

# **STUDY OF THE FIELD OF FUNERAL SERVICES IN THE REPUBLIC OF SERBIA**



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# 1. History and legal framework

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## a. Period up to the end of 2016

Even though the Republic of Serbia signed the Stabilization and Association Agreement (SAA) with the European Union on 29<sup>th</sup> of April 2008, and has applied for EU membership in December 2009, accession negotiations only began on 21<sup>st</sup> of January 2014. This has directly influenced the regulation of the field of funeral services in the Republic of Serbia, as the adoption of European norms contained in *acquis* chapters 3 (Right of establishment and freedom to provide services), 8 (Competition policy), and 28 (Consumer and health protection) affected the scope, conditions and market environment for the funeral services in Serbia.

In 2011, this area was a true example that declarative commitment of the Government of the Republic of Serbia to join the EU does not transfer to everyday practice. On paper the Government adopted European norms that aimed to provide equal rights to work for business subjects on the free market, demonopolization of the services of public-communal companies and introduction of instruments and processes for wholesome consumer rights protection, when the National Assembly of Serbia introduced the Law on Communal Services („Official Gazette of the Republic of Serbia“ 88/2011). But at the time, this process was decisively influenced by a political party whose prominent member was a director of PCC „Funeral Services“ in Belgrade – the largest funeral services public-communal company in the country. On this way the „controversial“ amendment of Article 5 in the Law was adopted, prohibiting private funeral companies to be founded and registered for providing funeral services unless 51 percent of their founding capital is owned by the state.

In this manner, the development of the private sector in funeral services and the creation of a competition for the public-communal companies for funeral services was completely prevented, despite all the EU norms from the *acquis* chapters 3, 8, and 28. Consequently, the largest victims of this Law on Communal Services were Serbia citizens, who were completely left to the monopolistic behaviour of the public-communal companies for funeral services.

From 2011 to now, we see a rapid and economically unjustified increase in prices of public-communal companies for funeral services and use of dominant market position in order to take citizens far more money than it is necessary for the organization of the funerals and purchase of funeral equipment. In this way, public-communal companies for funeral services gradually lost their purpose of public service for maintaining cemeteries founded by the cities and municipalities in order to protect the social and economic interests of the citizens in the long term, and made these companies (which use public property) into machines for the excessive taking of the money from the citizens, but also for various other manipulations in the public procurement processes and on tenders organized outside of legally established procedures (which was pointed out multiple times by the State Audit Institution in its reports after 2011).

Encouraged by this Law on Communal Services, and intending to secure the monopoly of its public-communal companies in the field of funeral services, many cities in the Republic of Serbia, through city councils, introduce decrees which deepen the monopoly in the field of funeral services and limit the right to work and access to local cemeteries to private funeral service providers. At the forefront of this are the cities of Belgrade, Novi Sad, Subotica, Pančevo, Niš and Kragujevac.

Simultaneously, with the monopolistic decrees of local self-governments, public-communal companies for funeral services themselves introduce a number of restrictions and prohibitions to private funeral service providers that were present on the market and provided competition before 2011, and many of which were freely operating even in the time of socialist Yugoslavia, in the

seventies and eighties of the 20<sup>th</sup> century. Thus, PCC „Funeral Services“ in Belgrade brings an act on 19<sup>th</sup> of December 2014 that prohibits private funeral service providers from scheduling a funeral of the deceased, unless their remains are brought to the cold storage owned by the public-communal company. Similar acts are introduced in other larger cities in Serbia and in this way PCCs force families of the deceased to purchase funeral equipment exclusively from them, and not from the private competitors, as otherwise they are unable to schedule a funeral for their closest in public cemeteries.

Due to the continuous efforts of local self-governments and their funeral service companies to monopolize the market of funeral services in major cities, the Commission for Protection of Competition reacted several times in the 2011-2016 period.

The Decision on 27.01.2011 against PCC „City Cemeteries“, Kragujevac.

The Decision on 19.12.2014 against PCC „Funeral Services“, Belgrade.

Reaction of the Commission for Protection of Competition on 02.12.2015 to the draft of Amendments to the Law on Communal Services. This draft tried to limit possibilities to create free competition on the market of funeral and other communal services in Serbia.

On 23.04.2016, the Commission for Protection of Competition has once again reacted to the changes in the draft of Amendments to the Law on Communal Services and warned of its negative effects on the development of the competition in the field of funeral services. Finally, on 24.07.2016 Ministry of Construction, Transport and Infrastructure, which proposed the Law on Communal Services, adopted all the remarks of the Commission.

Also, during 2016, the Commission for Protection of Competition directed several separate Opinions to the local Assemblies of the cities of Novi Sad, Pančevo and Subotica on their local decisions on the funerals and cemetery management that were limiting the competition. Assemblies of Novi Sad and Pančevo reacted positively and later amended their decisions, while the assembly of Subotica has not implemented the opinion of the Commission to this day.

Everything abovementioned shows that the influence of the factors that considered that no market competition should exist in the field of funeral services was very strong in the 2011-2016 period and that they influenced the local assemblies of many cities in Serbia and the relevant Ministry of Construction, Transport and Infrastructure through various channels, in order to maintain the dominant position on the funeral service market of the local PCCs.

On the other hand, private funeral service providers, who were operating throughout Serbia for decades, decided in 2016 to join together and form the Association of Serbian Private Funeral Companies, in order to publicly act and show the difficult position of the private sector and regulatory shortcomings that lead to bad quality and high prices of funeral services, that arise from the monopolistic position of public-communal companies for funeral services.

Private funeral service providers, in consultancy with consumer protection associations and independent economic experts, draft their own proposal for the Amendments to the Law on Communal Services based on the principles of market competition and consumer protection, following the model taken over from the EU Member States. Afterward, they establish contact with the office of the EU Delegation to Serbia, which, after the insight into the problematics in the field of funeral services took a strong stance that the Law on Communal Services in Serbia must change, with full respect to the principles of the *acquis* chapters 3, 8 and 28. EU Delegation subsequently established contact with the Ministry of Construction, Transport and Infrastructure and demanded of Serbia to respect the content and the spirit of European norms and allow market competition in the field of funeral services, which is ultimately in the interest of Serbian citizens as consumers and users of the funeral services.

On 22<sup>nd</sup> December 2016, the National Assembly of the Republic of Serbia adopts Amendments to the Law on Communal Services that finally, after five years, once again allow legal work to private

funeral service providers and create preconditions for the existence of market competition in the field of funeral services.

The main innovation in the Law was the separation of point 6 in Article 2 of the Law into point 6 (managing of cemeteries and burials) and point 6a (funeral services). In this way, for the first time, a clear separation was made between the management of the cemeteries and burials and funeral services. Additionally, Law further exempted funeral services from „delegation“, that is, local self-governments no longer had the right to suppress market competition in the field of funeral services by not allowing a private service provider to operate on their territory. Innovation was also an option for the church, which owns church cemeteries, to independently decide to whom it will delegate the management of their cemeteries and performing the funerals.

However, as is the case with the introduction of other norms from the „European agenda“, implementation of the Law was largely dependent on the efficiency of the Ministry of Construction, Transport and Infrastructure in drafting the by-laws, consistent implementation of the Law through the decisions of local self-governments and later operation of inspections and other agencies that should ensure the application of the Law in practice.

## **b. Period 2017-2020**

After the adoption of Amendments to the Law on Communal Services in December 2016, entire 2017 went by in waiting for by-laws that would regulate the criteria and conditions for performing funeral service as a business activity and more precisely define the provisions found in Article 2, point 6 and 6a of the Law.

This situation brought only a partial implementation of the Law, which enabled local self-governments on the entire territory of the Republic of Serbia to avoid changing their local decisions on the management of the cemeteries and conducting of funeral services for whole 14 months. In the same time, public-communal companies continued with everyday misuse of their dominant position and continued with the everyday practice of extorting private funeral service providers through various means. This was most visible in Belgrade, where the PCC „Funeral Services“ Belgrade continued to insist that the funeral of the deceased could only be scheduled if the private funeral service provider brings his remains to the PCC's cold storage. Local self-governments, local inspection and PCC used the legal void, that is the non-existence of by-law that would oblige them to allow market competition, and went so far that the Communal Inspection of the City of Belgrade forbid work of Dianthus d.o.o. company from Zemun (which operates in this field for over 20 years), whose owner was the president of the Association of Serbian Private Funeral Companies, which was a clear signal that private funeral service providers will not be allowed to work, except under the conditions dictated by the local self-governments and public-communal companies for funeral services.

Due to the increasing pressure on them and the attempts to completely stifle them, private funeral service providers were forced to hold a protest on 17<sup>th</sup> January 2017 in front of the City Morgue of the Clinical Centre of Serbia in Belgrade and to express their dissatisfaction on the streets of the capital. Only after the organized protest did the representatives of the local government of the City of Belgrade invite them to a meeting and listened to their demands, and afterward, motioned by the relevant Ministry of Construction, Transport and Infrastructure, the Government of the Republic of Serbia adopted on 14.02.2018 („Official Gazette of the Republic of Serbia“, 13/2018) the long-awaited by-law – **the Decree on the Method and Conditions for Starting the Performance of Communal Activities.**

The new regulation brought clear criteria for performing funeral services as a business activity for the first time and stipulate that every private funeral company needs to have at least 5 employees, 2 adequate funeral vehicles, appropriate parking space and business premises and to own or rent cold storage facility. This regulation largely implemented the requests of the private funeral service providers gathered in the Association of Serbian Private Funeral Companies, that insisted from the start on implementing such a regulation is in the interest of the citizens and the state, as it clarifies clear criteria for performing of funeral services as a business activity, prevents manipulation and reduces the informal economy which is very present in the sector. In the next 17 months, however, in the period until 19<sup>th</sup> July 2019, regulation was amended twice, and the state later changed requirements on minimal number of employees from 5 to 3, and eased certain criteria for the management of cemeteries owned by churches.

In the same period, during 2018 and 2019, group of public-communal companies in Serbia's major cities (led by PCC „Funeral Services“ in Belgrade, and companies in Novi Sad, Subotica, etc.) was not standing idly, and have used the refusal of local self-governments to introduce new legislation on the management of cemeteries and funeral services based on the Government Regulation from 14.02.2018 to further extort private funeral service providers in the field through scheduling of funerals. From these reasons members of the Association of Serbian Private Funeral Companies raised multiple criminal charges, on which the Ministry of Internal Affairs of Serbia did not react to this day.

Based on the information obtained by the Association of Serbian Private Funeral Companies, out of all cities and municipalities in Serbia, only the municipality of Inđija has adopted a new Regulation on cemeteries and funeral services in 2019, and through that implemented the Decree on the Method and Conditions for Starting the Performance of Communal Activities, which allowed private and public-communal companies to perform funeral services business activities by fulfilling the criteria set out in Law and Decree. This clearly shows that even after adopting of the Decree on 14.02.2018, majority of local self-governments in Serbia quietly refused to allow market competition in the field of funeral services. When a number of private funeral service companies tried to speak to their local self-governments where they were registered they met either a wall of silence, or the answer that they „have to fulfil the criteria from the Decree“ in order for their work to be allowed. In fact, a legal vacuum was used to gain time and keep the monopolies of PCCs for funeral services as long as possible. Private companies were required by the PCCs to submit documents that prove they fulfilled all the requirements from the Decree in order to schedule the funerals, even though the PCCs themselves did not possess such papers. The Decree was clear in that both PCCs that manage cemeteries and private funeral service companies have to **fulfill equal criteria** in order to be permitted to operate. However, Republic Communal Inspection, which according to the Law on Communal Services was in charge of determining who fulfills the criteria in the field, never performed inspections, or reacted.

Only after constant activities and persistent insisting of the Association of Serbian Private Funeral Companies of Serbia that Republic Communal Inspection starts visiting private funeral service companies and determine if they fulfill the criteria or not, the inspection gradually began to respond and during 2019 and the first half of 2020 began field controls of private funeral service companies, but only those that explicitly demanded so. Up to this day, two and a half years after the Decree was adopted, there was no extensive, all-encompassing control in the cities and municipalities to determine which of the private funeral service and public-communal companies fulfilled the criteria laid out by the Law and the Decree, and who operates in the grey zone, with the exception of the municipalities of Inđija and Sokobanja, where the Republic Communal Inspector transferred its authorization to local inspections, leading to the field check-up of the funeral service companies. However, the entire process had significant flaws as the conditions in the Decree and the Law were arbitrarily interpreted by the local inspection.

Serbia is probably a rare case among European countries where private funeral companies that should be controlled insist on the controls to be made by the Republic communal inspection and curtail the informal economy due to which the citizens have bad service and face a number of abuses in practice and the state loses significant funds due to the lack of income from taxes and other fees. Republic communal inspection points out that it lacks human resources and technical capacities to conduct these controls on the entire territory of the Republic from its central offices in Belgrade, and transfer of authorization to the local level did not prove to be a good practice as it increases the possibility of corruption and avoidance of the implementation of regulations. In order to control the fulfillment of the criteria from the Law and Decree in a proper way, it is necessary for the subjects of control not to have any sort of personal connection or contact with the inspectors controlling them, which is not the case when the Republic communal inspection authorizes the inspections of local self-governments to conduct control. Local inspectors are generally familiar with directors of local public-communal companies founded by the local self-governments, as well as certain owners of private companies that do not wish to implement all the criteria laid out by the Law and Decree and the possibility of corruption increases significantly with this manner of inspection control.

Parallel with the adoption of the Decree on the Method and Conditions for Starting the Performance of Communal Activities, during 2018, the Ministry of Construction, Transport and Infrastructure has created a workgroup for preparing the draft of the Law on Cemeteries and Funerals that was supposed to closely regulate the business activities of cemetery management and funeral services. The Association of Serbian Private Funeral Companies was invited from the Ministry to this Work Group as a representative of private funeral service companies, but found itself in a minority, considering that public-communal companies had a larger number of representatives and that workgroup was unevenly composed.

The Association of Serbian Private Funeral Companies has submitted a significant number of proposals on how to improve the regulation in the field of cemetery management and funeral services, modernize it and reform based on the EU countries and following the European regulations. However, the representatives of the public-communal companies for funeral services and Ministry representatives have largely refused most of the given and reasoned proposals, and were unwilling to even discuss some.

The Association of Serbian Private Funeral Companies has proposed, based on the experience of the EU countries, to separate cemetery management from funeral services and especially the sale of funeral equipment, as it would break the monopoly of companies that manage cemeteries, and the citizens would receive a more efficient, cheaper and more quality service. Association also proposed that the burial plot (and the tomb) become private property, instead of the property of the company that manages the cemetery as it is now, which is the cause of many misuses and creates administrative difficulties to the citizens during the funeral process. Association further proposed significant cuts in long and redundant procedures, faster processes of retrieval and transfer of the deceased, exhumation, cremation, construction of headstones, removal of bureaucracy in the operations of public-communal companies for funeral services and issuing of electronic documents as a way to cut down time spent on the administration work, etc. Most of these proposals that are in best interest of the citizens as the users of funeral services were not accepted, except few symbolic novelties that do not essentially change much in the relationship of the public-communal companies for funeral services and the citizens.

Resistances toward constructive and modern proposals of the Association, that are entirely aligned with the European norms and principles of efficiency in the management of public property, went so far that the representatives of the Ministry of Construction, Transport and Infrastructure eventually invited another, fictive association into the Work Group for creating the Draft Law on Cemeteries and Funerals, an association without a single member that fulfilled the legal criteria from the Decree on the Method and Conditions for Starting the Performance of Communal



Activities. The company of the president of this quasi-association went bankrupt and left significant debts. This fake association accepted all proposals of the Ministry and the representatives of public-communal companies for funeral services in the Work Group and acted as a cover to be able to say that the draft law is supported by the private funeral companies, after which the decision was made that the Work Group accomplished its task. In this way, the dialogue on very important reforms in the field of cemetery management and funerals was faked, and almost all proposed provisions serve exclusively for maintaining the status quo in the relation to the public communal companies for funeral services and preserving their dominant position on the market.

Since mid-2019 to nowadays, the final Draft Law on Funerals and Cemeteries was not released to the public, neither it was sent to the Government of Serbia or the National Assembly for adoption. However, if he stayed in the same form in which the Work Group done it this will be a large step back in modernization and demonopolization in the field of funeral services. This kind of Draft Law will allow that outdated system survive further on, in which public-communal companies are unorganized and inefficient, with bad quality of service and numerous administrative limitations for citizens as users of funeral services.

At the moment of writing this study, in December 2020, four full years after adopting the amendments to the Law on Communal Services, there is officially no **Single Register of Authorized Cemetery Managers and Funeral Service Providers** for the territory of the Republic of Serbia with the names and basic data about all companies that fulfilled the criteria laid out by the Law and the Decree. Citizens of Serbia are thus left without a means to find which of the companies went through the process of inspection control and received a license for performing this sensitive social activity, which leaves an open field for a number of manipulations and misuses in practice.

## 2. Basic information on the market size in the field of funeral services

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### a. Number of deceased and funerals

According to the official data of the Republic Statistical Office, the number of the deceased in the Republic of Serbia in 2019 was 101,458, of which 51,309 were male and 50,149 females.

According to the estimates from different sources (since an exact, publicly available official data does not exist) such as the Association of Serbian Private Funeral Companies, Republic Sanitary Inspection (data is from 2012), out of the total number of deceased citizens of the Republic of Serbia, 4-6 percent annually are transferred and buried outside of the territory of our country.

The main destinations for transfer of the remains are the surrounding countries, primarily the former Yugoslav republics – Bosnia and Herzegovina, Montenegro, Croatia, Macedonia.

Listed data shows that in 2019 approximately 96,384 people were buried in cemeteries in Serbia.

### b. Funeral expenses on cemeteries managed by PCCs

Cemeteries in the Republic of Serbia are public property and are given to the local self-governments, that is cities and municipalities, to manage and supervise.

In large cities (Novi Sad, Subotica, Niš, Belgrade) local self-governments have founded special public-communal companies for funeral services and allowed them to manage city cemeteries.

Unlike the listed cities, in other smaller cities and municipalities, management of cemeteries was given to so-called mixed public-communal companies that simultaneously perform several communal services important for the local community. These companies do not have funeral services as a primary activity, so they mostly charge for the rent of burial plots and maintenance of local cemeteries. Some of them also offer funeral equipment, but usually do not condition scheduling of the funerals in the local cemetery by purchasing funeral equipment from them.

Abovementioned division in the management of cemeteries developed in former SFRY in order to regulate cemetery management and give control of the cemeteries to local self-governments. However, on the periphery of certain cities and municipalities, especially in village areas, exist a significant number of unregulated or unmaintained cemeteries that are not placed under the management of public-communal companies, and these cemeteries are neglected for decades.

The basic costs of organizing a funeral (without funeral equipment) are given in the table below as an example, showing cemeteries in several cities managed by public-communal companies.

In order to make the selected sample of cities and municipalities a representative one for the entire territory of the Republic of Serbia, the table shows cities and municipalities of various sizes, according to the statistical samples for the division of cities and municipalities in Serbia according to size. Belgrade was therefore chosen as the main and largest city in Serbia (prices for 9 Belgrade cemeteries managed by PCC „Funeral Services“), then Kragujevac (as an example of a city that has between 100,000 and 200,000 population), Sremska Mitrovica (example of a city between 50,000 and 100,000 population) and Indjija (example of a municipality between 20,000 and 50,000 population). All prices listed in the table are taken from the current pricelists given by the PCCs.

**Table 1. Basic funeral costs in cemeteries managed by the PCCs (in RSD)**

%	PCC Funeral Services, Belgrade	PCC Šumadija, Kragujevac	PCC Komunalije, Sr. Mitrovica	PCC Komunalac, Inđija
Funeral in burial plot	19290.00	7862.00-13368.00	4535.40	10390.00-14360.00
Cremation	18678.00	18678.00	18678.00	18678.00
Funeral organization			2125.97	
Preparation of burial plot for the funeral				9500.00
Transport of the deceased within the cemetery	1454.00			
Transport of the deceased between hospital and morgue	917.00	2500.00	98.21 per 1km Average 3928.40	2000.00
Transport of the deceased between home and cemetery	1833.00	2500.00	98.21 per 1km Average 2946.30	1660.00
Use of funeral vehicle			704.67	
Disinfection of funeral vehicle			704.67	
Transfer of the deceased into and out of the vehicle	1979.00	1450.00-2100.00		
Use of PVC bag		1350.00		
Preparation of the deceased at home or in the chapel	3821.00	2500.00	6259.59-9497.35	1251.00
Added transport due to religious customs	4464.00			
Use of chapel per day started			708.66	1000.00
Use of staff entrance for bringing the deceased into the morgue			1275.58	
Use of cooling chamber per 24h	1565.00	1600.00	921.25	1885.00
Protocol service		608.00		
Costs of burial plot construction	19500.00			
Placement of urn in shelf	3147.00			
Placement of urn in grave or crypt of V level	5999.00	3900.00	3330.69	5714.50
Annual lease for a grave	1034.00	582.00	961.57	1283.90
Annual lease for a crypt of V level	1557.00		1316.82	
Activation of a burial plot				5000.00
Annual compensation for maintaining the hygiene of burial plot			1130.07	1140.74
Compensation for a shelf in a columbarium (1 urn)	347.00			
Compensation for a shelf in rosary (2 urns)	697.00			
<b>Basic funeral costs (grave)</b>	<b>49828.00</b>	<b>27108.00</b>	<b>29439.89</b>	<b>29580.64</b>
<b>Basic funeral costs (cremation)</b>	<b>38862.00</b>	<b>35736.00</b>	<b>41583.78</b>	<b>32188.50</b>

When comparing the basic funeral costs, one should consider that listed expenses are sometimes higher than those found in the table. For example, in the case of a user of funeral services choosing a private funeral service company to organize a funeral, as there are special fees that private companies have to pay to PCCs managing cemeteries, such as so-called „compensation for the transfer of the deceased from the morgue“ in Kragujevac if that transfer is done by a private company. **The amount of this compensation is 1450.00 RSD.** These fees reduce the possibility for private companies to be competitive in regards to PCCs and through them PCC creates a market advantage in relation to private competition.

In Table 1 we can also see that a number of services from the PCC pricelist has different names in different cities, and we are speaking of the same or similar service. Services of PCCs that manage cemeteries basically come down to the same physical labor, use of vehicle or distances traversed, but PCCs constantly try to create a longer list of services and increase the number of points in their invoices presented to the citizens, showing that „additional work“ was done that has to be additionally charged and thus increase the cost of basic services on the cemeteries in order to secure additional income. PCCs have a significantly higher number of employees than necessary and their work efficiency is reduced, so these costs must be reimbursed from somewhere.

### c. Funeral expenses on cemeteries not managed by PCCs

The next table shows funeral costs on the cemeteries managed by mixed municipal PCCs that conduct only basic maintenance. In these cases, local PCCs do not offer a number of funeral services (except the local transfer of the deceased in some municipalities), but mostly charge the use of cemeteries where the funeral is performed.

PCCs in two Belgrade municipalities (Zemun and Čukarica) have been selected as an example of such cemeteries in the capital city, and one more in a municipality in inner Serbia that has less than 20,000 population (Sokobanja)

**Table 2. Basic funeral expenses on cemeteries not managed by PCCs (in RSD)**

%	<b>PBSC Čukarica, Belgrade</b> Cemeteries in Žarkovo, Železnik, Sremčica, Ostružnica, Velika Moštanica, Rušanj and Umka	<b>PBSC Zemun, Belgrade</b> Cemeteries in Batajnica and Ugrinovci	<b>PCC Napredak, Sokobanja</b>
Funeral in a grave	6900.00	10800.00	6558.72
Cremation	18678.00*	18678.00*	18678.00*
Use of chapel	1500.00		102.10/1h
Placement of urn in a grave or a crypt	2050.00	7400.00	
Annual compensation for a burial plot	200.00	1210.00	613.21
Annual compensation for cemetery infrastructure management	300.00		511.05
Annual compensation for rosary/columbarium	50.00		
Other fees and charges	200.00-500.00	300.00	
<b>Basic funeral costs (grave)</b>	<b>9450.00</b>	<b>12310.00</b>	<b>10133.38*</b>
<b>Basic funeral costs (cremation)</b>	<b>20778.00</b>	<b>26378.00</b>	<b>19802.26</b>

Note: cremation service is done by PCC „Funeral Services“, Belgrade, since other city cemeteries in Belgrade do not possess their own crematoriums

\*During calculation of the cost of services of PCC Napredak from Sokobanja a 24h use of chapel was taken

In the cases when the cemetery where the funeral is performed is not managed by PCCs total expenses are almost **three times lower**. The reason for such a huge discrepancy is that public companies for managing municipal business space do not have a significant number of employees, their buildings, cars, other vehicles and infrastructure for which salaries and maintenance have to be funded through high cost of service.

It should be kept in mind that manual (physical) labour in cemeteries in listed municipalities is equal to the labor in Belgrade and other cemeteries managed by PCCs for funeral services, and thus there is no real economic justification for 300% higher cost of services (in Belgrade going up to 400-500% higher cost of service). The quality of service is the same as well, even the service is faster in smaller cemeteries, in smaller cities and municipalities, where funeral and all preparation and accompanying activities are organized in shorter time interval (usually one day).

Considering that the physical labor at the cemeteries is the same, and service is more efficient in smaller cemeteries, we come to the conclusion that PCCs that manage cemeteries use their dominant position to burden citizens with several times the higher cost of services. The price difference in a funeral on cemeteries of Čukarica municipality (9,450.00 RSD) and on nine city cemeteries of Belgrade that are run by PCC „Funeral Services“, Belgrade (49,828.00 RSD) show that the basic funeral costs are unrealistically high and inflated, as the citizens receive the same service for over 500% price increase.

The abovementioned price differences are possible because Serbia allowed companies managing cemeteries to simultaneously organize funerals and sell funeral equipment and thus manipulate funeral schedule and conditions for performing funerals on the cemetery.

#### **d. Average prices of funeral equipment and other services by PCCs and private funeral companies**

When comparing prices of funeral equipment and other services we give an overview of the prices of basic funeral equipment/other services in Belgrade and Subotica as two cities with PCCs for funeral services, who simultaneously manage city cemeteries. Private competitors, meaning legally registered (licensed) funeral companies, exists in these cities, so a direct comparison can be made. In smaller cities and municipalities in which there are no PCCs for funeral services that simultaneously manage cemeteries funeral equipment is purchased freely on the market and citizens are not conditioned for scheduling of the funeral through the purchase of funeral equipment or ordering other services from PCC, but independently selecting if they will purchase funeral equipment from a private company or from PCC.

While gathering data for the next table it was important to do a comparison of homogeneous (same or similar) products or services, in order to avoid the possibility that more expensive products are compared to the cheaper ones (such is the case with the urns and coffins, for example).

**Table 3. Average prices of funeral equipment/other services with PCCs and private companies**

%	PCC „Funeral Services“, Belgrade	PCC „Pogrebno“ Subotica	Private funeral companies, Belgrade	Private funeral companies, Subotica
Coffin Oak	63.140.00	74,000.00	45,766.00	53,500.00
Coffin Oak Lux	133,750.00	148,500.00	59,600.00	
Coffin 52-S	39,760.00	43,950.00	27,866.00	40,500.00
Urn	7,220-40,620.00	8,000-10,200.00		9,300.00
Use of cold chamber per 24h	1,565.00	1,780.00	500-1,400.00	1,000.00
Clothing (preparing) the deceased	3,821.00	1,528.00	3,000-6,600.00	4,050.00
Crosses	2,400-7,180	2,000-7,500	3,850-5,450.00	2,250-4,950
Transport of the deceased	6,183.00	6,005.00	1,500-7,500.00	6,000.00
PVC bag for the deceased		4,900.00	1,500-4000.00	2,540.00
Internal exhumation after 7 years	21,296.00	21,002.00		13,630.00
Preparation of grave or tomb for exhumation	19,961.00			
Disinfection of grave or tomb during internal exhumation	11,382.00			

In contrast to the basic funeral costs on cemeteries managed by PCCs that are several times higher compared to the cemeteries not run by PCCs, in funeral equipment and other services we see all the advantages of healthy market competition, as both private companies and PCCs fight to attract clients through pricing of various products and services.

The exception to this, however, are the prices of exhumation service, where the PCCs that manage cemeteries have high prices for this service. For example, when comparing the price of exhumation on the city cemetery in Subotica (managed by PCC „Pogrebno“ Subotica) and other cemeteries on the territory of the City of Subotica and its surroundings, on which the exhumation may be performed by private funeral companies, the price difference is between 13,630 and 21,020 RSD.

The difference in the price of exhumation is drastically seen on Belgrade cemeteries, where along with the basic service of digging up the remains additional services must be paid, such as the preparation of grave/tomb for exhumation and disinfection of grave/tomb. **All three services cost a total of 52,639.00 RSD.** This far surpasses real economic costs of digging up a single grave or tomb, which is physical labour of several hours. Again, the monopoly is a reason for such a high price of service, since on the city cemeteries in Belgrade, like in Subotica, private funeral service providers are not allowed to perform exhumation. Instead, this is performed exclusively by the employees of the PCCs for funeral service that manage cemeteries.

### **e. Headstones and works on raising and maintaining headstones**

A field in which a drastically high price of services without a realistic economic justification can be seen is a service of construction, raising and maintenance of headstone.

This study takes an example of raising and maintaining a headstone for a level V tomb made of impala-type stone on Novo Bežanijsko cemetery in Belgrade, ran by PCC „Funeral Services“, Belgrade

Values in table 4 show the difference in the total purchasing price of all impala-type stone elements compared to the official price for raising and maintaining a headstone for a level V tomb in the official price list of PCC „Funeral Services“ in Belgrade charged to citizens.

The purchase price was gained by gathering information from stonecutting companies in the Republic of Serbia, some of which are direct suppliers of PCC „Funeral Services“, Belgrade.

**Table 4. Differences in the purchase and official sales price of headstones for a level V grave with PCC „Funeral Services“, Belgrade**

Service description	Price, with VAT (RSD)
Purchase price of IMPALA headstone with all following elements (beams, covering panel, candlesticks, vase)	157,000.00
Tomb headstone (the price of PCC)	398,619.00
Tomb maintenance for 10 years in advance	15,570.00
Rent of tomb for 50 years in advance	87,750.00
<b>Total price by PCC</b>	<b>501,939.00</b>
<b>Difference in purchase and sale price (only headstone with no burial or maintenance)</b>	<b>241,619.00</b>

As it can be seen from the example **for the cheapest headstone for a level V tomb**, PCC „Funeral Services“ have **added 241,619.00 RSD, or 154.2 percent** to the purchase price of IMPALA headstone!

The opportunity for this outrageous profit margins comes from the fact that PCC „Funeral Services“ uses its dominant position of management over 9 largest Belgrade cemeteries and forces every citizen who wishes to purchase a new tomb to procure a headstone exclusively from PCC „Funeral Services“. In addition, Belgrade public-communal company for funeral services sets out two more conditions – that the leaser has to pay the rent for the tomb for 50 years in advance and maintenance of the tomb for 10 years in advance!

This practice does not exist in any civilized European country and represents a glaring example of usurpation of public property and the role of manager over public good in order to earn extra profit. This raises a question of the role and mission of „Funeral Services“ as a public company that is founded for the purpose of allowing efficient and quality service to the citizens, and not to use the dominant position for extra profit on their misfortune, at the moment when they lost someone close.

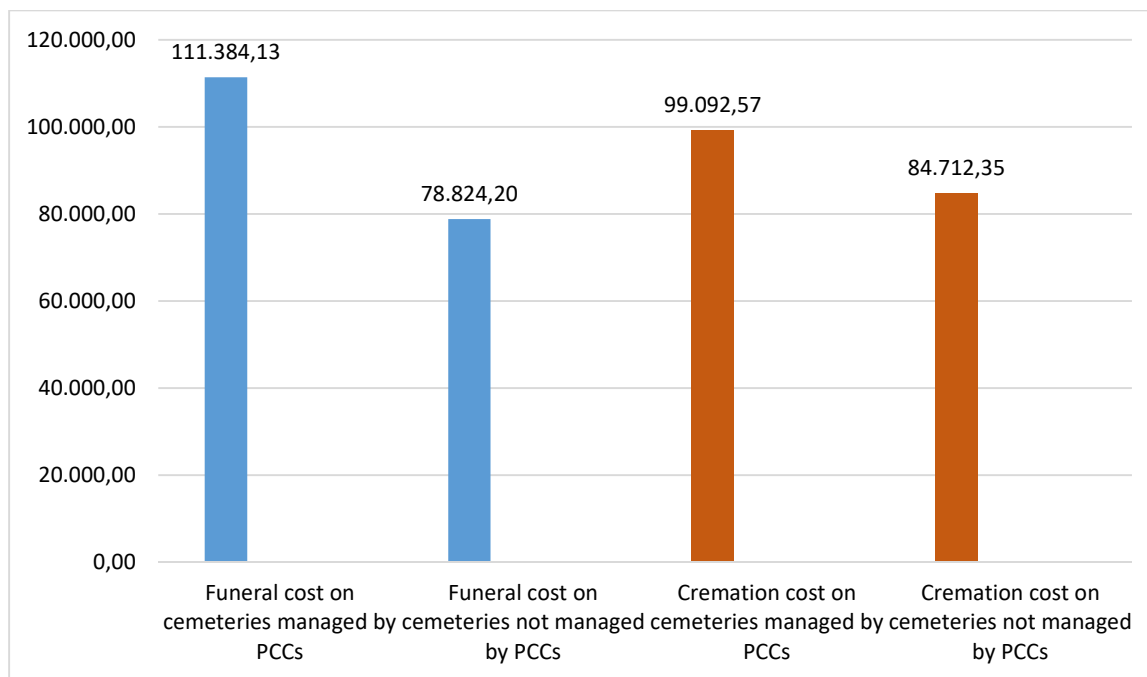
With the illustration of the example of difference in purchase and sales price of the headstone for a level V tomb on Belgrade cemeteries managed by PCC „Funeral Services“, it must be added that the price for tombs of higher – IV, III, II and I level increase drastically, reaching the absurd level where a square meter for a tomb of IV, III, II and I level on Belgrade cemeteries costs more than a square meter of new, luxurious apartments on most exclusive locations in Belgrade.

## **f. Estimate of annual turnover on the funeral services market**

When average basic costs of a funeral and average purchase costs of funeral equipment and other funeral services are taken based on the parameters collected in this study, we come to the average price of a funeral or cremation on cemeteries in the Republic of Serbia.

The following graph illustrates basic relations among compared prices.

**Graph 1. Average total costs of organizing funeral/cremation in Serbia (RSD)**



Data presented in the chart show that the costs of organizing the funeral on the cemeteries managed by PCCs for funeral services are **32,559.93** RSD higher than on the cemeteries not managed by PCCs. With cremation that difference is considerably lower and amounts to **14,380.22** RSD, but it should be kept in mind that when cremation is organized in smaller cities and municipalities mortal remains are sent to Belgrade or Novi Sad, therefore, the cost of cremation that is formed by PCCs for funeral services in Belgrade and Novi Sad significantly affects the total cost of cremation on other cemeteries.

However, keeping in mind that PCCs for funeral services in major cities were founded to provide a quality and economically feasible service to the citizens, one must wonder how their service is so much more expensive than the services of organizing funeral or cremation which are done on the cemeteries not managed by PCCs, where citizens freely select a funeral company that will perform the service. Dominant market position in use and management of cemeteries in fact brought that expenses of funeral services are significantly increased, which cannot be economically justified by price of labour and resources invested in the cemeteries by the PCCs for funeral services, as that labour and resources are identical as on cemeteries not managed by the PCCs.

If we use the data provided above and find the average value of organized funeral or cremation for the territory of the Republic of Serbia, that amount will come to **93,503.31 RSD**.

If we then take the information from the chapter 2/a of this study that in 2019 **96384** people were buried on the territory of Serbia and multiply that number with an average value of individual funeral or cremation, the total worth or annual turnover of the market of funeral services in 2019 was **9,012,223,272.00 RSD** or **76,37 mil EUR** according to the 118.00 RSD for one EUR exchange rate.

This estimate of the total turnover potential of the funeral service market is derived without calculating the services of raising and maintaining headstones and exhumation, as well without specific funeral services for individuals from national communities living in the Republic of Serbia. Considering that public-communal companies for funeral services have especially increased prices of rent and maintenance in the field of raising and maintaining headstones to a very high level in the past five years, it would not be wrong to **add several tens of millions of EUR** to the estimation of the total annual turnover in this market.



There are other factors that increase annual turnover in the field of funeral services, such as, for example, services of transport of remains of the deceased from abroad which is done by air or road traffic, however, the sources for this statistic were not available, as there is no published information concerning the number and value of these services by the public-communal companies and most private funeral service companies active in the market (many of which currently operate in the grey zone, without licenses, and therefore unwilling to publicly reveal this information).

### 3. Influence of public-communal companies on the funeral service market

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#### a. PCCs for funeral services

On the territory of the Republic of Serbia, there are currently four active registered public-communal companies specialized for funeral services. Those are:

1. PCC „Funeral services“, Belgrade,
2. PCC „Lisje“ Novi Sad,
3. PCC „Pogrebno“, Subotica
4. PCC „Gorica“, Niš

Up to 2018, the City of Kragujevac also had its public-communal company specialized for funeral services PCC „Gradska groblja“. However, this company stopped existing due to the huge amount of debt. Its property and resources were transferred by the decision of the Assembly of the City of Kragujevac to PCC „Šumadija“, another public-communal company from Kragujevac. Along with this “transfer” most of its employees were laid off.

It is characteristic of all four listed PCCs that they manage city cemeteries in the listed cities and simultaneously offer funeral services and sell funeral equipment. This dominant position in the market enables these companies to condition private competition during scheduling of funerals and to „suggest“ to the citizens who chose private funeral companies to come and purchase their funeral equipment, and to receive the first free funeral time slot in return. This practice is frequent in all mentioned cities, but mostly in Belgrade.

The dominant position of these companies is mainly seen in the fact that they are in a position to dictate conditions to other market participants, and for certain services (exhumation, raising, reconstruction and additional works on headstones, lease and maintenance of burial plots and tombs) they are able to form prices and set conditions that citizens as users and private companies as suppliers have to obey. In Serbia, tomb and burial plot are not a property that belongs to the citizens and is inherited, they only have the right of lease that can be transferred to the next generation of descendants or inheritors, which in fact brings the PCCs that manage cemeteries into a position where they can “inflate” prices for headstones every year, to set rules for access to the cemetery and a number of fees that citizens have to pay in case of raising or maintaining headstone, exhumation and other activities or ceremonies on city cemeteries. This is the most important reason why funeral costs on city cemeteries managed by PCCs in Belgrade raised from 18.000-23.000 RSD range in 2010-2012 period to 49,828.00 (burial) or 38,862.00 (cremation) RSD in only eight years, which is a **243% increase**, even though according to the National Bank of Serbia, the cumulative inflation rate in 2011-2019 period was a total of 33.1 percent and there is no economic justification for this price increase.

When PCCs for funeral services were formed, in the decades after World War II, motive for their creation was to provide adequate and affordable service to the population, in planned and systematically built and maintained cemeteries. Role of public companies for funeral service was never to use their dominant position in the market to force citizens to pay significantly, and sometimes several times higher, prices of funerals, exhumations and construction or maintenance of headstones, which became practice in the past ten years. The causes for this kind of management

of public companies is first in political control, lack of professionalism, adequate financial control and penal policy for individuals who often managed these companies above the law.

## **b. Mixed PCCs that manage cemeteries and provide funeral services**

Other PCCs who are involved in funeral services in the cities and municipalities of the Republic of Serbia are so-called mixed public-communal companies. These companies manage cemeteries and offer funeral services in addition to other services they provide.

Based on the available information these are the following companies:

1. PCIC „Pogrebne usluge“, Aleksandrovac
2. PCC „Komunalne usluge“, Aleksinac
3. PCC „Zelen“, Arilje
4. PCC „Komunalprojekt“, Bačka Palanka
5. PCCICA „Komgrad“, Bačka Topola
6. PCC „10. oktobar“, Barajevo
7. PCC „Progres“, Bački Petrovac
8. PC „Komunalac“, Bečej
9. PCC „Belocrkvanski komunalac“, Bela Crkva
10. PCC „Beočin“, Beočin
11. PCC „Bogatić“, Bogatić
12. PCC „Usluga“, Boljevac
13. PCC „3. oktobar“, Bor
14. PCC „Rasina“, Brus
15. PCC „Gradsko zelenilo“, Čačak
16. PCC „Čoka“, Čoka
17. PCC „Ravno 2014“, Čuprija
18. PCC „Komunalac“, Dimitrovgrad
19. PCC „Donji Milanovac“, Donji Milanovac
20. PCC „Gornji Milanovac“, Gornji Milanovac
21. PCC „Komunalac“, Inđija
22. PCC „Komunalac“, Kanjiža
23. PCC „Standard“, Knjaževac
24. CPC „Elan“, Kosjerić
25. PC „Kovinski komunalac“, Kovin
26. PCC „Šumadija“, Kragujevac
27. PCC „Kruševac“, Kruševac
28. PCC „Komunalac“, Kula
29. PCIC „Morava“, Lapovo
30. PCC „Lazarevac“, Lazarevac
31. PCC „Komunalac“, Leskovac
32. CPP „Naš dom“, Loznica
33. PCC „Standard“, Ljubovija
34. PCC „Drina“, Mali Zvornik
35. PCC „Mladenovac“, Mladenovac
36. PCC „Badnjevo“, Negotin
37. PCC „Obrenovac“, Obrenovac
38. PCC „Usluga“, Odžaci

39. PCC „Izvor“, Petrovac na Mlavi
40. PCC „Komunalac“, Pirot
41. PCC „Komunalne službe“, Požarevac
42. PCC „Naš dom“, Požega
43. PCC „Lim“, Prijepolje
44. PC „Komunalac“, Ruma
45. PCIB „Senta“, Senta
46. PCC „Zelenilo i groblje“, Smederevo
47. PCC „Napredak“, Sokobanja
48. PCC „Sopot“, Sopot
49. PCC „Graditelj“, Srbobran
50. PCC „Komunalije“, Sremska Mitrovica
51. PCC „Čistoća“, Stara Pazova
52. PCC „Stari grad“, Šabac
53. PCC „Temerin“, Temerin
54. PCC „Komunalac“, Titel
55. PCIC „Topola“, Topola
56. PCIC „Komstan“, Trstenik
57. PCC „Bioktoš“, Užice
58. PCC „Vidrak“, Valjevo
59. PCC „Komrad“, Vranje
60. PCC „Komunalac“, Vrbas
61. PCC „Drugi Oktobar“, Vršac
62. CPP „Zlatibor“, Čajetina
63. PC za pijačne i pogrebne usluge, Zemun
64. PCC „Čistoća i zelenilo“, Zrenjanin

Out of the 64 mixed public-communal companies in this list, a total of 30 sells funeral equipment besides the basic function of cemetery management and maintenance.

Other 34 PCCs from the list do not deal in the sale of funeral equipment, but mainly, following their price list, charge burial fees and additionally charge rent for the annual lease of the burial plot, or the fees for maintenance of cemetery infrastructure, and possibly the fee for the use of chapel or for maintaining the hygiene of the burial plot (annually or after the funeral is held). As a rule, like in Table 2, total costs of a funeral on the cemeteries managed by PCCs for funeral services (which additionally sell funeral equipment) in comparison with other 34 PCCs are between **120 and 350 percent higher**. This can be determined by a simple comparison of their price lists, as shown in Table 1 and 2.

## c. Market share and financial results of PCCs for funeral services

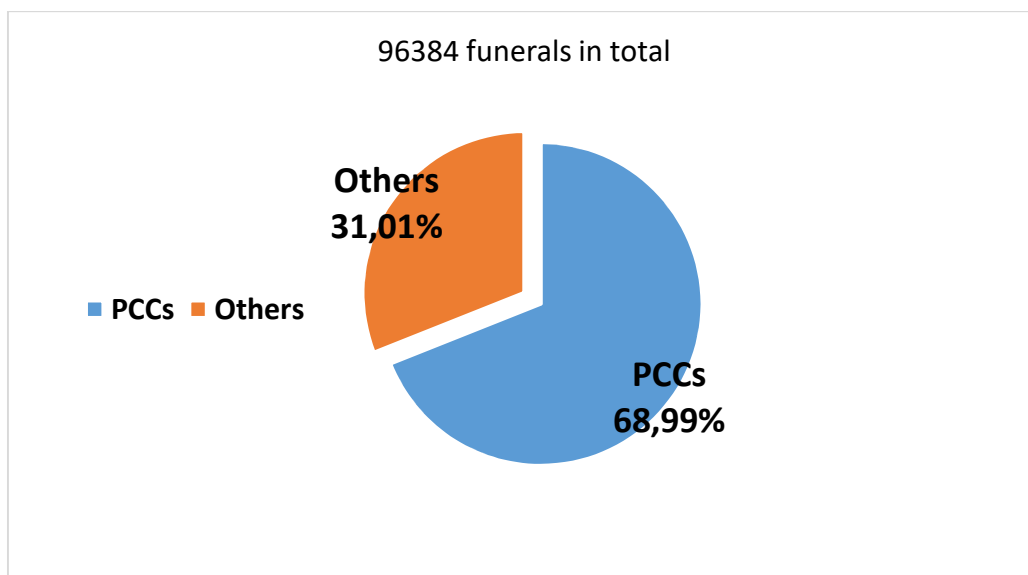
### 1. Market share

When looking at the sector of public-communal companies that perform funeral services as a whole (both PCCs specialized in funeral services and mixed PCCs) their total market share is unclear and muddled since no governmental institution in the Republic of Serbia does not keep statistics on the annual number of funerals. We do not know how many deceased were buried in city cemeteries, how many on village cemeteries, and the data on how many deceased in general were buried and how many cremated is also unavailable.

After lengthy research and cross-referencing information that could be found with the Ministry of Construction, Transport and Infrastructure, public-communal companies for funeral services, Serbian Chamber of Commerce, National Statistical Office, Association of Serbian Private Funeral Companies, from the available data of church municipalities, etc., it is estimated that the number of funerals and cremations organized by the public-communal companies (both specialized for funeral services and mixed) was between 65,000 and 68,000 in 2018 and 2019.

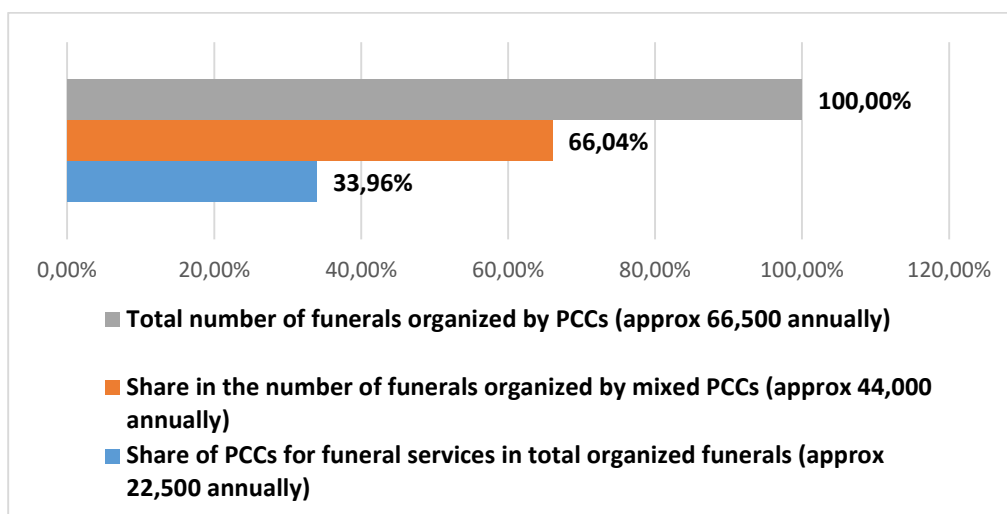
If for the purpose of this approximation we take an average value of 66,500 funerals organized by the PCCs per year, and cross that data with the total number of the deceased buried on the territory of the Republic of Serbia in 2019 (96,384) we come to results shown in the chart below.

**Chart 2. Share of PCCs in the total number of organized funerals in the Republic of Serbia (in 2019)**



If we go deeper into analysis of the gathered data, we can come to the detailed segmentation of the share of public-communal companies in the total number of organized funerals through which we can clearly see the market share of public-communal companies specialized in funeral services and other mixed public-communal companies that also provide funeral services as a part of the wider portfolio.

**Chart 3. Share of PCCs for funeral services and other mixed PCCs that provide funeral services in the total number of organized funerals in the Republic of Serbia (2019)**



The presented data actually show that out of the total number of funerals organized annually by Public communal companies in Serbia, slightly more than one third (33.96%) are organized by only four PCCs for funeral services. (PCC „Funeral Services“ Belgrade, PCC „Lisje“ Novi Sad, PCC „Pogrebno“ Subotica and PCC „Gorica“, Nis).

All the remaining public-utility companies (64 of them), which, in addition to funeral activities, also perform other communal activities in their cities and municipalities, organize 66.04% of the total number of funerals organized by the PCC sector.

A significant share of the four mentioned JKP for funeral services (from Belgrade, Nis, Novi Sad and Subotica) leads to a significant concentration of influence that these companies have on other smaller members (local PCCs) of the so-called association "Komdel" at the Serbian Chamber of Commerce in the field of funeral activities.

## **2. Financial results**

Considering that four public companies for funeral services were established by the city councils of the largest cities in Serbia and that due to the flow of money and their dominant position on the market they represent a model of functioning for all other mixed PCCs dealing with funeral activities, this study will below be focused on the financial indicators of their work.

The reason for this is the fact that all other public communal companies (so-called mixed), except activities of cemetery management and funeral services, perform other activities and in their financial balances, it is not possible to separate all revenues and expenditures from funeral activities from revenues and expenditures incurred in performing other communal activities for which they are registered.

This impossibility of a clear distinction between income and expenses from performing funeral activities in 64 mixed PCCs is another type of non-transparency in the work of public communal companies in Serbia, from which their efficiency and purpose on the market cannot be further analyzed. In just 10 years, from 2010 to 2020, the population of the Republic of Serbia decreased from 7.310.000 to an estimated 6.930.000. Every year, an entire smaller city with an average size of 38.000 inhabitants disappeared in our country. With depopulation, the need to perform the number of public utility services ceases or this need is significantly reduced.

However, the Government has not set any indicators on the basis of which in more than 64 cities and municipalities the real scope for the existence of public utility services would be precisely determined and whether cities and municipalities that are smaller and often poorer need (and to what extent) to maintain cumbersome and inefficient PCCs. In this way, Serbia, which takes loans from the international financial market in order to stabilize public finances, is behaving extremely irresponsibly and wastefully. The state does not show a desire to save taxpayers' money and direct it to the areas where it may be more necessary and contribute to the sustainable development of the country.

The analysis in Chapter 2 of this study showed that the total price of burial / cremation in cemeteries managed by public communal companies for funeral services is significantly higher than in cemeteries managed by mixed utility companies. Nevertheless, an insight into the financial balance sheets of four PCCs specializing in funeral services in Belgrade, Novi Sad, Nis and Subotica shows that this significant surplus of income does not manifest itself in high net profit, which would be expected considering the fact that they charge their services significantly more expensive compared to the competition.

Given that these four PCCs in 2019 organized 23.47% of the total number of funerals on the territory of the Republic of Serbia, it is expected that their financial indicators should rank them among the leading companies in the field of funeral activities in the country based on achieved financial result.

**Table 5. Financial results of four PCCs specialized for funeral services based on their financial reports for 2019 (in RSD)**

%	„Funeral Services“ Belgrade	„Lisje“ Novi Sad	„Pogrebno“ Subotica	„Gorica“ Nis	ALL 4 PCC SUMMARY
<b>Business income</b>	2.193.752.000	634.643.000	88.490.000	197.368.000	<b>3.114.253.000</b>
<b>Expenditures</b>	2.117.248.000	628.647.000	85.914.000	216.646.000	<b>3.048.455.000</b>
<b>Profit before tax.</b>	5.507.000	553.000	3.229.000	0	<b>9.289.000</b>
<b>Loss</b>	0	0	3.386.000	16.464.000	<b>19.850.000</b>
<b>The input value of goods</b>	208.603.000	12.381.000	13.372.000	16.741.000	<b>251.097.000</b>
<b>Revenues of sales of products and services</b>	1.718.663.000	563.096.000	65.062.000	170.910.000	<b>2.517.731.000</b>
<b>Wage costs</b>	767.460.000	318.087.000	35.352.000	111.275.000	<b>1.232.174.000</b>
<b>Interest expenses</b>	20.677.000	1.166.000	4.000	1.855.000	<b>23.702.000</b>
<b>Reservations for litigation costs</b>	230.253.000	6.876.000	1.500.000	20.538.000	<b>259.167.000</b>
<b>Donations</b>	23.472.000	26.339.000	601.000	0	<b>50.412.000</b>
<b>Profit from previous years</b>	75.458.000	120.507.000	59.141.000	2.630.000	<b>257.736.000</b>
<b>Loss from previous years</b>	133.593.000	0	0	636.762.000	<b>770.355.000</b>

The data obtained in the previous table indicate many anomalies in the work of the four largest public communal companies for funeral services in the Republic of Serbia.

**The total loss of these 4 companies in 2019 exceeded the profit by 10,561,000 dinars or 89,500 EUR (at the exchange rate of 118 dinars for one euro).**

The frequent statement of the representatives of the executive authorities and trade union of the public utility sector is that public companies do not serve to make a profit, but to provide economically favorable service to citizens (which was questioned in Chapter 2, because we saw that funerals services are more expensive at PCCs for funeral services compared to mixed PCCs). But, a short look at their Financial reports raises serious questions about where the money that PCCs for funeral services charge from the Serbian citizens actually goes. This is easily visible if we look at several positions in Table 4.

The first is to compare losses and profit from previous years. The loss from previous years is higher than the realized profit by as much as 512,619,000 dinars or 4.34 million euros (at the exchange rate of 118 dinars for one euro). This indicates that public communal companies for funeral services have been operating at a constant loss for years, although the average costs of burial / cremation in cemeteries they manage are 32,559.93, or 14,380.22 dinars higher than cemeteries managed by mixed PCCs.

The question arises even more as to where the significant chronic losses in the operation of PCCs for funeral services come from when comparing the input value of goods and revenues from the sale of products and services in the financial balance sheets of these 4 companies. The data say that revenues from the sale of products and services are as much as 2,266,634,000 dinars (19.2 million euros) higher than the input value of the goods, **nearly 10.03 times!** This actually means that space

for the four analyzed companies to operate positively and make a significant profit from their business is huge and leaves great doubt as to where the proceeds actually go.

Even more absurd is the fact that these companies, despite the 2.26 billion dinars realized differences in the input and sale price of products and services in 2019, had total donations of 50,412,000 dinars (427,220 euros at the rate of 118 dinars for one euro). Therefore, in addition to the dominant position on the market, which is reflected in the fact that they simultaneously manage cemeteries, sell funeral equipment and charge 300-500 percent of unjustifiably increased funeral expenses, public-utility companies for funeral services are additionally donated in the amount of 427,220 euros, but despite that donations, these 4 observed companies ended 2019 in a loss!

The answer to where the money of Serbian citizens goes, who are unjustifiably fined in the most sensitive moments of life, when they are left without a loved one, is partially obtained when we look at a few more positions in the summary balance of four PCCs specializing in funeral services.

**For the costs of court disputes, 4 mentioned companies have reserved as much as 259,167,000 dinars or 2,196,330 euros in the balance sheets for 2019 at the exchange rate of 118 dinars for one euro.**

This either indicates that the managements and responsible persons in these companies are incapable of managing them, so they have a huge number of lawsuits or that there is a systemic anomaly that leads to such an outflow of money. Enormous funds reserved only for court disputes raise a serious question for the State Audit Institution, local governments, founders of the PCC for funeral services, but also the Ministry of Finance of the Republic of Serbia, whether these funds are spent purposefully and conscientiously. If certain public communal companies give this amount of money to law firms and for court fees, expertise and other costs, the state legislators are obliged to change laws and regulations that in this way do enormous damage not only to public communal companies but also to citizens as users of funeral services, because their money is used for payment of numerous court disputes.

An additional doubt is caused by a deeper analysis of funds intended for court costs, because, for example, PCC "Funeral Services" in Belgrade set aside 230,253,000 dinars for this purpose, and PCC "Lisje" in Novi Sad only 6,876,000 dinars. If Belgrade officially has 1,374,000, and Novi Sad about 289,000 inhabitants, we find that Belgrade is 4.75 times larger in population than Novi Sad. **However, PCC "Funeral Services" in Belgrade spends 33.49 times more money on court disputes in Belgrade compared to PCC "Lisje" in Novi Sad!** This is another major fissure that should be examined by the state bodies in charge of financial control of the operations of public communal companies.

In the period after 2010, the State Audit Institution repeatedly found that the operations of PCC "Funeral Services" were outside the law and that public procurements in the multimillion value were conducted outside the procedure under the Law on Public Procurement. The high level of funds allocated for court costs, not only in Belgrade but at PCC "Gorica" in Nis as well, should be an alarm for the investigative bodies to check the operations of these companies.

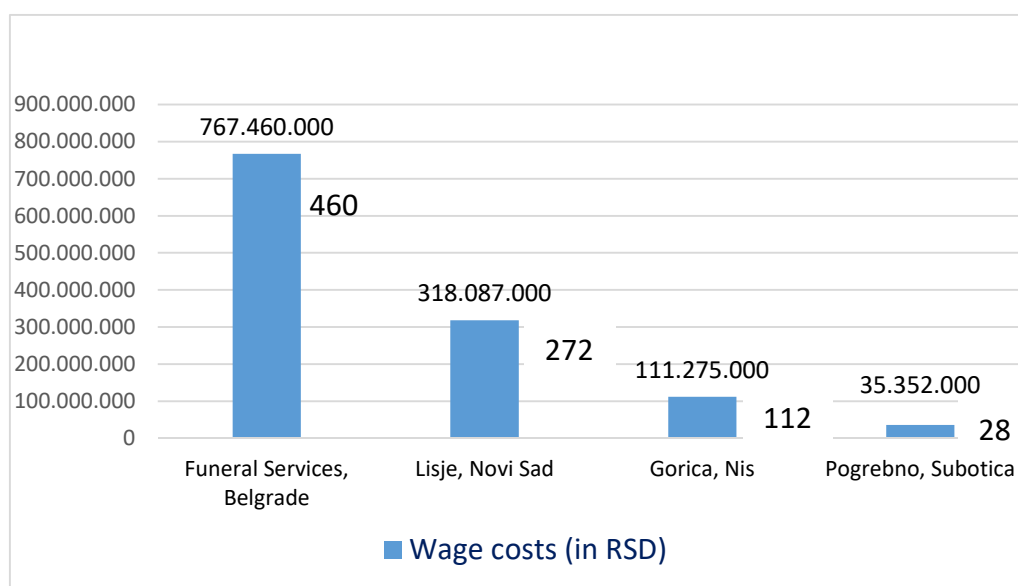
An additional issue is the high-interest expenses, especially at PCC "Funeral Services", Belgrade. In 2019, this company paid 20,677,000 dinars or 175,229 euros (at the exchange rate of 118 RSD for 1 EUR) for interest expenses. Here, it is necessary to further clarify why the management of the Belgrade company for funeral services pays this much money for interest and to whom that interest is paid. If we are talking about interest rates for commercial banks, why does a company that generates an annual income of 2.19 billion dinars and manages the 9 largest cemeteries in the capital without competition need to raise millions in loans? If, again, it is a question of interest for unsettled claims against citizens or other legal entities, the question of the incompetence of



management or negligent work arises. In the case of interest expenses, there is an indicative disproportion as well with the amounts paid from the PCC for funeral services in Belgrade in comparison with PCCs from Novi Sad and Nis. **The interest expenses of the Belgrade PCC for funeral services are 11-17 times higher than in Novi Sad and Nis.**

One of the answers why four public communal companies for funeral services have 4.34 million euros in losses can be found in the data about the number of employees in these companies, but also in the answer to the question of whether, in addition to modern technologies, equipment and methods of organizing the work of the 21st century, such a large number of employees is really necessary for these companies.

**Graph 4. The ratio of the number of employees in PCCs for funeral services and wage costs (in 2019)**



The chart shows that 4 public communal companies for funeral services employ 872 people for whom the total wage costs in 2019 amounted to 1.23 billion dinars (10.44 million euros). A previous analysis of the data indicated that in 2019, these companies organized about 22,500 funerals. If we compare here the data of private funeral companies, members of the Association of Serbian Private Funeral Companies, that a well-organized private funeral company with 6 employees per year can organize between 600 and 800 funerals (bearing in mind that the scope of work is the same as work performed by employees of PCC for funerals services), it is calculated that with economic management, PCCs for funeral services in Belgrade, Nis, Novi Sad and Subotica could successfully operate on the market with 226 employees.

**This comparison leads to the conclusion that 4 PCCs for funeral services actually have 3.85 times (385%) more employees than they would need to perform funeral activities efficiently.**

When the above factors are considered together - irrationally high number of employees, high costs of court proceedings, borrowing and paying interest, etc. it becomes crystal clear why the total costs of organizing funerals by PCCs for funeral services are 300-500 percent higher than in other cemeteries governed by mixed PCCs and why PCCs for funeral services condition market competition by scheduling funerals and using their dominant position.

The last data from Table 4 that needs to be analyzed actually confirm the nonsense of managing public communal companies for funeral services on present manner. The total profit (before taxation) of these companies with a dominant position on the market in 2019 was 9,829.000 dinars,

and total donations 50,412,000 dinars. Thus, **donations to these companies were 5.13 times (513%) higher than the realized profit** on which the state was supposed to collect corporate income tax. The results of the analysis of financial balances 4 PCC for funeral services reveal that the maintenance of such companies is a loss for citizens through unjustifiably high prices of services, but also a loss for the state. Instead of reaping significant profits from the work of these privileged companies Government subsidizes a lot of money each year and at the same time increases its deficit and public debt.

## 4. Status of private funeral companies

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### a. Licensed private funeral companies

Although the Government of the Republic of Serbia on February 14, 2018. passed the Decree on the Method and Conditions for Starting the Performance of Communal Activities ("Official Gazette of RS" No. 13/2018) which precisely prescribes which conditions must be met by both public-communal and private companies in order to obtain a license to perform funeral activities (Article 2, items 6 and 6a of the Law on Communal Activities), by the end of 2020 and the conclusion of this study, a single register of performers of communal and funeral activities for the Republic of Serbia has not been established

The Minister in charge of construction, transport and infrastructure in his opinion from 11.12.2018, sent in response to a letter from the Association of Serbian Private Funeral Companies, stated that all companies that performed funeral activities before the adoption of the Law and the Decree have an obligation to comply with them and continue their work normally, indicating that the Republic Communal Inspection is exclusively responsible to verify compliance with the Decree.

However, public communal companies for funeral services in Serbia's largest cities continued to refuse to allow unimpeded access to the cemeteries (which are managed by PCCs) to the private undertakers, manipulating the timing of funeral appointments and insisting that the remains of deceased people whose funerals were organized by private undertakers be previously delivered to refrigeration facilities for storing mortal remains at the PCCs. Directors and staff in public communal companies pointed out that their private competition did not have a license to operate and that the inspection did not allow them to perform funeral activities.

On the other hand, the Republic Communal Inspection, with which the Association of Serbian Private Funeral Companies established direct contact and requested that inspectors go out on the field and visit private funeral companies, did not receive clear written instructions from the Ministry of Construction, Transport and Infrastructure on the methodology for conducting inspections on the field.

Only in the first half of 2019, more than a year after the adoption of the Decree, at the persistent insistence of the Association of Serbian Private Funeral Companies, the Republic Communal Inspection started with the first field controls, but only those private funeral companies that directly submitted a request to the Republic Communal Inspector's office.

At first, the Republic Communal Inspection justified itself by the lack of staff to send to the field, to visit cities and municipalities throughout Serbia and carry out controls. Then, a decision was made to authorize local communal inspectors in cities and municipalities to perform that control. This decision was very problematic because the local communal inspectors were employed by local governments which are the founders of public communal companies (for funeral services and mixed) and some of them were extremely in favor of PCCs, so they delayed the control procedure, clung to the smallest details in the procedure and hampered the whole process. The result of the lack of systematic and in-depth field control has led to the fact that almost 90 percent of active PCCs and private undertakers who performed funeral activities before the enactment of the Decree and Law were not controlled in the field, which is why a significant part of funeral activities in Serbia stayed in the grey zone until today (the fulfilment of the conditions set out in the Decree has not been verified).

Since there is no register listing all PCCs and private companies that have acquired the right to perform funeral activities, the authors of this study had no other option except to collect information on which private funeral companies are licensed and which have not through direct research on the field in the cities and municipalities of Serbia during November and December 2020. By collecting information through field research, it was found out that only 13 private funeral companies on the entire territory of the Republic of Serbia have a decision of the communal inspection on the fulfillment of conditions for performing funeral activities (a license to operate). Those are:

1. Luxol, Inđija
2. „Usluga“, Sremska Mitrovica
3. Miran san, Bačka Palanka
4. Dianthus, Belgrade
5. Pogrebno Radosavljević, Belgrade
6. Pogrebno Suza, Belgrade
7. „Karma“, Belgrade
8. Venac, Sokobanja, Boljevac
9. Milenković plus, Kragujevac
10. TPR „Lord“, Topola
11. Venac Paunović, Čačak
12. Funero, Subotica
13. Eukaliptus Pro, Kikinda

During the work on this study, it was not possible to obtain more detailed data from the competent state institutions on whether there are other private funeral companies besides the above 13 economic entities that have passed the process of control by the Republic Communal Inspector in accordance with the Law on Communal Activities and the Decree on the Method and Conditions for Starting the Performance of Communal Activities.

Just as the total number of public communal companies controlled by the Republic Communal Inspector is completely unknown, the number of private funeral companies that were found not to meet the conditions prescribed by the Law and the Decree during field inspection control is also unknown.

Due to all the above, the authors of the study distance themselves in advance from the possible discrepancy in the total number of licensed private funeral companies in the Republic of Serbia, because they cannot take responsibility for data that are not publicly available.

## **b. Non-licensed private funeral companies**

At the time of writing, due to the inaction of competent institutions and field inspections and lack of control in the cities and municipalities, except for 13 funeral companies that have decisions of the Republic Communal Inspection to meet the requirements of the Law and the Decree to perform funeral activities, all other private funeral companies on the territory of the Republic of Serbia actually performs this activity in the gray zone. The same applies to almost all public utility companies, with the exception of a few cities and municipalities, because PCCs have not been checked about fulfillment of prescribed conditions as well.

This situation is harmful in many ways, because citizens, as users of funeral services, cannot check whether the providers of funeral services on the market (both private funeral companies and PCCs) work legally and have a license. The state, health and pension funds have been damaged for the

payment of various types of taxes and contributions, and legal private undertakers who have invested tens or hundreds of thousands of euros in fulfilling the conditions from the Law and the Decree have unfair competition.

The chaotic situation on the ground, in which the competent state institutions did not do their job and check the fulfillment of the conditions in the companies that de facto offer and deliver funeral services on the ground, significantly complicates the assessment of the number of unlicensed private funeral companies in Serbia.

For these reasons, the authors of this survey had to rely on data collected in the field by members of the Association of Serbian Private Funeral Companies, because there are no other sources. The situation is further complicated by the fact that most private companies that performed funeral services before the Decree on the Method and Conditions for Starting the Performance of Communal Activities, in February 2018, were registered under different activity codes in the Business Registers Agency, because APR did not accept to register them under code 96.03 - funeral and related activities. Many of the private companies that performed funeral services in cities and municipalities were registered as independent craft and trade shops, or for the activity of freight transport in road transport and similar activities.

Only by visiting the field and carefully monitoring the access to local cemeteries from members of the Association of Serbian Private Funeral Companies, it was possible to list all other companies that perform funeral activities in various cities and municipalities across the country. Based on this monitoring and the inventory conducted in the period September-December 2020, an estimate was made of the number of unlicensed private companies performing funeral activities. Table 6 lists the data collected from the regions of Serbia.

**Table 6. Estimation of the number of unlicensed private funeral companies in November 2020 by regions (without Kosovo and Metohia)**

<i>Region</i>	<i>Number of unlicensed private undertakers actively operating</i>
<i>Vojvodina</i>	<b>53</b>
<i>Belgrade</i>	<b>65</b>
<i>Sumadija</i>	<b>41</b>
<i>Western Serbia</i>	<b>40</b>
<i>Eastern Serbia</i>	<b>32</b>
<i>Southern Serbia</i>	<b>54</b>
<i>IN TOTAL</i>	<b>285</b>

The number of 285 unlicensed companies that currently perform such a sensitive activity as the funeral is very alarming. If we add to this number 13 companies for which there is information that they are licensed so far, **the total number of those who perform funeral activities from the private sector on the territory of the entire Republic of Serbia is 298.**

These data mean that in relation to a total of 298 active private individuals, **only 4.36% have been licensed so far** and it is undeniably known that they have met all the legal requirements for performing funeral activities.

Any further comment is superfluous and this very low percentage actually talks a lot about the efficiency of state institutions in law enforcement.

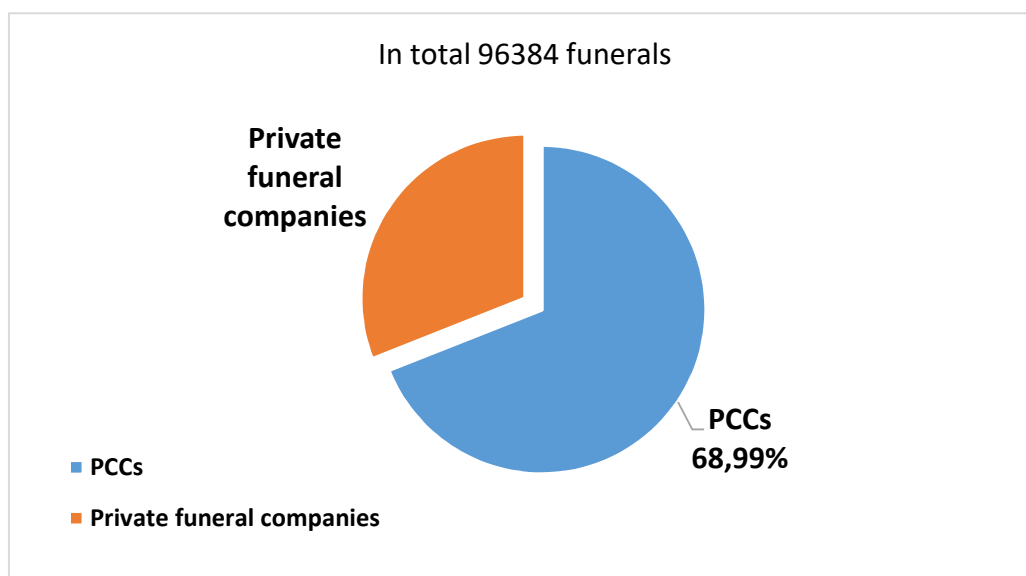
## c. Market share and financial results of private funeral companies

### 1. Market share

Based on the data already presented in Chapter 3.c.1 of this study, the share of private funeral companies in the total number of organized funerals on the territory of the Republic of Serbia is obtained, which is precisely illustrated in the following chart.

Here, as in Chapter 3.c.1, it should be borne in mind that these data were obtained by crossing different available data from several sources because there is no single data that can be obtained from some of the state institutions responsible for infrastructure.

**Graph 5. Share of private funeral companies in the total number of organized funerals in the Republic of Serbia (in 2019)**



Using the data from Graph 5, we obtained data that in 2019, private undertakers organized 29,889 funerals/cremations on the territory of the Republic of Serbia.

Given that currently only 4.36% of active private companies providing funeral services are licensed, it is clear that most of these funerals/cremations are currently performed by private individuals who have not fulfill the Law and Decree requirements.

### 2. Financial results

Private funeral companies in terms of number of employees and property are significantly smaller than PCCs for funeral services, but they are characterized by higher quality equipment and premises used for work because these companies are constantly buying new vehicles and modern equipment and making investments emphasize efficiency and quality of service. as its main market advantage. To present the financial results in this study, a sample was taken from the financial balance sheets of 4 licensed private funeral companies from different regions of the Republic of Serbia.

**Table 5. Financial results of private funeral companies based on their financial balances for 2019 (in RSD)**

%	Milenković plus Kragujevac	„Usluga“ Sr. Mitrovica	Dianthus Belgrade	„Luxol“ Indija	4 COMPANIES IN TOTAL
<b>Business income</b>	7.773.000	26.610.000	14.643.000	27.099.000	<b>76.125.000</b>
<b>Expenditures</b>	7.991.000	23.186.000	15.324.000	26.678.000	<b>73.179.000</b>
<b>Profit before tax.</b>	379.000	3.780.000	445.000	313.000	<b>4.538.000</b>
<b>The input value of goods</b>	4.259.000	8.856.000	4.012.000	11.940.000	<b>29.067.000</b>
<b>Revenues of sales of products and servic.</b>	7.740.000	7.369.000	10.159.000	6.621.000	<b>31.889.000</b>
<b>Wage costs</b>	946.000	5.379.000	4.861.000	6.348.000	<b>17.534.000</b>
<b>Interest expenses</b>	0	9.000	0	1.000	<b>10.000</b>
<b>Reservations for litigation costs</b>	0	0	0	0	<b>0</b>
<b>Donations</b>	0	0	0	49.000	<b>49.000</b>
<b>Net profit</b>	334.000	3.402.000	303.000	219.000	<b>4.258.000</b>
<b>Net loss</b>	0	0	0	0	<b>0</b>

When interpreting the data from the balance sheet and income statement of private funeral companies, care should be taken that they belong to micro or small companies. These companies do not have the obligation to audit their financial statements in accordance with the Law on Accounting, so the method of financial reporting differs compared to the financial statements of large public communal companies for funeral services, which in terms of total revenue and turnover belong to medium or large economic entities.

These differences have the consequence that only certain positions in the financial statements can be compared because it is ungrateful to directly compare micro/small companies and entrepreneurs with large and medium enterprises. However, certain regularities and trends can be seen in this observation and the existing data sufficiently illustrate why small private funeral companies are very necessary as a competition to cumbersome public utility companies and why a free and regulated market can bring benefits to the citizens as users of funeral services.

The first that can be noticed by observing the balance of private undertakers is that **these small companies are "financially healthy"**, that none of them currently has losses, and especially not accumulated losses from previous business years. **Only four observed companies, as micro-entities, made a profit of 4,258,000 dinars.** These companies represent only a smaller segment of the 13 licensed companies so far, or 4.36% of the total number of private undertakers in Serbia. However, their financial results show that in the conditions of a regulated market and conducted inspections, almost the entire private sector in the field of funeral services would bring a significant annual profit, unlike 4 public communal companies for funeral services, which have 4.34 million euros in losses from 2019 and previous years.

**Also, there are no high costs of litigation processes or interest.**

**These companies operate sustainably in the market and do not need donations from local governments, therefore, they are not additionally financed with taxpayers' money.**

Wage costs and the number of employees at private undertakers are in direct proportion to the annual number of funerals / cremations organized by these companies, there is no employment of redundant staff, but everything is subjected to the principles of efficiency and quality of service.

The most drastic difference between small private undertakers and public communal companies for funeral services lies in the difference between the input value of goods and the income from the sale of products and services. At JKP, these revenues are 10.03 times (1003%) higher than the

purchase price of goods. In 4 private funeral companies from Table 5, this difference is only 0.097 times or 9.73%.

**On this incredible difference of data from the financial balances, it can be directly seen how PCCs for funeral services, using their privilege of managing city cemeteries, actually profit from the prices of organizing funerals, cremations, exhumations, and especially through the enormous difference between the purchase and sale price of headstones,** which has already been explained in the Chapter 2.e. of this study. While private undertakers must keep the price of funeral equipment and services competitive in relation to PCCs and other funeral companies due to competition in the market, public communal companies for funeral services to citizens who want to buy a new tomb of V, IV, III, II or I order impose their service as a condition for the purchase of the tomb and then the client has no choice but to accept the offered price of the headstone, as well as the entire organization of burial or cremation by the PCC. It is similar to the exhumation service because unlike other European countries, where licensed funeral companies are allowed to enter the cemetery and exhume the remains, in Serbia the exhumation is performed exclusively by public communal companies (for funeral services and mixed).

The financial results of licensed private undertakers show that it is possible to provide citizens with a more efficient, high-quality and cheaper funeral service compared to public communal companies and that the state can have significant tax revenues instead of constantly covering losses with donations.



## 5. Current situation, problems and challenges

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### a. Uneven implementation of law

The findings of this study point to the conclusion that despite the changes in the Law on Communal Activities in December 2016 and the adoption of the Decree on the Method and Conditions for Starting the Performance of Communal Activities in February 2018 (which was later amended twice) general state in the field of funeral activities, confusing and disorderly, and that there are many anomalies that arise, above all, from incomplete or uneven application of the Law and the Decree.

In the first place, the Ministry of Construction, Transport and Infrastructure, as the legislator and executive authority, does not have an inventory of all secular and church cemeteries on the territory of the Republic of Serbia. Further, Ministry has no insight into the efficiency and quality of PCCs (for funeral services and mixed) work and the situation in the sector of private undertakers is unknown as well. Ministry does not know exact number of active private funeral companies on the field, nor which of them meet the conditions prescribed by Law and Decree.

The amenable Ministry, with the support of the Republic Communal Inspection, is obliged to take care of cemeteries and periodically analyze the work of public communal companies for funeral services, and especially to ensure that these companies do not go beyond their legal framework and do not accumulate millions in losses to the detriment of the citizens in whose name they were actually established at the level of local governments.

The duty of the Republic Communal Inspection was to perform extensive field controls of all public communal companies who perform funeral and related activities on the territory of the Republic of Serbia within one year after the adoption of the Decree on the Method and Conditions for Starting the Performance of Communal Activities (in February 2019). The inspection was authorized to check the condition of PCCs premises, equipment, vehicles, as well as the structure and qualifications of human resources and to issue licenses as a confirmation that these companies meet all conditions prescribed by law.

Based on the findings of the authors of this study, the Republic Communal Inspection performed such controls in only a few of the 176 cities and municipalities on the territory of the Republic of Serbia.

The legal obligation of the Republic Communal Inspection was to visit all private funeral companies that perform funeral activities in the field and to check the fulfillment of conditions. Until now, the inspection visits to the field were only sporadic and mostly at the insistence of the Association of Serbian Private Funeral Companies, which wanted its members to officially obtain work licenses after significant investments in their funeral companies. In Chapter 4.b. at least 298 private companies have been identified that perform some kind of funeral services in the cities and municipalities of Serbia, and according to the obtained data, only 13 or 4.36% have so far gone through the verification process and received a license.

In large cities such as Belgrade, Subotica, Nis, Novi Sad, there are currently significant problems that prevent normal market competition between PCCs for funeral services and private funeral companies, because PCCs for funeral services require that the remains of the deceased be brought to their refrigerators or refuse to schedule a funeral appointment for the clients of private funeral companies. **No reaction from the Republic Communal Inspection or from Commission for Protection of Competition on this issue was recorded**, although articles about these blackmail were published several times in daily newspapers and other public media. Also, it happened that PCCs in dozens cities of Serbia several times in the period 2017-2020 replaced the bodies of the deceased

and that scandalous mistakes were made during the funeral/cremation of the dead. The inspection did not react in these cases either, although daily newspapers published articles on this topic.

Finally, the Republic Communal Inspection did not impose measures or penalties against any city or municipality on the territory of the Republic of Serbia that refused to change its local decisions on cemetery management and funeral organization in a timely manner after the amendments to the Law on Communal Activities in December 2016 and adoption of the Decree on the Method and Conditions for Starting the Performance of Communal Activities in February 2018. All legal deadlines for harmonization of local city and municipal decisions with the Law and the Decree expired in February 2019 and until the day of completion of this study (December 2020) this inaction of local governments and ignoring the legal obligation is not sanctioned.

This study undeniably indicates that further liberalization of funeral services and introduction of competition on the market under equal conditions is in the interest of both citizens and the state, but without a decisive reaction of the competent ministry and inspection, the implementation of the Law will not be possible in practice.

Especially, when it comes to respecting market principles and freedom of competition, in order to further progress in these fields, it is necessary to include the Commission for Protection of Competition and the Public Policy Secretariat of the Republic of Serbia, because the self-willingness of local governments and their public utilities companies, which is often contrary to the interest of citizens, should be constantly monitored, controlled and suppressed.

## **b. Monopolistic or dominant behavior of PCCs for funeral services**

The data obtained in Chapters 2 and 3 of this study, and especially through comparisons of prices of materials, equipment and services, indicate that public communal companies for funeral services significantly use their privilege to manage city cemeteries to accomplish high revenues based on it. In general, this is opposite to the function and mission of public communal companies which are established to provide citizens with quality and affordable service in activities of public interest.

Although it is sometimes difficult to provide witnesses for this, because citizens who have buried their loved ones do not want to be publicly exposed and point the finger at PCCs whose high prices and inadequate treatment have affected them, there are numerous cases of funerals/cremations for which citizens choose private funeral companies for a funeral organization who are scheduled for a day, two or three later than the funeral/cremation when the clients directly select PCC for the complete funeral process (with the purchase of funeral equipment, tomb or headstone). There were cases when PCC "Funeral Services" did not want to schedule a funeral for 15-20 days because they insisted that a private undertaker bring the remains of the deceased to their refrigeration device to store the deceased till the scheduled time for funeral. This is a condition until today if the family of the deceased wants to buried him on one of the 9 city cemeteries in Belgrade.

In everyday practice, in order for a private funeral company to schedule a funeral on the city cemetery in Belgrade, it must transfer the body of the deceased to the refrigeration device of PCC "Funeral Services". On that occasion, it is also insisted that the personal contacts and telephone number of the client that ordered the organization of the funeral of the deceased be delivered to the service of PCC "Funeral Services". The private undertaker is then given the date of the funeral for 3, 4, or more days and then telephone numbers are used and the family called with an offer to have the funeral within 1 or 2 days under the condition to cancel the engagement of the private undertaker and buy funeral equipment from PCC "Funeral Services".

In the period 2015-2019 this abuse even went so far that the Coroner's Service of the City of Belgrade directly submitted the personal data of the deceased and telephone numbers of members of his closest family to the service of PCC "Funeral Services". Immediately afterward, the family of the deceased was contacted with an offer for organizing the funeral.

When the client, due to a closer funeral date or for any other reason, finally decides to accept the offer of PCC "Funeral Services in Belgrade or PCC for funeral services from other major cities, he is faced with unreasonably high costs of funeral/cremation, production and raising of the headstone for tomb or exhumation.

The findings of this study directly reflect through figures how the simultaneous management of the cemetery and the possibility of selling funeral equipment/headstone/exhumation services enables public communal companies for funeral services to charge unjustifiably high amounts for these products/services. This is best illustrated through three short examples from the activities of PCC "Funeral Services" in Belgrade:

1./The basic costs of organizing a funeral at the cemetery managed by PCC "Funeral Services" in Belgrade are 527% higher than the cemetery in the Belgrade municipality of Cukarica, which is not managed by JKP "Funeral Services".

2./Belgrade's PCC for funeral services is upgraded on the purchase price of the headstone of the IMPALA class for the tomb of the V order 154.2% and at the same time client must pay the lease of the tomb for 50 years in advance and maintenance of the grave 10 years in advance. Thus, the erection of the simplest headstone with accompanying costs, would cost around 170,000.00 RSD in any cemetery outside the control of the PCC "Funeral Services", but on the cemeteries managed by this company costs 501,939.00 RSD.

3./Effective hour or two of work on exhumation of mortal remains, after 7 years of rest, from the already existing tomb, PCC "Funeral Services" charges 52,639.00 RSD through services of preparation, disinfection and the act of exhumation (bone excavation). Exhumation cannot be performed by any other licensed funeral company on the cemeteries managed by PCC "Funeral Services", so this is a blatant example of using a monopoly position to obtain financial benefits.

These examples clearly indicate how a Public communal company founded for the common good of citizens, after years of unsanctioned dominant behavior, becomes an expensive, parasitic system that charges unjustifiably high for its services and artificially extracts money from citizens.

### **c. Damage done to the state Pension and Disability Insurance Fund**

Comparing the prices of services for funeral/cremation from Chapter 2 of this study has opened another important issue, and that is the financial damage to the Republic Pension and Disability Insurance Fund which is caused by the artificially "inflated" costs of organizing funerals/cremations on the cemeteries managed by public communal companies for funeral services.

If we compare the average price of the funeral at PCC "Funeral Services" in Belgrade cemeteries which are 9,828.00 dinars (only basic costs without purchase of funeral equipment), while the cost of organizing funeral in cemeteries maintained by the municipality of Cukarica, (which is also the Belgrade city municipality) are only 9,450.00 dinars (at the cemeteries of the other Belgrade municipality of Zemun 12,310.00 RSD), the conclusion will be that the amount for "funeral

compensation" paid by the Republic Pension and Disability Insurance Fund is unrealistically increased and does not correspond to the basic real costs of the burial organization in the field.

In the first half of 2020, the funeral compensation that the Pension and Disability Insurance Fund paid to the families of deceased pensioners amounted to 41,650.00 dinars, and it was standardized according to the costs of organizing the funeral by public communal companies for funeral services (based on their pricelist).

If we assume that the real costs of organizing the funeral (without funeral equipment) in cemeteries managed by PCCs for funeral services are increased by 40,378.00 (comparison with cemeteries in Cukarica), or 37,518.00 (comparison with cemeteries in Zemun), although the physical work for the organization of the funeral is similar in its scope, the Pension and Disability Insurance Fund actually pays this significant difference based on the artificially "inflated" prices for a funeral organization.

Bearing in mind that in the period from 2015 to 2019, between 70,000 and 79,000 pensioners died annually (it should be noted here that a relatively small percentage of deceased pensioners were not insured by the Pension and Disability Insurance Fund, which refers mainly to pensioners returning from abroad) and then that number is multiplied by 37,518.00 dinars (amount of how much the costs of organizing the funeral that the Pension and Disability Insurance Fund pays are artificially increased), it comes to  $37,518 \times 70,000 = \mathbf{2,626,260,000.00}$  dinars or **22.25 million euros per year** (at the exchange rate of 118.00 RSD for 1 EUR).

This is supported by the last available Financial Plan of the Republic Pension and Disability Insurance Fund for 2018, in which it is planned that funeral compensations cost under the program activity PA0006 will be 2,965,000,000.00 RSD, and in the column Execution I-KSII, it is stated that until the moment of submission of the report, a total of RSD 2,877,696,000.00 was paid.

This study undeniable indorse that the "inflated" value of the basic costs of the funeral organization by public communal companies for funeral services is used to pump money out of the Pension and Disability Insurance Fund because so far there is no relevant study showing the real costs of funeral organization (burial and basic accompanying activities on cemeteries in Serbia). In practice the Pension and Disability Insurance Fund mainly use the price lists of public communal companies for funeral services to determine the costs of the funeral organization. On this way, a mechanism for using the Fund's money through public communal companies for funeral services was created, because in 2019 these companies performed 23.47 percent of the total number of funerals in the Republic of Serbia. A significant part of revenues that PCCs for funeral services collected is from the money that families of the deceased received from the Pension and Disability Insurance Fund. If we look more broadly the total share of PCCs on the market of funeral services (PCCs for funeral services and mixed) is 68.99% of the total number of funerals and then it's very clear that most of the money from the Pension Fund is "swallowed" by public communal companies.

This kind of "system" for work of public communal companies, due to which the Pension Fund is poorer by 22 million euros every year, additionally contributes to the deficit in the budget of the Pension Fund and the budget of the Republic of Serbia, because the state subsidizes this Fund every year to enable regular payment of pensions and other benefits in the field of pension and disability insurance. As it is known the donation from the budget of the Republic of Serbia to the Pension and Disability Insurance Fund represents the largest annual expenditure of the state budget.

#### **d. Informal economy in the field of funeral services**

In order to fully regulate the market of funeral services in the Republic of Serbia and prevent numerous daily abuses and manipulations that harm both the state and citizens as users of funeral services, it is necessary to tighten the implementation of the Law on Communal Activities and the Decree on the Method and Conditions for Starting the Performance of Communal Activities. This implementation in practice must be conducted under the condition that Law and Decree are not applied selectively only towards private funeral companies, but that all market participants from both the private and the public utility sector are equally controlled by the Republic Communal Inspection.

The lack of field control of the competent inspection has put private companies that perform funeral activities in an uneven position in accordance with the Law and the Decree. 13 funeral companies received decisions stating that the conditions for performing activities are fulfilled. At the same time, in the cities and municipalities of Serbia, hundreds of other private companies perform the same activity, without checking whether these companies have complied with the Law and Decree. A great majority of them do not meet the criteria regarding the number of employees, appropriate funeral vehicles, business premises, refrigeration devices for storing the remains of deceased persons, etc.

The aim of the amendments to the Law on Communal Activities from December 2016 was not only to introduce competition under equal conditions in the field of funeral services on the domestic market but also for all private or public communal companies to introduce European standards in their daily work, approach and client treatment. This raising of standards is not possible without significant investments in fixed assets for work and improvement of the culture of performing funeral activities, which in most European countries is at a significantly higher level than in Serbia and market participants have a very sophisticated approach to clients and market competition. However, this is not possible if on the one hand there are licensed companies that have adequately equipped and constantly maintained premises, cold storage chambers with anti-static floors, new vehicles and equipment based on the latest generation technologies for funeral activities, while on the other there are a number of local public utility and private funeral companies that operate in old, improvised and inadequate premises, with vehicles whose engines are below the EUR-3 standard, with insufficiently trained staff working illegally and having no legal responsibility to clients.

At the same time when Government suppresses the grey economy by introducing the obligation of mounting GPS locators on trucks for companies in the logistics industry or by introducing new fiscal devices/software for all trade formats, although both of these activities passed without any or with minimal results in neighbouring EU countries (Croatia and Bulgaria, for example), an open question is asked who is interested in allow that 95% of funeral companies working in the field of funeral activities without fulfilment of legal preconditions?

Unfortunately, the grey economy in the field of funeral activities in Serbia is much wider, because for its full consideration it is necessary to do an in-depth analysis of the outflow of money from public communal companies for funeral services through public procurement and beyond, which is reported several times after 2010 by the State Audit Institution. Anomalies in the money outflow control system from the PCC also resulted in absurd court rulings from 2013 and 2014 in which PCC directors for funeral services were sentenced to pay symbolic fines of 50,000 dinars (424 EUR) for conducting of public procurements (in the amount of several million euros per year) without any tender procedure.

To make the irony even greater in those business years when public procurements were conducted without conducting a tender procedure, those same public-utility companies for funeral services accumulated a significant part of 4.34 million euros of losses in their balance sheets. The transfer of millions for fictitious or incomplete procurements or services is one of the basic forms of the gray economy according to the principles of all European anti-corruption bodies and in the case of public communal companies in the field of funeral services in Serbia it should be the subject of a special investigation study. When we talk about the gray economy, the problem in Serbia is much wider, because the system allows numerous malfeasances and manipulations with minimal responsibility of perpetrators, and the work of PCCs for funeral services is only one area where irregularities are not adequately sanctioned.

#### **e. Damage done to the funeral services users**

The biggest losers in the field of funeral services, described in detail in this study, are the citizens of Serbia who are exposed to manipulations and forced to use these services.

Although funeral services are a very sensitive area because citizens choose providers and performers of these services in a relatively poorly developed market in the most painful life moments and circumstances, it seems that legislators and control bodies in the Republic of Serbia have not done enough to protect citizens as consumers from the following negative factors:

- a. High and economically unjustified costs of organizing funerals/cremations in cemeteries managed by public communal companies
- b. High and economically unjustified exhumation costs, as a condition for placing mortal remains in already leased graves in cemeteries managed by public communal companies for funeral services
- c. High and economically unjustified costs of construction, erection and maintenance of headstones, as a condition for the purchase of new graves in cemeteries managed by public communal companies for funeral services
- d. Lack of control over the fulfilment of the prescribed conditions (standards) from the Law and the Decree in more than 90% of public communal companies on the territory of the Republic of Serbia that perform funeral activities
- e. Lack of control over the fulfillment of the prescribed conditions (standards) from the Law and the Decree in 95.64% of private companies that de facto perform funeral activities in the field
- f. Conditioning of citizens (and private funeral companies selected by citizens) by public communal companies for funeral services to keep the remains of deceased exclusively in the cooling devices of the PCCs, as a condition for scheduling a funeral date
- g. High and economically unjustified prices of funeral equipment that citizens pay when, in order to get a funeral date, they decide to accept to buy funeral equipment from PCCs for funeral services (which is often set as a condition when communicating with PCCs staff for funeral services)

h. Excessive administration and requests for additional documents as a condition for organizing a funeral/cremation, use of a tomb or gravesite that further take time and increase citizens' costs

i. Shadow arrangements of managers of individual hospitals and nursing homes with managers of PCCs for funeral services or individual private funeral companies that do not have licenses for their work and conditioning families of the deceased to accept the services of a particular public or private funeral company

j. Additional damage that all citizens suffer as taxpayers due to accumulated losses and inefficiencies in the work of public communal companies for funeral services, because all these losses are compensated from the budget of the founding cities of these PCCs, i.e. through donations to cities from the budget of the Republic of Serbia

Described situation in the field of funeral activities in the Republic of Serbia actually indicates that a number of systemic mechanisms and institutions have partially or completely failed and that radical changes are needed in the way the Law on Communal Activities, the Decree on the Method and Conditions for Starting the Performance of Communal Activities, the Law on Consumer Protection and the Law on Health Care are implemented in practice.

In addition to constant control and monitoring by the Republic Communal Inspection, Health Inspectorate and the Commission for Protection of Competition on market participants in the field regarding the fulfillment of conditions for performing funeral and cemetery management activities, as well as proper market behavior of public utilities and private companies, it is necessary to continue with improving of the legal framework that should suppress opportunities for conditioning and blackmailing citizens. Users of public property, such as city cemeteries and hospitals, and their managers should be prevented from imposing any conditions for citizens to select funeral service providers or sellers of funeral equipment. Hospitals, which are built from health contributions, but also from citizens' taxes, must be equally accessible to all licensed funeral companies, and any conditioning of citizens or collection of additional fees for taking over the deceased from hospitals must be strictly prohibited.

The current situation in which citizens are exposed to manipulations is best illustrated by the fact that in several largest hospitals in the City of Belgrade (Belgrade City Hospital, KBC "Bežanijska kosa", Clinical Center of Serbia, KBC Zemun) funeral equipment stores of PCC "Funeral Services" are opened. However, Belgrade is not an isolated case. A similar situation is repeated in smaller cities and municipalities, so in Indjija, in the Special Hospital "Dr Borivoje Gnjatić", a private funeral company was opened and officially registered, although the Law on Health Care prohibits this type of renting hospital space for non-medical purposes.

In order to prevent abuses in taking over the deceased from hospitals and scheduling funeral dates, many European countries have clearly separated the activity of managing cemeteries from funeral activities, which include organizing funerals, selling funeral equipment and free choice of bidders for making, erecting and maintaining tombstones. In European countries, it is inconceivable, as in Serbia, for stores of funeral equipment of PCCs for funeral services, but also of certain private funeral companies, to be located in hospital circles and buildings. Serbia is the only country in Europe where, in addition to the geriatrics department in city hospitals (Belgrade is the most obvious example), there are PCC offices for funeral services, so patients in the hospital ward look at coffins, crosses and other funeral equipment every day, and there are cases that such shops are located next to maternity wards where mothers bring their children into the world. This is not just

about satisfying lucrative interests, but about violating the norms of civilization and the basic rights of old and sick people, pregnant women and mothers with newborn babies to be stationed and treated in a suitable and protected environment. It is interesting that the Republic Health Inspectorate has not officially reacted to the opening of funeral stores in hospitals so far, nor has it prohibited such actions, contrary to the Law on Health Care.

All of the above indicates that behind the scenes, within the funeral business, there is a constant struggle for the biggest "cake" on the funeral services market, but the methods for "conquering" and dominating the market have long crossed the boundaries of good taste and behavior in civilized countries. The state and its control bodies must show firm will and make an effort to finally convert European norms in the field of funeral services, adopted on paper, into real life and strictly sanction any abuse.



## 6. Conclusions of the Study

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Based on the data collected and analyzed in this study, appropriate conclusions can be drawn as to which activities need to be carried out in order for the area of funeral services to be regulated in the best interest of the Republic of Serbia, its citizens and all legal economic entities involved in funeral activities.

Regulating sensitive activities like this should in the long-term lead to an increase in the level of quality and efficiency of funeral services with economically realistic prices, which implies further development of market competition, as a precondition for citizens to freely choose adequate service providers.

The regulation of funeral activities implies the introduction of greater control and transparency of the work of public communal companies for funeral services and their rational operation. Exactly the same principles of work must be introduced in the PCC for funeral services as in private funeral companies, with full respect for the principles of efficiency and economic self-sustainability.

For the Republic of Serbia, which belongs to the group of 6 poorest European countries (whose gross domestic product per capita in the period between 2014-2018 was 39.7 percent of the European average GDP per capita), it is a huge luxury and waste to keep large-scale public utility systems that on the one hand create significant losses, and on the other hand, provide insufficient quality and expensive service to citizens. Every European country that takes good care of its budget seeks to dismantle such inefficient systems, reduce the need for intervention from the state budget and save taxpayer money.

The main challenge for current and future Serbian finance ministers is whether they prefer a public utility system, which relies on cumbersome loss-making companies (which at the same time charge dearly for services to citizens to compensate for its own unproductiveness and inefficiency), or a simpler and cheaper system with many small and medium enterprises employing people on a realistic basis, pay taxes, contributions and other benefits and provide better service to citizens? This is, after all, an open question of a much broader strategy of sustainable management of public property and resources, as well as the entire public sector, and closely related to the strategy of development of the SME sector and the principles of demonopolization and decentralization. For now, the only thing that is certain is that the answer is unknown, because the competent state institutions, as of the end of 2020, have not done any study of the situation in the field of funeral activities, nor invited relevant organizations and experts from this area to participate in the open exchange of views on current trends and ideas about directing this sector in the coming years.

If authors of this study follow the principles of sustainable economic logic and common sense, that the state interest is to provide adequate funeral services to citizens, in accordance with European directives and civilizational norms of the 21st century, while achieving significant budget revenues (or at least eliminates expenditures). This further implicates that the conclusions of this study would be as follows:

- ✓ The Ministry in charge of infrastructure must, as soon as possible, form a register of public utility and private companies that meet the legal requirements to perform funeral activities in order to suppress the gray economy and prevent pervasive abuse of citizens.
- ✓ The Republic Communal Inspection must perform inspection supervision in all cities and municipalities of the Republic of Serbia and determine which of the public-communal and private funeral companies active on the field meet the requirements of the Law and the

Decree. All those who meet the conditions must be entered in a single register for funeral activities, and others must be disabled from performing illegal activities.

- ✓ The Republic Health Inspectorate must conduct inspections in Belgrade and other hospitals across the country and ban the operation of funeral equipment stores and other branches of public communal companies for funeral services, as well as private funeral companies, where they exist in accordance with the Law on Health Care
- ✓ The Ministry in charge of infrastructure must, in cooperation with the Ministry of Public Administration and Local Self-Government, and with the involvement of the Republic Communal Inspection, impose measures against all cities and municipalities that did not harmonize local decisions on cemetery management and funeral organization in accordance with the Law on Communal Activities and the Decree on the Method and Conditions for Starting the Performance of Communal Activities and order that this harmonization is urgently performed.
- ✓ The Commission for Protection of Competition and the Republic Communal Inspection must impose measures and sanction the practice common in Belgrade and other cities where PCCs for funeral services condition licensed private competition on the market by scheduling funeral dates and thus use a dominant position to impose their significantly more expensive services and purchase of funeral equipment.
- ✓ The Ministry in charge of infrastructure in further amendments to the Law on Communal Activities should clearly separate the activity of cemetery management from funeral services and not allow the same companies to perform both activities, which would prevent further manipulation, blackmailing and greening of citizens, which are users of funeral services. In the long-term, this would enable equal access to cemeteries for public utility and private funeral companies and equal market competition, which is in the interest of both the state and citizens, following the example of many other European countries, where this functions in a satisfactory way in everyday practice. With this approach, the Law on Communal Activities would be harmonized with the Directive 2006/123/EC of the European Parliament and the Council from 12-12-2006 about services on the internal market.
- ✓ Through the adoption of the new Law on Cemeteries and Funerals, the cemetery management and organizing funerals should be further harmonized with European norms, allow citizens to be owners and not tenants of graves and thus create conditions for companies that manage cemeteries to efficiently collect their basic income. It is necessary to establish a single register of passive and active cemeteries on the territory of the Republic of Serbia, which currently does not exist, and to prescribe the conditions under which the state, local self-government, or business entities (through public-private partnerships) can build a cemetery or crematorium.  
Also, the owner/tenant of the tomb should be given the exclusive right to independently choose the executor of works on construction, maintenance or recovery of the headstone, as well to the executor of the exhumation process in all cemeteries in the Republic of Serbia, unlike the current situation on the cemeteries managed by public communal companies where exhumation can only be performed by PCC.  
This Law should also enable the competent Ministry of infrastructure to control the prices of graves that have reached fabulous heights and that prices are in line with the real development of cities and municipalities on the territory of the Republic of Serbia.

Additionally, it is necessary to create preconditions for keeping records of gravesites in a modern way and for all descendants of citizens buried on cemeteries on the territory of Serbia to be able to find the remains of their ancestors from any part of the world, via electronic records.

The Law on Cemeteries and Funerals should also speed up the slow and cumbersome administrative procedures that complicate the funeral/cremation process, transport of mortal remains from abroad to Serbia and vice versa, and impose additional unnecessary costs on citizens. This refers in particular to documents issued or required by PCCs that manage cemeteries such as:

- a. Certificate about the existence of grave site for transportation of the deceased from abroad
- b. Limitation of deadlines for taking over the urn with ashes during cremation and express cremation
- c. Issuance of a certificate of the gravesite for the needs of exhumation
- d. Simplification of procedures for funeral approval and exhumation of mortal remains in a particular grave site/grave

Most of these documents can be obtained and submitted in electronic form and it is necessary that the Law on Cemeteries and Funerals obliges the companies that manage cemeteries to accept the electronic form of documents.

## 7. Methodology and data collection for this study

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### a. Methodology and model of data collection

During the work on this study, the authors (and Business Support Network Team that assisted them) were faced with numerous challenges in terms of data sources and reliability.

Due to the significant lack of official data from state institutions of the Republic of Serbia about the funeral services area, it was necessary to conduct additional research work and collect data from various sources. Then the accuracy, importance and "weight" of data was checked to indicate the sizes, trends and values and encompass all in a realistic context that reflects the current situation in the field of funeral activities at the level of the Republic.

Research work on data collection lasted almost 90 days and various sources were used, from websites and publications of official state institutions and public companies, then searching archives and electronic databases, to direct collection of information from the field, using capacity and contacts of several business associations which are active in different regions and throughout Serbia.

For all data reported in the study, whether from official government sources or collected by alternative methods, there is relevant documentation and evidence. Nothing from anonymous sources was used and each individual data is verifiable.

Unfortunately, the general impression of authors who have many years of experience in economic analysis and research is that the entire field of funeral services has been significantly omitted by state structures and executive authorities, although this area is very important for citizens of Serbia in a social, cultural and economic sense.

If we look only at the economic aspect, **the annual turnover of 9,012,223,272.00 dinars or 76.37 million euros** (at the exchange rate of 118.00 RSD for 1,00 EUR) in the market of funeral services **and more than tens of millions of euros** (free assessment, because it was not possible to find exact data) for the segment of making, erecting and maintaining tombstones, together they classify funeral activities in a significant sector of the Serbian economy. The sector in which the total annual turnover certainly exceeds 100 million euros deserves to be adequately monitored by the official institutions of the state on the basis of a realistically verifiable and elaborated methodology, which is currently not the case.

### b. Data sources

1. Web site of The Delegation of European Union to the Republic of Serbia
2. Printed and electronic issues of Official Gazette of the Republic of Serbia
3. Available data of the State Audit Institution of the Republic of Serbia
4. Local official sheets of 47 cities and municipalities on the territory of the Republic of Serbia
5. Web site and other documents of the Commission for Protection of Competition of the Republic of Serbia
6. Web site and other documents of the Ministry of Construction, Transport and Infra-structure of the Republic of Serbia
7. Web site and other documents of the Government of the Republic of Serbia
8. Web site and other documents of the National Assembly of the Republic of Serbia
9. Web site and other documents of the Statistical Office of the Republic of Serbia

10. Web site and other documents of Serbian Chamber of Commerce (Business Association of Communal Enterprises „Komdel“)
11. Publicly available balance sheets and income statements of public communal companies for funeral services and licensed private funeral companies from the website of the Business Registers Agency of the Republic of Serbia
12. Decisions and other documents of Republic Communal Inspection
13. Web site and other documents of Association of Serbian Private Funeral Companies
14. Price lists and other documents of PCC „Funeral Services“, Belgrade
15. Price lists and other documents of PCC „Šumadija“, Kragujevac
16. Price lists and other documents of PCC „Lisje“, Novi sad
17. Price lists and other documents of PCC „Gorica“, Nis
18. Price lists and other documents of PCC „Komunalije“, Sremska Mitrovica
19. Price lists and other documents of PCC „Komunalac“, Inđija
20. Price lists and other documents of PCC JPPC Čukarica, Beograd
21. Price lists and other documents of PCBC JPPC Zemun, Belgrade
22. Price lists and other documents of PCBC „Napredak“, Sokobanja
23. Price lists and other documents of PCC „Pogrebno“, Subotica
24. Price lists and other documents of „Dianthus“, LLC, Beograd, Zemun
25. Price list of „Funero“, LLC, Subotica
26. Financial Plan of the Republic Pension and Disability Insurance Fund for 2018
27. Data from the web site and other official publications of the Economics and Econometrics Research Institute (EERI), Brussels
28. Data from the web site and other official publications of the EUROSTAT
29. Data from the web site and official publications of the Group of States against Corruption (GRECO)
30. Web site and other documents of the European Parliament
31. Web site and other documents of the European Council
32. Available data of the Health Inspection of the Ministry of Health of the Republic of Serbia
33. Coroner's Service of the City of Belgrade