



# COUNTRY BRIEF



## Social contracting for delivering services through non-public sector in Montenegro

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### 1. Overview of policy context

Policy brief **Social contracting for delivering services through non-public sector in Montenegro** is dealing with the possibilities for sustainable service provision by non-state actors, mainly NGOs.

The absolute poverty rate in Montenegro was 8,6% in 2013, when this indicator was last time measured<sup>1</sup>. Currently, Montenegro is facing an increase of reported unemployment. Dominant budget expenditure categories are current expenditures, repayment of debts and transfers for social protection<sup>2</sup>. Transfers for social protection has tremendously increased from 22,5% of total Montenegrin budget in 2015 to 29,2% in 2016 and 28,5% in 2017, mostly due to the introduction of the benefits for mothers with three and more children, which have been abolished in 2017. Montenegro Fiscal Strategy 2017-2020<sup>3</sup> has introduced reduction of expenditures for social benefits as one of the main measures. At the same time, there is a need for improved social services and interventions which have more impact on reducing unemployment rates, which also includes more public investments in development of social services.

One of the main providers of social services are NGOs. According to the report produced in 2013 by Institute Alternative, in period 2012 to 2013, there were 284 social services available for 27 587 users and provided by 175 service providers, out of which majority - 80% were NGOs<sup>4</sup>, while 9,7% providers were local branches of the Red Cross and 8,5% public institutions of social care. The number of private (other than NGOs) providers of social services is very limited. Dominant services are socio-educative

<sup>1</sup> Monstat (2014). Analysis of the Poverty in Montenegro 2013 Podgorica: Monstat

<sup>2</sup> Institute Alternative, web portal *moj novac (my money)* - <http://mojnovac.me>

<sup>3</sup> *Montenegro Fiscal Strategy 2017-2020*, Official Gazette of Montenegro, No 52/2017

<sup>4</sup> Dragana Radović (2013). *Mapping of social care services in Montenegro*, Podgorica: Institute Alternative

and counselling/therapeutic (58,8%), while provision of accommodation and shelter are much less common (2,8%).<sup>5</sup> Funding of services provided by NGOs is mostly (over 80%) coming from international donors sources.<sup>6</sup>

Standardization and licensing of services is introduced within the reform of social and child care and defined by related law and bylaws, but is not still in place. There is no clear strategy on sustainable financing of services provided by NGOs and accordingly, outsourcing the provision of services.

This policy brief is providing an overview of the key economic and social indicators of current Montenegrin society, information on distribution of roles among key actors in provision of social services and position of NGOs as service providers. Within the policy brief, we have presented recommendation on development of effective social contracting with NGOs, better incentives for private-public partnership, innovative funding and possibility for accreditation of holistic health and social services. Main challenges are also listed. At the very end, we have presented one example of good practice of social contracting between government and NGOs - enabled through health system.

## 2. Key macro indicators (poverty rate, unemployment rate, etc.

Montenegro, the smallest country in the Western Balkans, a member of NATO and a candidate country for the EU membership, has been rated by the World Bank as a middle income country, and is considered an open economy particularly vulnerable to external shocks<sup>7</sup>.

The EU country report has evaluated Montenegrin economy as moderately prepared in developing a **functioning market economy**, noting that “rapidly rising public debt and high fiscal deficits, together with high external imbalances and high unemployment are of concern”.<sup>8</sup>

The latest Census (2011) shows that there are 620 029 Montenegrin citizens (50,6% female), out of which 26% are minors, 19% ranging from 0 to 14 years old, 13% adults above 65 years, while working age citizens made 68% of total population<sup>9</sup>. Although aging in population is intense, and average age relatively high, i.e. 37,7 years, Montenegro still has younger population than the European Union, where average age is 41,2.<sup>10</sup> In 1991 the coefficient of dependence was 52% and in 2003 it was 49%, compared to 47% in 2011<sup>11</sup>.

The Ministry of Labour and Social Welfare states in its report<sup>12</sup> that on 31 December 2016, the reported unemployment rate was 21%, which is 4% higher than in the same period in 2015, while the reported unemployment rate has increased through 2017 to 22% in late November<sup>13</sup>. In 2016,

<sup>5</sup> Ibid

<sup>6</sup> B. Zeković, I. Smolović (2015). *POLICY PAPER Applicability of standards for the provision of social services by CSOs in Montenegro*, IRIS Network

<sup>7</sup> World Bank, Montenegro overview, <http://www.worldbank.org/en/country/montenegro/overview>, accessed on 23.11.2017.

<sup>8</sup> European Commission (2016). *Fact Sheet, Key findings of the 2016 Report on Montenegro*, Brussels: European Commission

<sup>9</sup> Monstat (2011). *Population by age, sex, and type of settlement per municipality, as well as the most frequent name in Montenegro*, Podgorica: Monstat

<sup>10</sup> Monstat (2014). *Projections of Montenegrin population until 2060 with the structural analysis of the Montenegrin population*, Podgorica, Podgorica: Monstat

<sup>11</sup> Ibid

<sup>12</sup> Ministry of Labour and Social Welfare (2017). *Report on work and conditions in administrative areas under the remit of the Ministry of Labour and Social Welfare for 2016*, Podgorica: Ministry of Work and Social Welfare

<sup>13</sup> Data on unemployment from national Employment agency within statistical weekly reports, <http://www.zzzcg.me/statisticki-izvjestaji>, accessed on 23.11.2017.

Montenegrin labour market was characterized by a low labour force rate and a relatively high unemployment rate, which impedes long-term unemployment<sup>14</sup>.

The latest statistical report on the poverty rates in Montenegro (2013) defined that every adult with income lower than 186 € per month is considered a person who lives under the poverty line. The absolute poverty rate was 8,6% in the same year, which was the last time when this indicator was measured<sup>15</sup>. In 2016, the Gross Domestic Product per capita in Montenegro amounted to 16,853.8 USD<sup>16</sup> or 88 percent of the world's average when adjusted by Purchasing Power Parity<sup>17</sup>. The ratio of social security budget in 2014 was the highest among sectors - 22,5%<sup>18</sup>, and it was dominantly used for social benefits and pensions. This budget has tremendously increased to 29,2% in 2016 and 28,5% in 2017. One of the measures of Montenegro Fiscal Strategy 2017-2020<sup>19</sup> is *Reduction of expenditures for social benefits*, especially related to the benefits for mothers with three and more children, introduced in 2016 and abolished in 2017, but with shortcomings in provision of adequate social security services for the affected ones.

### 3. Mandates in the specific sector (Distribution of roles and responsibilities among central and local government institutions, policy, regulatory and service delivery functions)

**The Ministry of Labour and Social Welfare** is in charge of planning and managing the social care system in Montenegro. Within this Ministry, the **Directorate for Social Welfare and Child Care** is in charge of developing legislations and policies, and monitoring its implementation relating to social services and benefits. This Directorate consists of: Directorate for Social and Child Care and Control, and Directorate for Protection of the Groups at Risk.

**The Institute for Social and Child Care** was established in 2015 and it provides advisory, research and other professional activities in the field of social and child care. Among other tasks, it is responsible for building capacities and issuing licenses for professionals and accreditation of the training programs for professionals.<sup>20</sup>

There are 13 **centers for social work** which cover all municipalities.

**Institutions of social protection** under the Ministry of Social Welfare and Child Protection include: 2 Institutions (homes) for elderly population (Risan and Bijelo Polje), 3 Resource centers for children, youth and adults with disabilities, 1 Children's Home (for children without parental care), 1 Institution for people with intellectual disabilities, 1 center for children in conflict with the law, 1 rehabilitation and training facility (JU "Lovćen-Bečići" – Cetinje), 13 daily centers for children and youth with disabilities, 1 centre for supporting children and families, 1 residential public institution for rehabilitation and resocialization of people who use drugs.<sup>21</sup> Most of the services provided in the listed institutions are free of charge, while users are covering the costs of some services, such as the

<sup>14</sup> Ministry of Labour and Social Welfare (2017). Report on work and condition in administrative areas under the remits of the Ministry of Labour and Social Welfare for 2016, Podgorica: Ministry of Labour and Social Welfare

<sup>15</sup> Monstat (2014). *Analiza siromaštva u Crnoj Gori u 2013. godini*, Podgorica: Monstat

<sup>16</sup> World bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>, access on 23.11.2017.

<sup>17</sup> Trading Economics, <https://tradingeconomics.com/montenegro/gdp-per-capita-ppp>, access on 11.23.2017.

<sup>18</sup> Institute Alternative, web portal moj novac (my money) - <http://mojnovac.me>, access on 11.26.2017.

<sup>19</sup> *Montenegro Fiscal Strategy 2017-2020*, Official Gazette of Montenegro, No 52/2017

<sup>20</sup> Institute for Social and Child Care (2015). *Rulebook on internal organization and job description*, Podgorica: Institute for Social and Child Care

use of residences for elderly population and rehabilitation and resocialization of people who use drugs.

There are special organizational units or local administration within the **local governments**, which are called secretariats, and which take role in accordance with their capacities in enabling provision of social services on the local level.<sup>22</sup>

Deinstitutionalization and pluralism of services and service providers are main principles of the **Law on Social and Child Care**<sup>23</sup> which have been implemented quite successfully in foster care of children and adults.

**The Law on Social and Children Care** determines that public and **private sector including NGOs** may be providers of social services, enabling thereby the users of social welfare system to choose the providers. The criteria for allocating funds for social services and amounts from national and municipal budgets are defined by **Rulebook on the amount of funds for the development, or financing of social and child protection services and criteria for their distribution**<sup>24</sup>. Service providers have also to operate in accordance with **The Rulebooks on Conditions and Standards for Conducting Expert Work in Social and Child Care**<sup>25</sup> as well as relevant rulebooks on conditions and standards developed for every type of services developed from 2014 to 2016.

Institute Alternative reports that in 2012-2013, there were 284 social services available for 27 587 users and provided by 175 service providers, out of which majority - **80% were NGOs**<sup>26</sup>. Number of private (other than NGOs) providers of social services is very limited and are not listed among 284 providers mapped by Institute Alternative. Apart from NGOs, providers are local branches of Red cross (9,7%) and public institutions of social care (8,5%). Dominant services are socio-educative and counselling / therapeutic (58,8%), while services of shelter and accommodation is much less provided (2,8%).<sup>27</sup>

The new **mechanisms** are introduced **for improving quality of services** and its control, that are relevant to non-state providers, especially NGOs: introducing standards of social welfare services; licensing organizations that provide social services; licensing professional workers who provide services; providing accreditation of the training program and social services programs.<sup>28</sup> Most of those mechanisms are still not fully in place. This also implies that financing of social services provided by NGOs and other non-state actors is currently only regulated through laws on NGOs and on self-government, which is limiting the available budget for social services. Some sources indicated that funding of services provided by NGOs is mostly (over 80%) coming from foreign sources, which is negatively effecting a sustainability of provision.<sup>29</sup>

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<sup>22</sup> B. Zeković and others (2016). *The effectiveness of the system of social benefits in providing material family support*, Podgorica: Juventas and SOS phone for women and children victims of violence

<sup>23</sup> *Law on Social and Child Care*, Official Gazette of Montenegro No. 27/2013, 1/2015, 42/2015, 47/2015, 56/2016, 66/2016, 1/2017 and 31/2017 and decision of the Constitutional Court No. 42/2017 and 50/2017

<sup>24</sup> *Rulebook on the amount of funds for the development, or financing of social and child care services and criteria for their distribution*, Official Gazette of Montenegro No. 42/2015

<sup>25</sup> *Rulebook on closer conditions and standards for performing professional activities in social and child care*, Official Gazette of Montenegro No. 56/2013 i 14/2014.

<sup>26</sup> Dragana Radović (2013). Mapping of social care services in Montenegro, Podgorica, Institute Alternative

<sup>27</sup> Ibid

<sup>28</sup> B. Zeković (2016). *Applicability of standards for the provision of social services by CSOs in Montenegro* Podgorica: SOS Telefon Podgorica and NGO Juventas

<sup>29</sup> B. Zeković, I. Smolović (2015). *POLICY PAPER Applicability of standards for the provision of social services by CSOs in Montenegro*, IRIS Network

The new amendments to the **Law on NGOs**<sup>30</sup> adopted in 2017 have introduced decentralized model of financing NGOs, providing possibilities for financing projects and programs in the areas of public interest in the amount of at least 0.3% of the current annual budget. Social and health care are listed among other public interest areas, defined by every ministry and other public body.

**The Law on Local Self-Government**<sup>31</sup> gives freedom to every municipality to regulate financing of local NGOs. The majority of municipalities have adopted Local plans for improving social inclusion - development of the local social welfare services which can be used to determine the priority areas for funding of local social services.<sup>32</sup>

Some social services provided by NGOs were financed by the end of 2017 through the **Fund for distribution of the Revenues from Games of Chance**, operated by Ministry of Finance.<sup>33</sup> Currently, additional public funding opportunity is available through distribution of the Fund for professional rehabilitation and employment of people with disabilities and Fund for youth organizations, operated within the framework of Law on Youth<sup>34</sup>.

The legal basis for regulating key elements of **social enterprise functioning** are still lacking and it is necessary to ensure them.<sup>35</sup>

#### 4. Directions/policies for development, innovation

Although most of the services are run by non-state actors, while reformed Law on Social and Child Care has been in place since 2013, there is still no effective formal system of cooperation between national or local governments and NGOs in this field. This implies that one of the first measures should be to introduce the existing mechanism of cooperation in practice, which includes financing of NGOs for service delivery. At the same time, some innovative measures are recommended, all proved to be effective in other systems: cascade participation of users in costs of services, social entrepreneurship in the area of social services provision and possibility for accreditation of health and social services.

Recommended policy measures are the following:

##### **Development of effective social contracting with NGOs:**

The new, reformed approach, based on real needs and mutual trust has to be established among public sector and NGOs that provides services. This relationship has to have a reliable system of control, financing and mutual referrals. In order to reach that, the following measures are recommended:

1. Need assessment of target groups in order to identify gaps in services provided by state. Providing analytical reports that will include assessment of existing services and capacities of all service providers in the related area.
2. Implementing cost benefit analyses for outsourcing the particular services, especially urgent and missing ones in order to prioritized its funding.

<sup>30</sup> *Law on Non-Governmental Organizations*, Official Gazette of Montenegro No. 39/2011 and No. 37/2017

<sup>31</sup> *Law on Local Self-Government*, Official Gazette of Montenegro No. 42/2003, 28/2004, 75/2005 i 13/2006 i 88/2009, 3/2010 – correction on 38/2012, 10/2014, 57/2014 – other laws and 3/2016.

<sup>32</sup> B. Zeković (2016). *Applicability of standards for the provision of social services by CSOs in Montenegro* Podgorica: SOS Telefon Podgorica and NGO Juventas

<sup>33</sup> *Law on Games of Chance*, Official Gazette of Montenegro No. 52/2004 and Official Gazette of Montenegro No. 13/2007, 40/2011 – other laws and 61/2013.

<sup>34</sup> *Law on Youth*, Official Gazette of Montenegro, No. 42/2016

<sup>35</sup> B. Nenezic, M. Kalezic (2016). *Study on the Social Entrepreneurship in Montenegro* Podgorica: Juventas

3. Implementing mechanisms for quality control: standards of social welfare services; licensing organizations that provide social services; licensing professional workers who provide services; accreditation of the training program and social services programs.
4. Supporting NGOs by providing information, technical assistance and funding within the process of licensing and standardization.
5. Introducing new professions in social care which contributes to holistic service delivery based on, for example, success of introduction of Roma mediators in social care. These professionals might find its place in the new systematization within public sector and possibly work in joint state-NGO programs.
6. Financing of services has to be considered separately from financing of NGOs and has to be based on real needs. Financing of services is also foreseen by the Law on Social and Child Care and possible through funds of local municipalities. This means that based on need and situation, both tendering procedures and call for proposals could be used in process of establishing social contracting with NGOs in certain area.
7. Costs of services have to be planned based on needs, complexity and expected reach/coverage.
8. When establishing a system of service provision and quality assurance monitoring, it is necessary to define referral system and data collections among service providers, which will include non-state actors.
9. When planning outsourcing of services, a possibility for providing facilities owned by local governments and ministries free of charge or with economical price for non-profit providers of social services has to be taken into consideration.

### **Providing better incentives for private – public partnership**

Limited number of services is provided by profit private bodies, while in many countries private – public partnerships, including consortium of profit and non-profit providers proved to add to competitiveness and improved quality of services.

### **Cascade participation of users in costs of services**

Sometimes regarded as Social entrepreneurship concept, the cascade participation of users in costs of services based on their monthly family budgets might be used by non-state providers as an innovative model of financing.

### **Social entrepreneurship in the area of social services provision**

Social entrepreneurship exists in Montenegro in its unregulated manner, within the area of social care. In order to use the full potential of this method, which is innovative for Montenegro, the country has to build legal and institutional framework which will enable its better functioning.

### **Possibility for accreditation of health and social services**

The legal framework recognizes socio-educative services, but it has to introduce standards for socio-educative services provided by many NGOs in Montenegro. This would enable diversified usage of available funds.

## **5. Challenges and shortfalls**

Main sources of challenges in this area are legal and institutional framework, lack of trust in non-state actors in social provision and lack of funds for service deliveries due to the toxic social care measures, such as introduction and then sudden abolishment of benefits for mothers for three and more children.

At this moment, it is not clear who is in charge of service delivery standardization. Mechanism that are introduced in the legal framework are: standardisation of social welfare services; licensing of organizations that provide social services; licensing professional workers who provide services; accreditation of the training program and programs of social services are still not fully in place, while many NGOs need additional assistance within this process.

The legal basis for regulating key elements of social enterprise functioning are still lacking and it is necessary to ensure them. They include: manner of establishment, management bodies, registration, economic activities, right to profit, right to donations, employment in social enterprises, transparency and methods of liquidation.<sup>36</sup>

There is no clear strategy for funding non-state social providers. Regarding NGOs, a new, decentralized method of funding will start in 2018, and the Ministry of Labour and Social Welfare has developed the Sectorial analyses indicating which areas their funds for NGOs will be distributed for. This method lacks sustainability; it is not based on clear indicators and does not guarantee successful outsourcing for the most urgent services. Introduction of the formal referral system and system of data collection is still not required.

Lack of the government's trust in cooperation with NGOs is directly impacting possibility for financing NGOs from public funds.

## 6. Lessons learnt or good practices

Social contracting mechanism development within public health system (service provision to the key affected populations related to HIV)

### Background

Although Montenegro is a country with **concentrated HIV epidemics**<sup>37</sup>, almost all non-public and free of charge social and health services developed within the framework of the Program of support to the implementation of the National Strategy of Fight against HIV/AIDS, supported by the Global Fund to Fight AIDS, Tuberculosis and Malaria have ceased their work at some point after July 2015. Juventas was the only non-governmental organization that maintained its services for people who use drugs, LGBT population, prisoners and, to the very limited extent, sex workers, including Drop in centres, mostly on voluntary basis. In 2016, another NGO, CAZAS, re-established their services for people who use drugs. Both NGOs have faced a decreased funding, uncertainty in funding and downsizing of their coverage. At the same time, in 2015 and 2016, the number of new cases of HIV have risen in alarming manner.<sup>38</sup> The National Strategy against HIV/AIDS (2015-2020) indicated a need for stable services, epidemiological data and results of bio-behavioural surveys among key affected populations<sup>39</sup> supported the importance of measures planned in the Strategy. International expert groups and organizations, such as the European Commission<sup>40</sup> and the Global Fund for malaria, tuberculosis and HIV/AIDS, stated the same, and recommended allocation of funds for implementation of activities.<sup>41</sup> Based on the Global Fund Board's decision issued in November 2016

<sup>36</sup> B. Nenezic, M. Kalezic (2016). Study on the Social Entrepreneurship in Montenegro, Podgorica: Juventas

<sup>37</sup> UNAIDS (2015), *Country Progress Report Montenegro*, pg. 10.

<sup>38</sup> 19 newly registered cases in 2015 and 34 in 2016, Institute for Public Health of Montenegro, Statistic data

<sup>39</sup> Reports from bio-behavioural studies by Institute for Public health implemented in 2013, 2014, 2015

<sup>40</sup> European Commission (2016). *2016 Report on Montenegro*, Brussels: European Commission

<sup>41</sup> Global Fund (2017). The Global Fund 2017 Eligibility List

on the allocation of resources for 2017-2019 allocation period, Montenegro has been allocated € 556,938 for HIV component<sup>42</sup>. Based on advocacy of NGOs, the Parliament has introduced a budget for HIV related services in 2016 and 2017. The Ministry of Health prioritized the funding of HIV related services provided by NGOs in their Sectoral analyses, securing matching funding to one provided by GFTAM for 2018.

### Procurement of services

Two models of procurement were used in 2016 and 2017. Tendering procedure was implemented in 2016 by the Institute for Public Health, while in 2017 the Ministry of Health issued a Call for proposal which contained templates for project proposals, but also tools for monitoring and evaluation.

Due to the technical assistance supported by OSF and GFTAM, a detailed performance framework was developed for 2018, containing clear indicators of success for all measures planned for this year. Performance framework is based on also defined minimal and optimal service package and coverage, based on evidences from the previous projects. The National Action plan for HIV/AIDS for 2018 contains a detailed budget plan, based on which the allocations of funds will be implemented.

**Lessons learned:** The main factors of sustainability are: production and usage of data, data-based advocacy and political will of decision makers.

### Quality control, monitoring and evaluation

Technical assistance was provided to Montenegrin institutions in development of clear procedures and guidelines on social contracting for provision of HIV services, including development of calls for proposals, selection criteria, contracting terms and conditions (including financial and programmatic reporting requirements), internal and external control mechanisms, monitoring and evaluation system, transparency standards, etc.<sup>43</sup> development of quality standards for service provision and NGO organizational, managerial and technical requirements for meeting these standards is also in the final stage<sup>44</sup>. Currently, monitoring and evaluation (M&E) system, that includes system of data collection and oversight is in final process of establishing, and it will include clear designation of M&E roles and responsibilities.

**Lessons learned:** It is necessary to develop detailed performance framework with clear indicators of success of services, and accordingly M&E system which will ensure both protection of personal data and availability of certified or designated monitors.

It is indicative that in 2017, when funds for prevention of HIV/AIDS were distributed to NGOs through Institute for Public Health, and services were operational, epidemiological data were more favourable than a year before.<sup>45</sup>

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<sup>42</sup> Global Fund (2016). Allocations for 2017-2019 Allocation Period, Global Fund

<sup>43</sup> TOR for experts, internal document, Development of social contracting mechanism for HIV related services in Montenegro project, Juventas

<sup>44</sup> Ibid

<sup>45</sup> Number of newly registered cases in 2017 (20) were publicly announced by Ministry of Health in TV appearance in late November.

Social cohesion in the Western Balkan economies is under constant risk. A weak social welfare state and the persistent and challenging economic situation create an unstable environment that could compromise and jeopardise the sustainable development of the Western Balkan societies.

A group of Western Balkan think-tank organisations and researchers working on the welfare state issues have initiated development of a Regional platform with the aim to engage the foremost researchers, political, business and other leaders of society to shape a regional social welfare state agenda, thus contributing to improving the social dimension of the European Integration in the Western Balkans.

The initiative intends to create added value through influencing existing processes which promote a sustainable reform agenda in the Western Balkan (such as economic governance and Economic Reform Programme, EU negotiation process, Employment and Social Reform Programmes, etc.). One of the outputs and tools of influence is initiating and holding of an annual event to discuss the *Future of the Welfare State in Western Balkan*.

*This paper has been drafted in the framework of Peer Review event held in Tirana on Financing and Delivering Holistic Services, organized by ESA Consulting, December 6, 2017.*