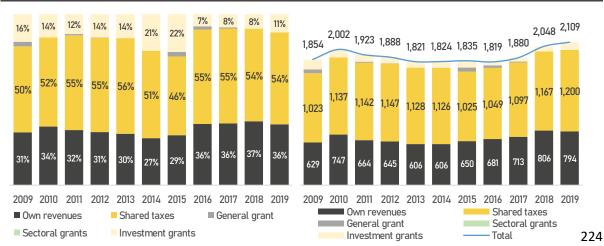


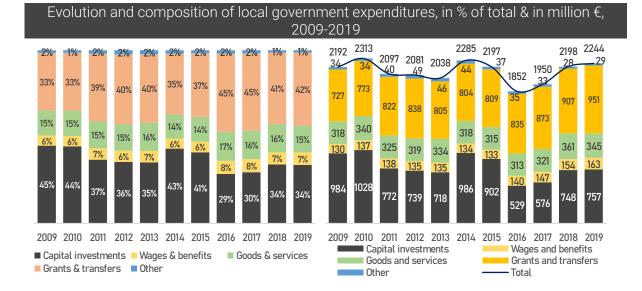
5.11. SLOVENIA

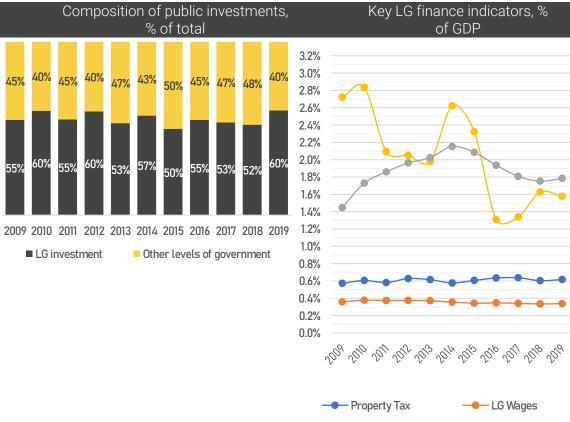
### Total public revenue, % of GDP Local government revenue, % of public revenue Local government revenue, % of GDP



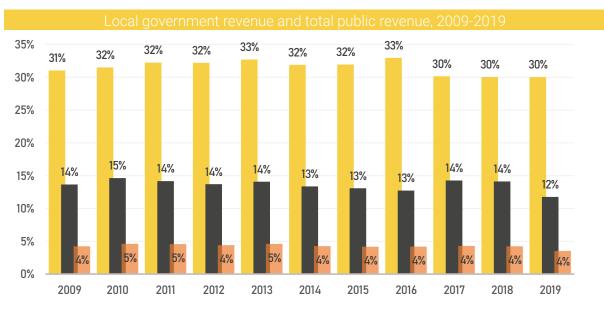
# Evolution and composition of local government revenues, in % of total & in million $\in$ , 2009-2019



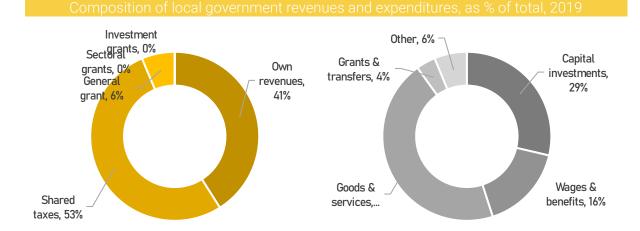




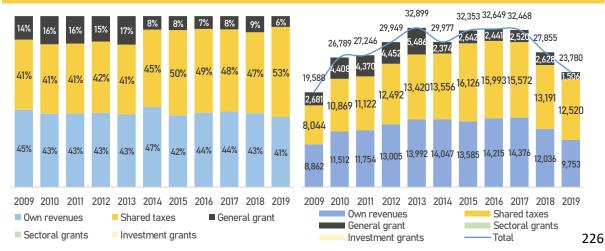
## 5.12. TURKEY

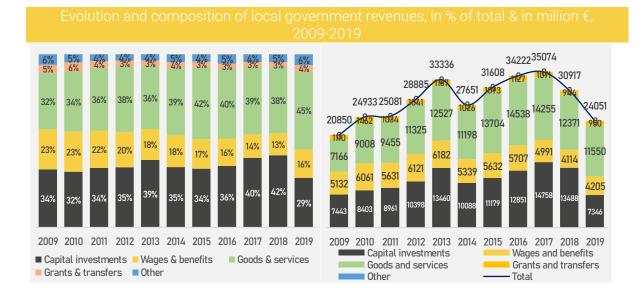


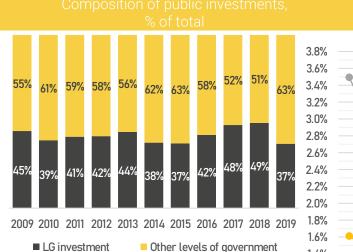
Total public revenue, % of GDP Local government revenue, % of public revenue Local government revenue, % of GDP

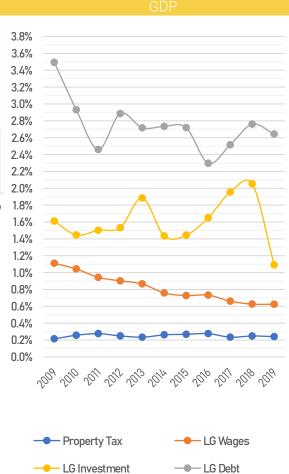




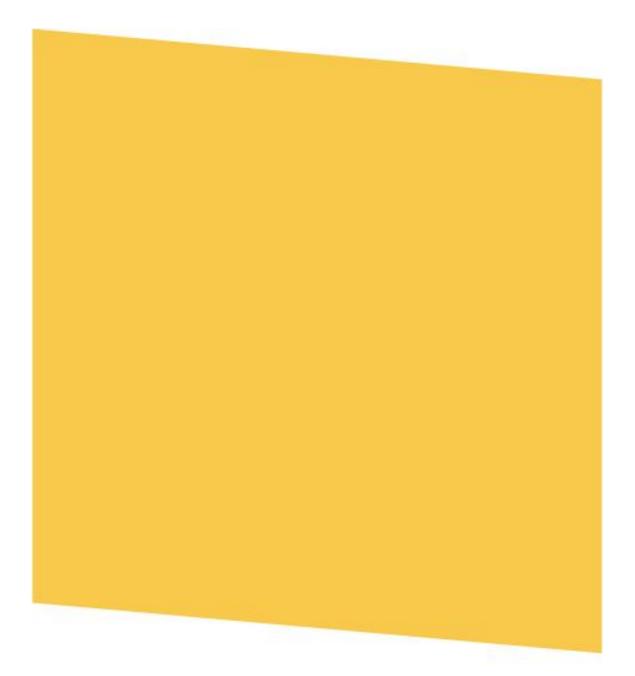








NALAS FISCALDECENTRALISATION REPORT JUNE 2021





Network of Associations of Local Authorities of South-East Europe