

SPIS PROJECT



GAP ANALYSIS

IN THE AREA OF SOCIAL PROTECTION
AND INCLUSION POLICIES
IN BOSNIA AND HERZEGOVINA



Project is funded by the European Union



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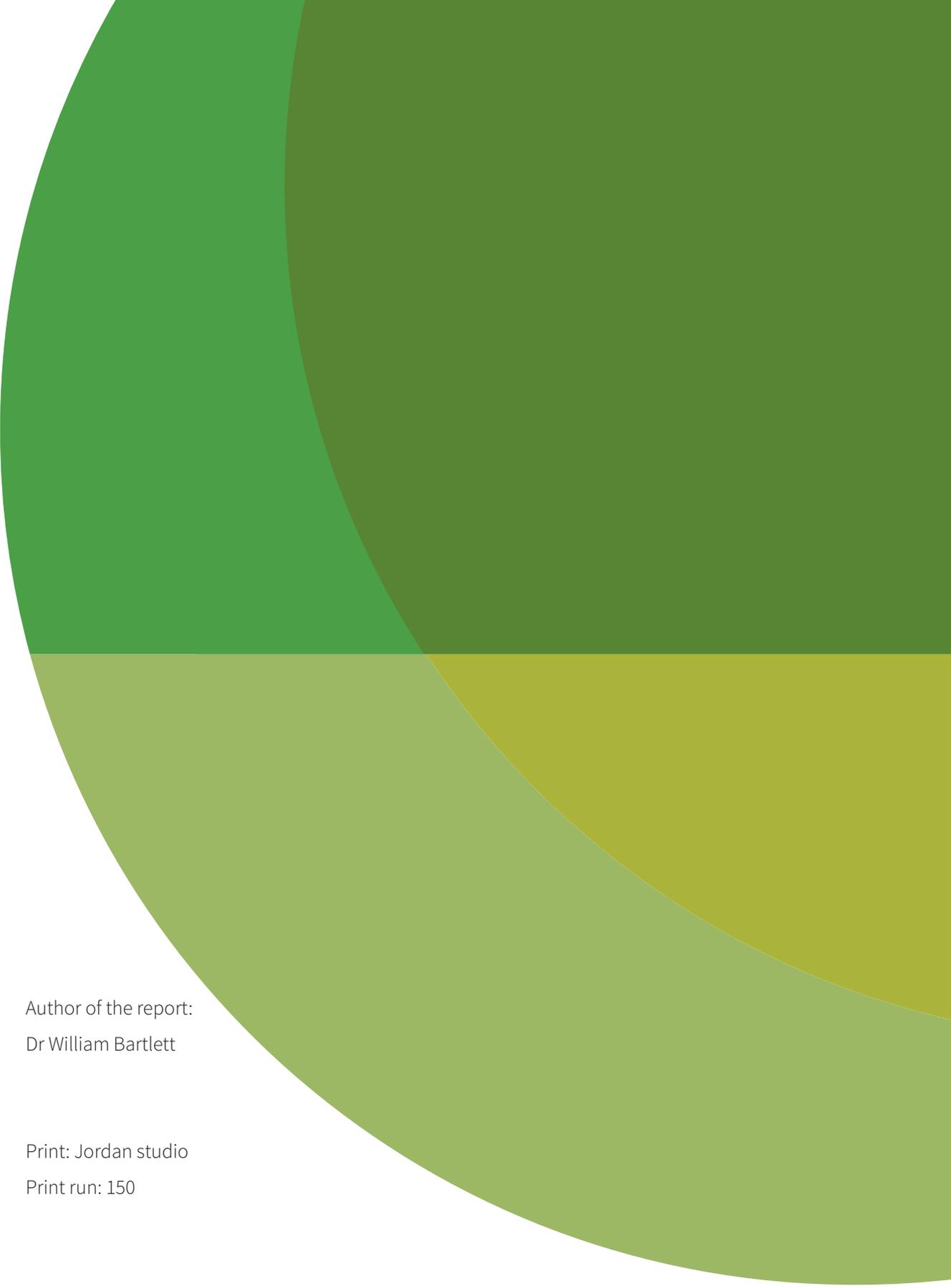
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Sarajevo, November 2013



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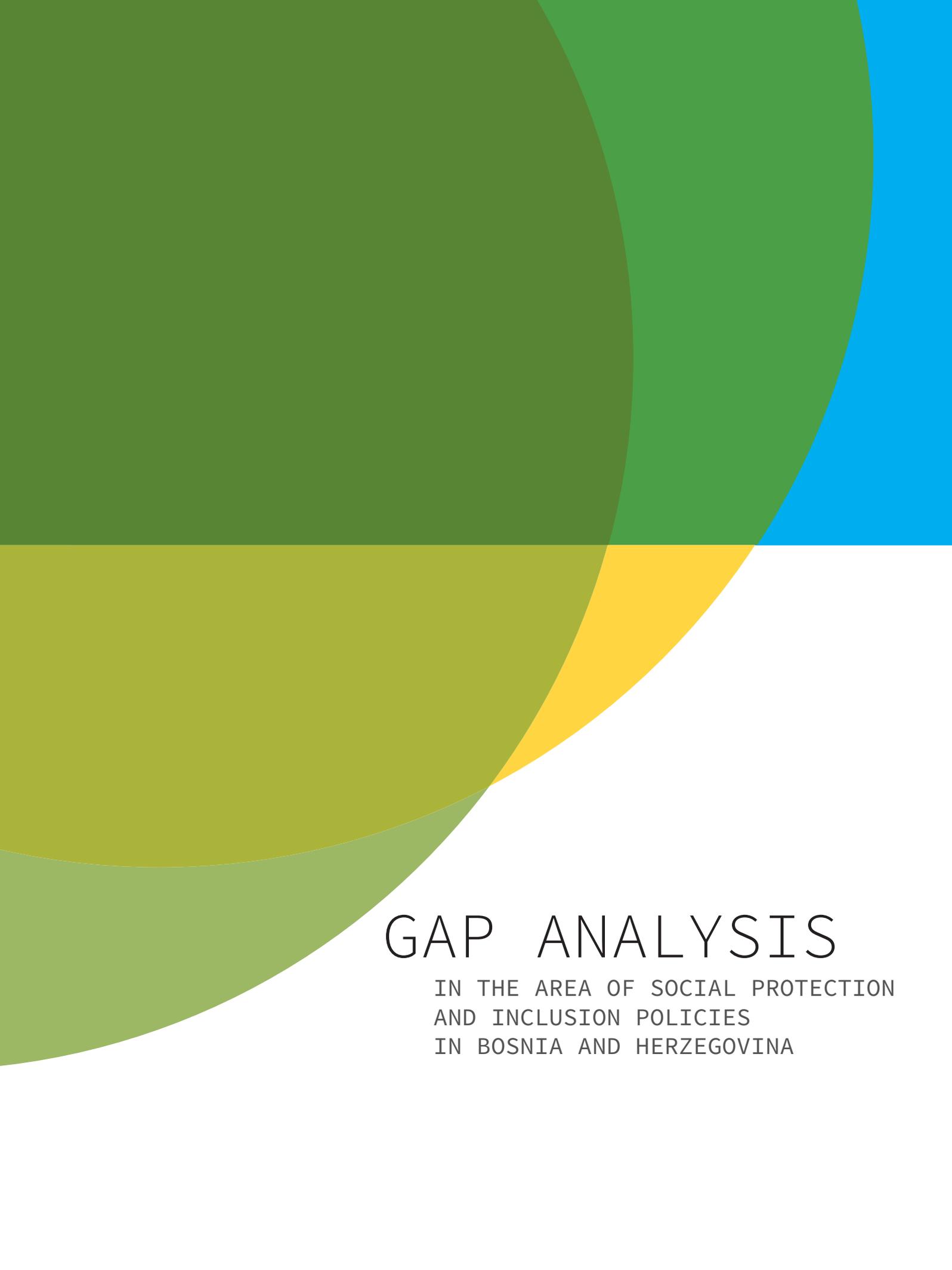




Author of the report:
Dr William Bartlett

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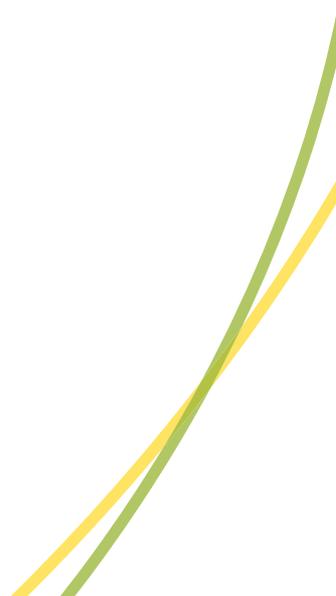
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ABBREVIATIONS

AROPE	At-Risk-of-Poverty and Social Exclusion
BD	Brčko District
BiH	Bosnia and Herzegovina
CSW	Centre for Social Work
DEP	Department for Economic Planning
EBRD	European Bank for Reconstruction and Development
ESSPROS	European System of Integrated Social Protection Statistics
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
IMF	International Monetary Fund
KM	Convertible Mark
LiTS	Life in Transition Survey
MoCA	Ministry of Civil Affairs
OSCE	Organisation for Security and Cooperation in Europe
PFA	Permanent Financial Assistance
RS	Republika Srpska
UNDP	United Nations Development Programme
WHO	World Health Organisation
YERP	Youth Employability and Retention Programme



EXECUTIVE SUMMARY

This Assessment fits within a work plan of the UNICEF Social Protection and Inclusion Programme (SPIS), the overall objective of which is to improve the social protection system at all levels of governance by strengthening the social protection and inclusion of children and young people, improving the policy framework and building the capacities of social service providers.

The goal of the *Gap Analysis in the Area of Social Protection and Inclusion Policies* is to provide an overview of the systems of social protection and social inclusion in Bosnia and Herzegovina in the areas of social security, social assistance, and social inclusion. The report covers the provision of cash benefits for children and families, disabled people, veterans and their families, and the unemployed, and access to services provided under the system of health insurance. Under the topic of social inclusion it further reviews active employment policies for young people, and the provision of inclusive education. It identifies gaps in the provision of these benefits and services and discusses how social innovations may be used to overcome such gaps. Finally it presents a method of policy coordination that could be used to ensure that the gaps in social protection and social inclusion are effectively addressed.

The report covers the whole of Bosnia and Herzegovina with specific attention to the diverse needs and gaps in the Entities, Districts and Cantons in each policy field. The report draws upon primary statistical data and policy reports as well as on the findings of field research carried out through numerous meetings held with policy makers, NGOs and other stakeholders in March, April and June 2013.

This report has identified and documented the serious and growing extent of poverty and social exclusion in Bosnia and Herzegovina. It has shown that more than half a million people in Bosnia and Herzegovina are living in relative poverty, and perhaps as many as one and a half million. More than a further million people are living in a situation of severe material deprivation or in a situation of social exclusion defined as living in families with very low work intensity.

The report has set out the policy, legal and administrative framework of social protection and social inclusion systems designed to deal with these issues in the fields of poverty, family and child welfare, veterans welfare, unemployment benefits system and active labour market measures to raise the employment rate, in the field of healthcare services and inclusive education. It has presented these issues separately for the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brcko District and highlighted differences in the extent and nature of the problems between the various Entities, Districts and Cantons, while also emphasising the similarities in the problems that are faced. It has identified a number of significant gaps in the policy, legal and administrative frameworks in all these areas of social policy.

Major gaps in the policy framework to deal with the high levels of poverty and social exclusion include (i) the very low level of public expenditure on traditional social assistance to meet the needs of those in poverty or social exclusion and provide a minimum level of income needed to support a normal life, (ii) the need for further training of social workers in Centres for Social Work and the reduction in their caseload so that they can deal more effectively with clients, (iii) the disastrously high level of unemployment and especially youth unemployment which affects two thirds of young people between the age of 15 and 24, and (iv) the associated low levels of employment, well below the employment rates found in most European countries, (v) the low coverage of the unemployed by unemployment benefits, (vi) the low coverage of population by formal health insurance, (vii) the low priority given to preventative health measures, (viii) the need to shift the cost of providing social health insurance from the CSWs and the Employment Agencies so that they may focus more effectively on their core missions and tasks, (ix) the low coverage of pre-school education, (x) the high rate of early school leaving in the Federation, (xi) the existence of inappropriate and out-dated curricula in secondary vocational schools, and (xii) the underrepresentation of girls in such schools.

Given the scale of the problems and their increase in the wake of the impact of the global economic crisis and the associated crisis of the eurozone on the Bosnian economy and society a new approach is needed to tackle these problems. Based on the findings of the report a set of Entity Roadmaps/proposals for social protection and social inclusion and a Framework for the Coordination of Entity Roadmaps/proposals has been developed for discussion at further workshops with policy makers and stakeholders in each Entity and District for eventual adoption of the revised versions at a national level conference in November 2013. The Roadmaps and the Framework will provide a basis for the development of social protection and inclusion policies and enable funding of the activities identified in the Entity and District Roadmaps/proposals through Entity and District budgets with the support of the external donor programmes and other funding sources.

1. BACKGROUND AND PURPOSE OF THE REPORT

As in other countries in Europe, Bosnia and Herzegovina faces a difficult economic climate due to the continuing crisis and return to recession conditions in the Eurozone. The crisis had a severe negative impact on the Bosnian economy, which has still not recovered to the GDP level attained in 2008, while real GDP fell further in 2012 by about three quarters of one per cent. In 2012, youth unemployment increased to over 60% for the first time¹. Under the terms of the Stand-by Agreement with the IMF, the government budgets of the state-level institutions and the governments of the two Entities – the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) – aim to reduce the overall general government deficit to two per cent of GDP, and to reduce the structural fiscal deficit to three quarters of one per cent of GDP in order to reduce public debt (IMF 2012a, 2012b). This target will inevitably constrain expenditure on social protection.²

The aim of the report is to provide a gap analysis in the area of social protection and social inclusion policies and on the basis of the identified gaps to outline a set of three SPI Roadmaps/proposals at Entity and District levels with recommendations for policy improvement. It also aims to define a set of common social indicators to measure and monitor the key social problems facing BiH, along with a set of specific targets for each Entity and District. This is supplemented by a proposal for a country-wide framework for policy coordination based on the SPI Roadmaps/proposals and a system of reporting based on a set of differentiated Annual Social Reports at Entity and District levels supplemented by a Joint Social Report at country-wide level that would report on progress towards the agreed goals in each Entity, District and Canton.

1.1. Social protection and social inclusion: definition of terms

Social protection is conventionally defined as the set of policies that seek to guard individuals and families against social risks such as unemployment, sickness, disability, and destitution and to support the living standards of families and children who are at risk of poverty and social exclusion³. Social protection systems are conventionally classified into social security schemes and social assistance schemes. Social security schemes are based upon social insurance contributions. Entitlement to social security benefits, either in cash or in kind, depends upon one's record of contributions. Consequently, non-insured persons are not entitled to receive social security benefits.

- 1 In 2012 the unemployment rate of young people aged 15-24 was 63.1% in BiH, 67.1% in FBiH, 54.3% in RS and 64.4% in DB, Labour Force Survey, Final Results, Table 3, BHAS, 2012
- 2 The governments aim to reduce public sector wage bills to make room for an increase in social support and protect the poor. In RS this will be achieved by eliminating the take-home pay protection for public sector employees, in FBiH by maintaining reductions in the base wage made in early 2012. In addition, social benefits are being reviewed through eligibility audits.
- 3 "Social protection systems are designed to protect people against the risks associated with unemployment, parental responsibilities, sickness/health care and invalidism, the loss of a spouse or parent, old age, housing and social exclusion" Eurostat website: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_protection_backgrounds

This sometimes leads to gaps in the system of social protection. For example, for various reasons a rather large number of people in BiH are not covered by public health insurance and so are not entitled to the basic package of health care services⁴.

Social assistance schemes are designed to provide a safety net for people in need who are not covered by social security schemes or not sufficiently well covered to meet certain minimum standards. Social assistance benefits are paid either in cash or kind, according to various eligibility criteria that differ between countries. In decentralised states, the eligibility conditions often also differ between regions. Since Bosnia and Herzegovina has a highly decentralised governance structure, it is not surprising that eligibility conditions for social assistance differ between Entities, Districts and Cantons. Along with differences in eligibility criteria there are also differences in coverage, targeting efficiency and generosity.

1.2. Structure of the report

The report is organised as follows. Section 2 discusses the main **social risks** in Bosnia and Herzegovina (BiH), the two Entities and the District of Brcko. It identifies the extent of the social problems facing BiH that result from poverty and social exclusion and places this in a European comparative dimension. Section 3 discusses the development of policies towards social protection in BiH. It outlines the policy framework and broad legal basis for social protection in BiH, and the extent of social protection expenditure in an international comparative perspective.

Section 4 covers the policy, legal and administrative structure of social assistance at the countrywide level and for each of the Entities, Districts and Cantons. It identifies gaps in relation to coverage of social risks facing persons in social need, families and children, and war veterans. Gaps in the social assistance system facing these groups in each Entity and District are identified. Section 5 covers the policy, legal and administrative structure of social security at the countrywide level and for each of the Entities, Districts and Cantons. It identifies gaps in social security in the fields of unemployment insurance and health insurance. In connection with the discussion of unemployment benefits it also discusses the policy framework and associated gaps in the field of active inclusion of the unemployed in the labour market with a focus on activation of young unemployed people. Section 6 identifies gaps in relation to issues of social exclusion and social inclusion policies covering the field of inclusive education.

Section 7 presents an analysis of social innovation as practiced in the EU and identifies the extent, gaps, and opportunities for social innovation in BiH. The analysis covers innovation in public services, the social economy and social entrepreneurship as mechanisms to fill some of the gaps in social provision in the Entities, Districts and Cantons of BiH. It discusses social investment approaches in the context of the EU's "Social Investment Package" and outlines methods of diffusion of social innovation. Gaps in social innovation in BiH are identified and some proposals for filling these gaps are put forward.

⁴ In Sarajevo Canton about 5% of the population is not covered by health insurance (see Izvještaj o radu i poslovanju Zavoda zdravstvenog osiguranja Kantona Sarajevo za 2011. Godinu, Health Insurance Institute, Sarajevo).

Section 8 presents **recommendations** for mechanisms dealing with the gaps identified in the report and suggests measures to promote policy coordination and mutual learning among key stakeholders and to improve the policy framework taking into account the existing institutional structure and achievements in the area of policy coordination. It also discusses ways to promote social innovations in the area of social policy and inclusion.

2. SOCIAL RISKS IN BIH

Poverty in BiH is measured by the Agency for Statistics of BiH on an expenditure basis⁵. Using a relative poverty threshold of 60% of median consumption per equivalent adult gives a threshold level of expenditure of 416.40 KM per month per equivalent adult as a poverty line. On this basis, analysis of the HBS data demonstrates that 17.9% of the population was living at risk of poverty in 2011 (see Table 1)⁶. This relative poverty rate in BiH is not very different to that in the EU-27. The relative poverty rate differed across the Entities, being higher in the RS than in the FBiH and lowest in Brčko District.

Table 1: Relative poverty in BiH, 2011

	BiH	FBiH	RS	BD
Poor households	177,277	104,053	70,574	2,651
Poor individuals	566,025	349,756	206,535	9,734
Poverty rate: households	17.2	16.0	19.6	12.2
Poverty rate: individuals	17.9	17.1	19.5	14.7
Poverty gap households	25.2	26.6	23.3	20.8
S80/S20 ratio	4.9	5.2	4.4	4.4

Source: BHAS (2013) Household Budget Survey in Bosnia and Herzegovina, 2011, (Final data), First Release No. 1, 21.2.2013, Sarajevo: Agency for Statistics of Bosnia and Herzegovina

In 2010, the EBRD carried out the “Life in Transition” (LiTS) survey in 34 countries including Bosnia and Herzegovina. A supplement to the main survey covered a set of social inclusion indicators based on the European Household Survey social exclusion module, which included the main indicators used in the EU-SILC for the measurement of social exclusion. As it used a different consumption aggregate to the BiH HBS it is not directly comparable. However, it does allow a calculation of the three indicators of the EU concept of “at-risk-of-poverty and social exclusion” (AROPE): poverty risk, severe material deprivation and very low work intensity (Cojocar and Ruggeri Laderchi, 2013).

⁵ Rather than on an income basis as is done in the EU measure of poverty calculated by Eurostat.

⁶ The Agency has also performed a measure of absolute poverty based on a subsistence minimum poverty line assessed from the Household Budget Survey of 2007 (BHAS 2007). Using a definition of the poverty line that excludes health expenditure, the study found an absolute poverty rate of 18.6% of the population for the country as a whole, 17.4% in FBiH, 20.2% in RS and 27.2% in BD.

These data show that more than half of the population of BiH are at risk of poverty or social exclusion (see Table 2). This figure is large, it is much higher to comparable countries in the region where Eurostat measures the AROPE indicator; in 2011 it was found to be 49% in Bulgaria, and 33% in Croatia.

Within this, almost a third of the population are at risk of relative poverty,⁷ a figure that is not too different from that found in some other countries in the region; according to Eurostat the at-risk-of-poverty rate in Bulgaria was 21% in 2010.

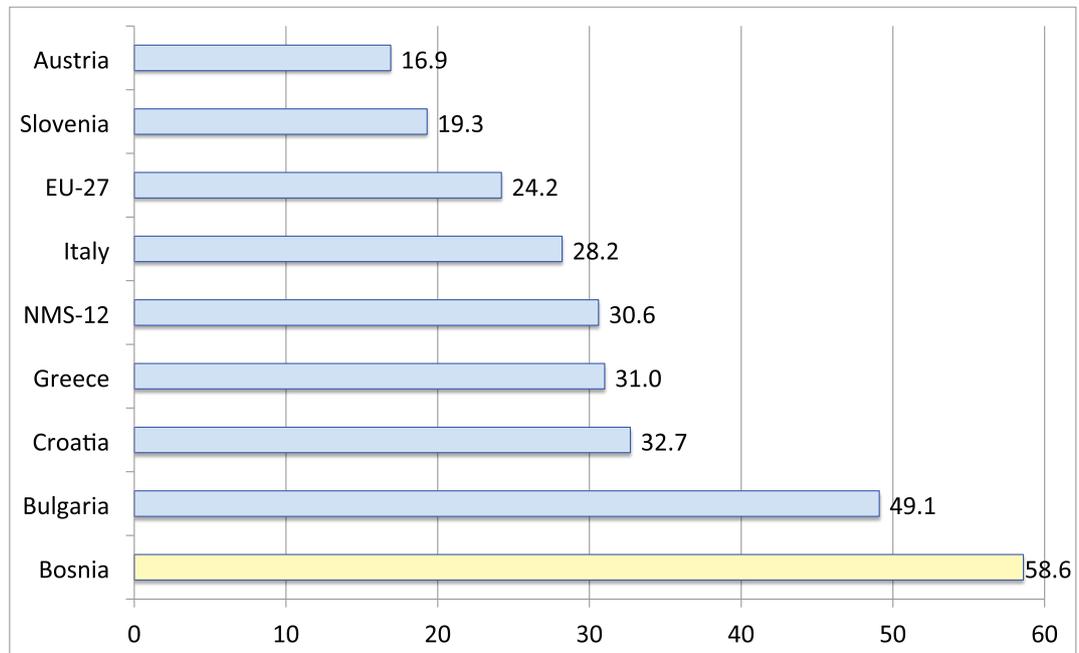
Table 2: People at Risk of Poverty or Social Exclusion in BiH

	Number of people	Proportion of population
1. At risk of poverty	1,514,576	32.4%
2. With severe material deprivation, but not at risk of poverty	891,614	19.1%
3. With very low work intensity but neither in severe material deprivation nor in low work intensity household	305,641	6.5%
At-risk-of-poverty or social exclusion (AROPE)	2,711,831	58%

Source: Cojocararu and Ruggeri Laderchi (2013) Table 6.10. Note: Row 2 is calculated from data provided in the Table

This data is put into international perspective in Figure 1, which shows that the risk of poverty and social exclusion in BiH as measured by the AROPE indicator is far higher in BiH than in most other European countries, and is close only to Bulgaria.

⁷ It should be noted that the consumption basket used to calculate this figure differs from that used by BHAS in the analysis of the HBS, and so the two are not directly comparable.

Figure 1: Risk of Poverty and Social Exclusion in Europe and BiH (AROPE)

Source: EUROSTAT online data. Note: for BiH: Cojocar and Ruggeri Laderchi (2013)

Most policy makers agree that while a resumption of economic growth is the essential long-term solution to eliminate extreme poverty and social exclusion, the short-term risks of poverty and social exclusion should be met by appropriate systems of social protection and social inclusion. Moreover, as the European Commission has increasingly strongly argued, social protection is a productive factor and smart, sustainable and inclusive growth is unlikely to be realised without significant social investments in education, health and inclusive labour market policies which enable the increase in productive employment needed to underpin future economic growth.

The population in BiH also faces many other social risks that should be met by the systems of social protection and social inclusion. These include the risks of long-term unemployment, youth unemployment, ill-health, poor education standards, increased family tensions leading to an increase in the divorce rate, disadvantaged children, dissatisfied youth leading to increased problems of alcoholism, drug addiction and other social problems, an ageing population with attendant increase need for care services, marginalisation of disadvantaged groups such as the disabled and the Roma.

The SPIS project has taken a leading role in analysing these challenges in Bosnia and Herzegovina and has identified a number of gaps in legislation, policy, capacity, planning, financing, implementation, monitoring and evaluation and a lack of collaboration between different governmental levels in relation to social protection and inclusion systems for children and families with children in Bosnia and Herzegovina (Kačapor Džihić, 2010). This report widens the scope of the analysis to cover the social protection and inclusion system as a whole.

3. SOCIAL PROTECTION IN BIH

The social protection systems in BiH originated in the social insurance system established in the former Yugoslavia in the 1920s and was extended and developed in the SFRJ⁸. The social protection systems in BiH are composed of a social security system and a social assistance system. The social security system provides insured persons who have paid their contributions for a minimum period with various benefits to protect against social risks such as old age, ill health and unemployment. The main contributory schemes are for health insurance, unemployment insurance, and pensions and disability. The main insurance-based benefits are reimbursement of the costs of health services, disability benefits, unemployment benefits and pensions.

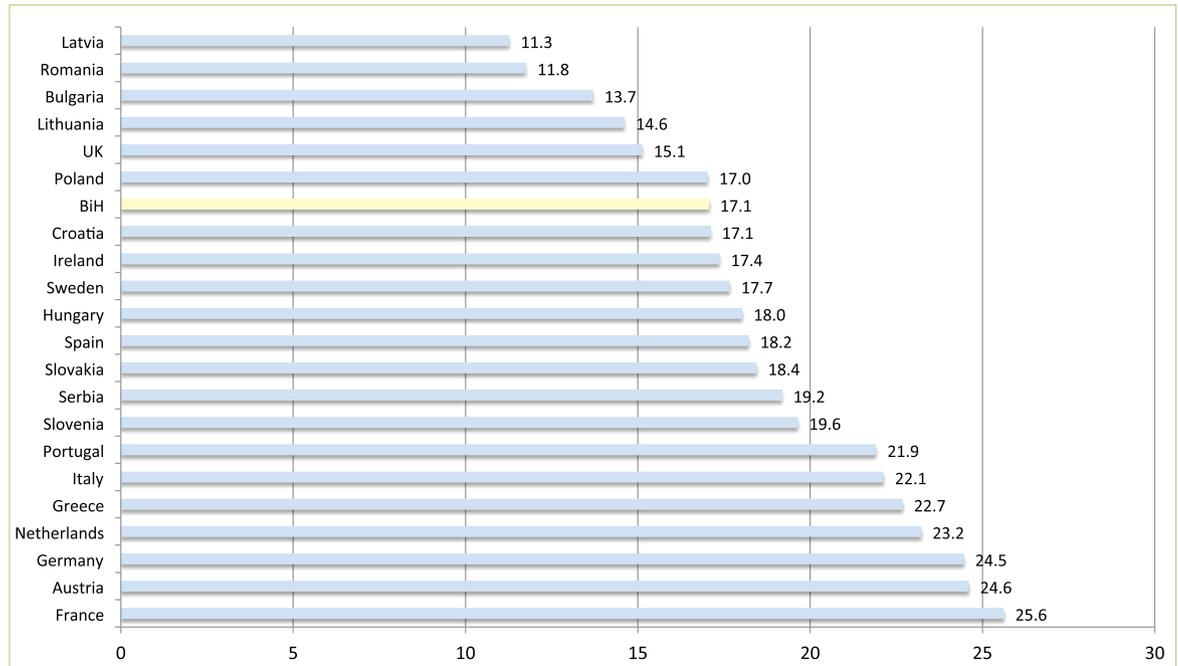
The social assistance system is a non-contributory scheme that provides a social safety net for the most needy. It provides eligible persons with family benefits, child benefits, veterans' benefits, and social care services.

Responsibility for legislation, planning and implementation of social protection policies is held at various devolved levels in Bosnia's complex system of multi-level governance: at Entity level in the case of RS, at District level in the case of BD and at Cantonal level in the case of FBiH.

In 2011, total social protection expenditure in BiH was 17.1% of GDP, which is at the lower end of a group of moderate spending countries⁹. In RS, expenditure on social protection has been estimated at 20.3% of GDP (EI, 2013: 20), a share similar to Slovenia and still within the range of moderate spending countries. Some transition countries spend much less on social protection (Bulgaria, Latvia, Lithuania and Romania) while most continental EU member states spend much more generously on social protection. Austria, Germany and France, for example, spend about one quarter of their GDP on social protection. The total spending on social protection in BiH is similar to that in neighbouring countries such as Croatia, Hungary and Serbia.

8 Vaughan, E. J. (1965) Social insurance in Yugoslavia, *The Journal of Risk and Insurance*, 32(3): 385-393.

9 As explained above, expenditure on social protection includes expenditure on both the system of social security and the system of social assistance. Social security is the system of protection against social risks that is based on social insurance contributions, while the system of social assistance is designed to provide protection for people that are not covered against social risks on the basis of social security contributions. Social assistance usually provides a minimal social safety net for the poorest members of society.

Figure 2: Total spending on social protection benefits as % GDP in 2011

Source: International Monetary Fund (2013): Government Finance Statistics (Edition: March 2013).¹⁰ Note: The variable name in the IMF database is "Social benefits as a percentage of GDP", and the variable code is [GF_942_CC_GG_27_GDP]

Apart from the overall level of spending it is important to note that the competences for social protection are devolved to the level of Entities and Cantons giving rise to considerable territorial disparities and inequalities in provision of benefits and services depending on where a person lives (EC 2008a). For example, child benefit rates differ greatly between Cantons in FBiH giving rise to perceptions of injustice (OSCE 2012). Moreover, the eligibility for social assistance is frequently made on the basis of categorical criteria that lead to discrimination against some marginalised and disadvantaged groups that are not recognised as an eligible category (EC 2008a).

This report distinguishes between the various levels of multi-level governance including the state-level, the Entities and the Cantons in the Federation, and the municipalities throughout the country, which have some competences in the field of social protection and inclusion. We cover the following classes of social protection: Sickness and Disability, Family and Children, Unemployment, Social Exclusion. We do not cover the issue of pensions (the classes of old age and survivors), as this report is mainly focused on social protection of children and young people. Nor do we cover the Housing class of social protection outlays.

3.1. The policy framework for social protection in BiH

Competences for social protection and social inclusion are mainly decentralised to the level of the Entities, District and Cantons. At the state level, the BiH Ministry of Civil Affairs has a competence for the coordination of the plans of the entity governments and managing international social security

¹⁰ Available from Mimas, University of Manchester, DOI: <http://dx.doi.org/10.5257/imf/gfs/2013-03>.

agreements that BiH has ratified. The ministry of Human Rights and Refugees has competence for rights of displaced persons and returnees. It monitors the implementation of Annex VII of the Dayton agreement and matters relating to all human rights conventions that BiH has ratified. The Return Fund of BiH provides benefits to returnees. This is one of the few competences for social protection that is held at the State level.

Various departments within the Institutions of BiH, other Agencies and Councils monitor the policies implemented by the Entities and District Brcko. Policies towards refugees and returnees are monitored by the Sustainable Return Monitoring Department at the Ministry of Human Rights and Refugees. The Institution of Human Rights Ombudsmen of Bosnia and Herzegovina monitors child protection and policies towards disabled persons. The BiH Council for Children within the Ministry of Human Rights and Refugees monitors the implementation of national Plan for Children. The Roma Council monitors the implementation of Roma inclusion policy. The Gender Equality Agency within the Ministry of Human Rights and Refugees of BiH monitors equal opportunities legislation.

3.2. The broad legal basis of social protection in BiH

Laws have been adopted in Entities, District and Cantons to regulate the social protection system in BiH. The lack of coordination of Entity laws creates major problems in all fields of social protection.

The FBiH the main laws relating to social protection are:

- Framework Law on Social Protection
- Law on the Protection of Civilian War Victims
- Law on the Protection of Families with Children
- Family Law

The FBiH Framework Laws establish minimum levels of social support, which the Cantons adapt under separate Cantonal laws, varying the amounts of social transfers within a set range. This results in a wide dispersion of social protection benefits across the Cantons (OSCE 2013).

In Republika Srpska, the main laws relating to social protection are:

- Law on Social Protection
- Law on Child Protection
- Family Law

In Brcko District, the main laws relating to social protection are:

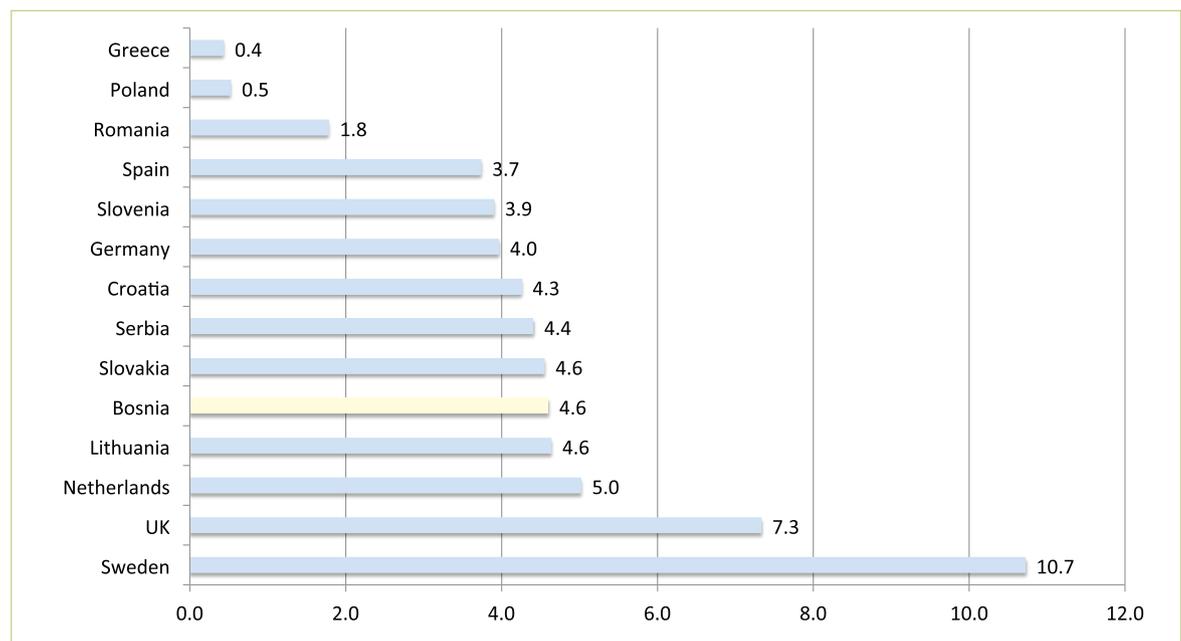
- Law on Social Protection
- Law on Child Protection
- Family Law

4. SOCIAL ASSISTANCE IN BIH

Social assistance consists of a range of non-contributory benefits provided to eligible individuals and families to relieve the financial burden of the social risks of poverty and exclusion. In Bosnia and Herzegovina, the Agency for Statistics of BiH monitors the poverty profile of the population through the Household Budget Survey (HBS). The most recent survey, carried out in 2011, also has a module for social inclusion.

Countries differ in the amount of resources they devote to social assistance. There are three distinct groups of countries in Europe in this respect. Some, such as Greece, Poland and Romania provide very minimal social assistance benefits. Others such as the UK and Sweden provide very generous benefits. Most countries are in between these extremes, devoting between 3.7% and 5% of GDP to social assistance. BiH lies within this group of moderate spenders, which includes other countries from the region (Slovenia, Croatia, Serbia), as well as EU member states Germany, the Netherlands and Spain. In BiH, total social assistance benefits account for 4.6% of GDP, of which about three quarters is paid to war veterans and their families (World Bank, 2009: 3). Consequently, the traditional function of social assistance for the poor and socially excluded is allocated little more than a mere 1% of GDP.

Figure 3 Social assistance benefits as % of GDP 2011



Source: International Monetary Fund (2013): *Government Finance Statistics* (Edition: March 2013). Note: The variable name in the IMF database is "Social assistance benefits as a percentage of GDP", and the variable code is [GF_942_CC_GG_272_GDP]

Some commentators on social assistance in Bosnia and Herzegovina consider that the government spends an excessive amount on this item of public expenditure. The World Bank has argued that

"Bosnia and Herzegovina spends 4 per cent of its gross domestic product on non-insurance social protection cash transfers...BiH is one of the highest spenders in the Europe and Central Asia region". (WB 2009)

While the World Bank correctly identifies the share of GDP going to social assistance expenditures¹¹, it is an exaggeration to claim that this expenditure is excessive. Whether it is so depends on the countries that enter the comparison¹². Arguably, since BiH is on the road to EU accession, the EU member states are the most appropriate set of comparators. When one adds in also countries from the Western Balkan region as in Figure 3 above, one finds that social assistance spending in BiH is not huge, and is quite in line with normal EU standards. The World Bank further claims that BiH's spending on social assistance is "fiscally unsustainable, economically inefficient, and socially inequitable" (World Bank 2009: iv). Since BiH's spending is about average for the EU, this would imply a similar judgement for the EU member states, which is clearly unsupported by the evidence. The argument that BiH's spending on social assistance is excessive has been picked up in other analyses. In its report on social assistance, the OSCE has repeated the claim that "...BiH ranks as one of the highest spending countries in terms of social protection expenditures..." (OSCE 2012: 8). In the light of the comparative analysis presented in Figure 3, such claims should be treated with caution.

Moreover, since the majority of this expenditure is allocated to war veterans and only 1.2% of GDP or thereabouts is allocated to social assistance to the poor and socially excluded, including families with children, one could well argue that BiH is one of the countries that spends the least on social assistance, in its traditional function. Indeed, if the total expenditure on non-veteran social assistance to families and children, the socially excluded and the disabled were to be doubled, this would only raise total expenditure on social protection from its current level of 17.1% of GDP to a figure of 18.3% of GDP, well within the range of average spending in European countries, and similar to the level of expenditure in Slovakia and Serbia. Given the enormous and growing needs for social assistance in the face of economic recession, this would not seem unreasonable. In addition, the additional expenditure would provide a welcome boost to aggregate consumption demand and would likely be spent mainly on locally produced goods and services (since the poorest segment of society spend most on such goods) and hence support recovery of the BiH economy.

A further issue is that of the distribution of social assistance benefits between different groups. One claim, based on an analysis of the 2007 Household Budget Survey, is that the veteran's benefits do not effectively target the poor, and therefore fail to provide against the risks of poverty and social exclusion (World Bank 2009). The issue of targeting is addressed below in the discussion of individual social assistance schemes and veterans benefits in each Entity. The analysis broadly shows that child allowances and other social assistance benefits are fairly well targeted, while veterans' benefits are not well targeted on the poor and may even be regressive in their incidence. The difficulty with the

11 The World Bank uses the term "non-insurance social protection cash transfers" instead of "social assistance" presumably to emphasize that these expenditures cover not only traditional social assistance for risks of poverty but also social benefits for disabled war veterans and their families, who have been affected by of non-standard social risks.

12 The source of the data for this international comparative analysis is unclear (World Bank, 2009: Figure 1.1). The 2009 report references "Lindert and others (2008)" a source that does not appear in the list of references. Using a Google search, the source of the data has been identified as a technical Note entitled "Social Protection and Economic Shocks in ECA: the Social Side of the Global Economic Crisis," However, this Note is not available on the Internet and since a reply to a query for information has not been received from the authors the source of the World Bank data cannot be identified.

analysis is that the distribution of benefits looks very different according to whether the basis of comparison is pre-transfer consumption groups or post-transfer consumption groups. When seen through the lens of post-transfer distribution of benefits and beneficiaries, the veterans' benefits do indeed appear regressive. But when looked at on the basis of the pre-transfer distribution of consumption they do not. Arguably it is the pre-transfer distribution that should be the object of targeting and therefore the relevant indicator. Therefore the claim that veterans' benefits are a major source of inequity and inefficiency in the targeting of the social benefits in BiH is overstated and depends upon rather flimsy evidence. A much stronger case can be made that the coverage traditional civilian benefits is extremely low, which would provide an additional reason to suggest that expenditure on social assistance in BiH should be increased rather than reduced.

This leads on to the second claim in relation to veterans' benefits. This claim is that an excessive share of social assistance benefits is provided to war veterans in preference to other needy people. This claim seems to be well founded in that approximately three quarters of all social assistance benefits go to disabled veterans and their families. The political choice is whether the veterans' benefits should be reduced or, alternatively, whether the traditional social assistance payments in the form of child allowances, social assistance for the poor and disabled should be increased. Given that it has been shown that social assistance payments in Bosnia and Herzegovina are not excessive, and indeed conform to the EU average, and in the face of clearly enormous social needs, there is a strong case to be made that non-veteran social assistance should be increased, whether or not the veterans' benefits are reduced. The rather low overall level of spending on social protection in BiH as a proportion of GDP would suggest that there is scope for an increase in social assistance spending overall, especially in the form of child allowances and increased coverage of the risks of poverty and social exclusion.

4.1. Social assistance in BiH

Social assistance programmes in BiH provide some relief of poverty through social transfers in the form of cash social benefits. Due to the serious economic situation, cantonal and municipal budgets have been reduced as part of the agreement over emergency loans from the IMF under the "Stand-by Arrangement". Consequently, many Cantons have a budget deficit, which they need to close, and some cases they plan to borrow from commercial banks¹³.

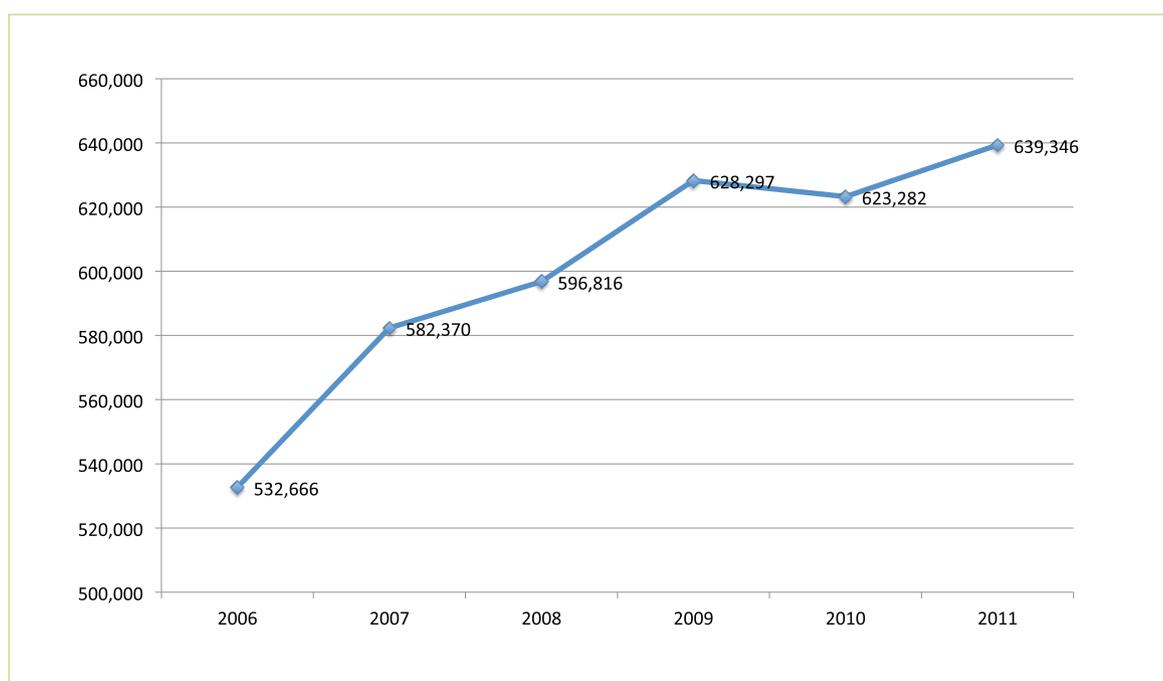
Laws on basic social welfare, social welfare of civil victims of war provide social benefits for every person who is unable to take care of herself or himself or who is without basic financial means and who does not have any relatives to take care of him or her, as well as individuals who suddenly find themselves in need due to forced migration, repatriation, death of the family breadwinner, illness, natural disaster, or release from prison. Approval of claims and the subsequent social welfare services are provided through the municipal Centres for Social Welfare (CSW). Social assistance (known as "Permanent Financial Allowance") is a cash benefit provided by CSWs to those with no other means of support. Other forms of assistance are one-off allowances and special allowances to cover essentials such as food, children's school clothing, and care allowances, fuel, clothing and footwear.

¹³ Interview held at FBiH Ministry of Finance, 5/3/2013

Table 3: The Systems of Social Assistance in BiH

Eligibility	No ability to work, no other source of income
Scheme	Means tested cash transfer. Includes social assistance for the poor and disability benefits for war victims and non-war invalids
Responsible Organization	Supervising: In FBiH: Ministry of Labour and Social Policy In RS: Ministry of Health and Social Welfare Implementing Agency: Centres for Social Work (FBiH 72; RS 45)
Categories of beneficiaries	Poor people (permanent financial assistance); Persons with non-war related disabilities; Civilian victims of war
Source of Fund	Entity and cantonal budgets

In recent years, under the pressure of the economic crisis, the Centres for Social Work (CSW) have been handling an increasing number of cases related to poverty or disability. Two-fifths of cases are related to the need to apply for health insurance, while only one tenth are mentally or physically disabled.

Figure 4: Number of cases handled in CSWs in BiH

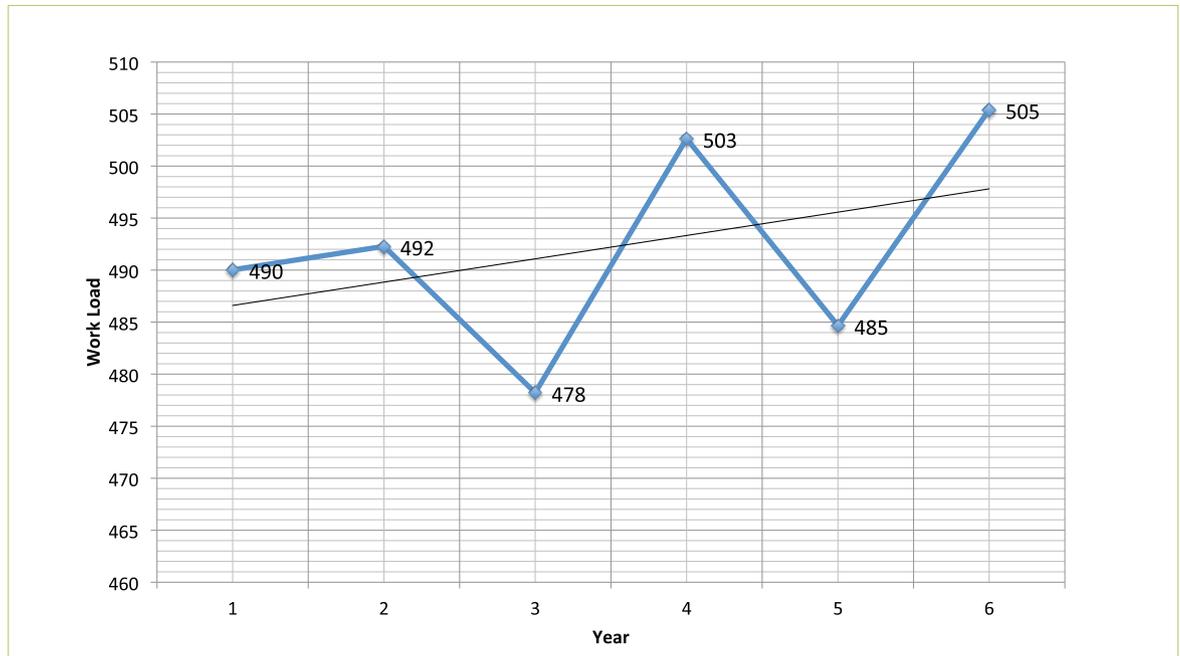
Source: BHAS (2012) *Social Welfare 2006-2011, First Release, TB 07, Sarajevo: Agency for Statistics of Bosnia and Herzegovina*

In 2011, CSWs dealt with almost half a million adult clients of whom over one third (36%) did not have enough to live on, and almost half were in need of health insurance (45%). Other client needs were due to mental or physical disability (8%), socially unacceptable behaviour (2%), and mental illness (1.6%). The number of adults with mental or physical disability, although relatively small, had increased in size by 27% since 2006, while those with mental illness had increased by 33%. In contrast

the number of clients receiving subsidies fell by more than a quarter (27%). Possibly, the attempts to reduce benefits have been avoided by reclassifying beneficiaries.

As the number of cases has increased, the authorities have increased the number of employees in the CSWs, but not to an extent sufficient to keep up with demand. Consequently, the average case load for social workers has increased from 490 clients per social worker in 2006 to 505 in 2011 (see Fig. 5).

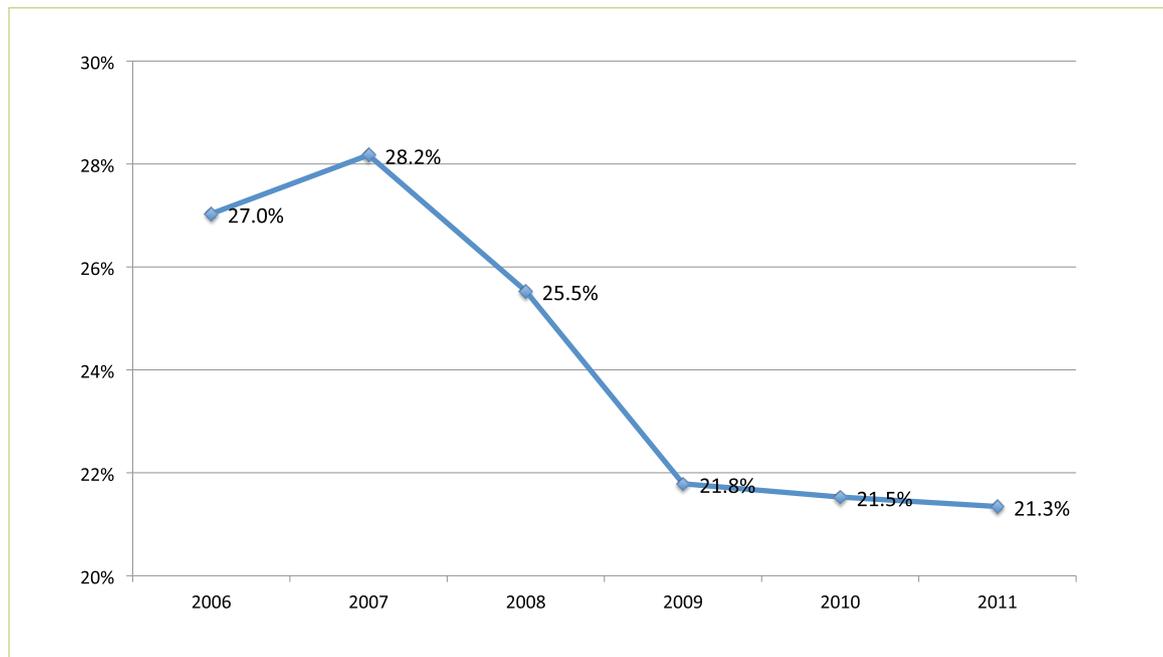
Figure 5: Number of clients per social worker in CSWs in BiH



Source: BHAS (2012) *Social Welfare 2006-2011, First Release, TB 07, Sarajevo: Agency for Statistics of Bosnia and Herzegovina*

Despite the very large number of clients handled by CSWs, relatively few receive social assistance benefits, and the number in receipt of benefits has fallen during the period of crisis even though the number in need has increased. While the number of beneficiaries of permanent financial allowance increased from 13,819 in 2006 to 16,153 in 2011, the number in receipt of special allowances fell from 2,320 in 2006 to 1,400, the beneficiaries of one-off allowances fell by almost a third from 49,132 to 34,737, and the number receiving an allowance for food, fuel, clothing or footwear fell from 26,284 in 2006 to 10,974. A large number of beneficiaries are entitled to an allowance because they care for another person (27,442 in 2011). Also, 4,385 parents received an allowance for school dress for their children.

Figure 6: Share of needy persons receiving allowance



Source: BHAS (2012) *Social Welfare 2006-2011, First Release, TB 07, Sarajevo: Agency for Statistics of Bosnia and Herzegovina* (author's calculation)

Despite the increasing number of children and adults in need, the coverage of the social assistance benefits has been falling over the period since 2006 (see Figure 6).

4.1.1. Gaps in the social assistance system in BiH

Unlike many European countries, Bosnia and Herzegovina does not have a minimum income social assistance scheme.

In Entities, Districts and Cantons, CSWs tend to be understaffed and lack expertise and lack capacity to monitor claims effectively. According to NGO opinion, social workers in CSWs are not sufficiently educated to do their work effectively¹⁴. Consequently, the targeting of benefits according to the means test can sometimes be fairly random. The Organization for Security and Co-operation in Europe (OSCE) is critical of the set-up of the social assistance system, arguing that unequal benefits between categories of beneficiaries creates structural inequalities and contributes significantly to poverty and social exclusion (OSCE 2012).

The World Bank, based on analysis of HBS 2007, has argued that the coverage of social assistance benefits is weak since only a small proportion of the poorest quintile receives the benefit, and targeting is also weak since a relatively small proportion of expenditure on social assistance benefits reaches the poorest quintiles of the population. According to research carried out by a World Bank study, the poverty impacts of social assistance benefits in BiH are small, accounting for just a 6% reduction in the poverty headcount and child benefits do not have a large impact on poverty¹⁵. In an

14 Workshop held with NGOs, 9/4/2013.

15 WB (2009) "Protecting the poor during the global crisis: 2009 BiH poverty update", Report No. 51847, p. 45

analysis of data from the Household Budget Survey of 2007, Chzen (2008) shows that both absolute and relative poverty would have increased by less than one per cent in the absence of child benefit transfers due to the low coverage.

Furthermore, there are many examples of vulnerable categories of population that are not covered by social assistance due to deficiencies in the legal and regulatory framework. People with mental illness who need the assistance of other persons are discriminated against since the existing legal framework does not provide them with the status of persons with special needs, thus excluding them from the system of social assistance. Moreover, they lack formal care provision in institutions or day care centres due to budgetary complexity between the cantons and a lack of coordination between the healthcare system and the social assistance system.

There is a significant problem of disincentives to work associated with social assistance. According to NGO opinion¹⁶, if a disabled person takes a temporary job he or she will lose their permanent allowance. This suggests some attention should be paid to the question of adjusting the benefit system to remove disincentives to work and 'making work pay'.

4.1.2. *Social assistance in FBiH*

The policy framework for social assistance in FBiH

In the Federation of Bosnia and Herzegovina, social welfare benefits include:

- Permanent Financial Assistance (PFA)
- Assistance to persons with non-war related disabilities
- Assistance to civilian victims of war
- Health insurance for the claimant and family members

In 2009, disability benefits for war victims and non-war invalids accounted for more than half of all social assistance benefits. Means-tested social assistance benefits and child benefits accounted for only 15% and 17% respectively of all social assistance payments.¹⁷

The legal framework for social assistance in FBiH

- Law on the Basis of Social Protection, Protection of Civilian War Victims and Protection of Families with Children (Official Gazette of Federation of BiH 36/99), amended in 2004, 2006 and 2009 (Official Gazette of FBiH 54/04, 39/06 and 14/09)
- Supplemented by 10 Cantonal Laws on the same subject

Cantonal social protection laws establish the amounts and criteria for regular social assistance. However, some Cantons have not adopted the respective law (OSCE 2012).

¹⁶ Workshop held with NGOs, Sarajevo, 9/4/2013

¹⁷ World Bank (2009: 6)

The Administration of social assistance in FBiH

Social assistance is administered through 72 municipal Centres for Social Work (CSW).

Eligibility conditions for social assistance in FBiH

Under the Law on the Basics of Social Protection of Civilian Victims of War and Families with Children, beneficiaries of Permanent Financial Assistance (PFA) are those who are in a “state of social need”, in particular (i) Children without parental care or with problems in development caused by the family situation (iii) disabled persons and persons with arrested physical or psychological development (iii) Materially unsecured, and persons unfit for work (iv) Elderly persons without family care (v) Persons with socially unacceptable behaviour (vi) Persons and families in need of social protection.

Assistance is provided to non-war disabled and civilians disabled during the war in the form of disability benefits, allowances for care by another person and orthopaedic allowances. These allowances are not subject to a means test, but the eligibility conditions are tight. Non-war invalids are only entitled to receive a cash benefit if their level of disability is classified at above 90%, while cash benefit is provided to civilian victims of war conditional on having 60% disability.

Social assistance benefits in FBiH¹⁸

The amount of Permanent Financial Assistance (PFA) depends upon the number of family members and is subject to a means test of the monthly income per family member. Cantonal legislation determines the value of financial and other kinds of assistance, and the conditions and the procedure for acquiring such rights (see Table 4). The amount of PFA ranges from 10% to 20% of the average net salary, or the amount needed to bring family income up to that level.¹⁹ However, some Cantons and municipalities are unable provide such commitments. The range of payment amounts varies between Cantons, with the highest rate payable in the Cantons of Sarajevo and Tuzla. The number of beneficiaries was reduced by an amendment to the law in 2009 to just 40,000, while the level of benefits has been increased in order to protect those who are most in need.

18 All data in this section is taken from the MISSCEO database unless specified otherwise

19 OSCE (2012: 12)

Table 4: Monetary assistance according to the Law on the Basis of Social Protection, Protection of Civilian War Victims and Protection of Families with Children

Canton	Financial and other material assistance				Accommodation in another family		Accommodation in an institution	
	Permanent financial assistance	Financial assistance for care and support of another person	Other material assistance	Training for life and work	Children	Adults	Children	Adults
Unsko Sanski	54 KM	50 KM	100 KM	25 KM	250 KM	220 KM	300 KM	620 KM
Posavski	54 KM	-	100 to 300 KM	-	-	-	-	-
Tuzlanski	120 & 36 KM	160,00 80,00 KM	-	-	482 KM	402 KM	-	-
Zeničko Dobojski	83 & 112.40 KM	66.95 & 133.95	30 to 400 KM	-	107.30 to 195 KM	107.30 to 195 KM	-	-
Bosansko Podrinjski	-	-	-	-	-	-	-	-
Srednjo Bosanski	100 KM	-	30 to 467 KM	-	401 KM	401 KM	350 to 520 KM	121 to 1,000 KM
Hercegovačko Neretvanski	100 KM	-	95 to 400 KM	100 KM	233 to 300 KM	49.75 to 300 KM	552 to 700 KM	519 to 780 KM
Zapadno Hercegovački	72 KM	36 KM	-	500 KM	300 KM	400 KM	500 KM	650 KM
Kanton Sarajevo	120 KM	93 KM	-	120 KM	476 KM	-	456 KM	655 KM
Kanton 10	100 KM	-	-	-	627 KM	730 KM	300 KM	800 KM

Note: data are for 2011 and are not, the source of the data are reports of the Cantonal ministries of social welfare

In view of the fact that the PFA is insufficient to meet the poverty threshold, a new draft Law on Social Care and Social Minimum has been prepared that will provide PFA for a limited amount of time (nine months) conditional upon availability and level of income, without consideration of working

capacity.²⁰ The draft law aims to provide a standard minimum income throughout the Federation of 80 KM per month.

Disability benefit paid to non-war disabled people ranges from 219 KM to 396 KM monthly.²¹ Some Cantons pay social assistance benefits for disabled civilian victims of war at 30% of the level of entitlement. The amount of benefit received by civilian war disabled is higher than for the civilian non-war disabled. In 2009, disability benefits for non-war disabled accounted for over half of spending on civilian social assistance benefits.

Table 5 shows the distribution of social assistance benefits across socio-economic groups in FBiH, measured by quintiles of consumption expenditure. Overall, only 2.4% of persons in the survey received social assistance in FBiH, including PFA, Non-war invalids' disability allowance and civilian victims of war disability allowance. The Table shows that the distribution of both benefits and beneficiaries declines with the level of consumption, especially in the upper two quintiles, and is that the benefit scheme is progressive and 'targeted' to the poor. This is remarkable since disability benefits are not means tested. It suggests that the largest part of the 'other' social assistance benefits are paid out as means tested PFA, and that in contrast to the case of child allowance, the means test is quite effective. It should be noted however, that since only 2.4% of the sample were in receipt of such benefits the reliability of the data are questionable.²²

Tabela 5. Podjela prava iz socijalne pomoći u FBiH (grupe potrošnje nakon transfera)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	2.4	3.7	3.4	2.9	1.2	0.8
Distribution of beneficiaries	100.0	31.0	28.2	24.3	10.0	6.5
Distribution of benefits	100.0	25.1	25.9	29.2	8.6	11.2

Source: World Bank (2009) Tables AA6, AA9, AA12. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. Benefits include PFA, NWI, CVW

4.1.3. Social assistance in the RS

The policy framework for social assistance in RS

Social assistance payments are financed by fiscal transfers from the RS government to municipalities. For the purpose of fiscal transfers, there are five categories of municipalities ranging from the most developed to the least developed.

20 OSCE (2012: 17)

21 OSCE (2012: 13)

22 The 2007 HBS interviewed 7,468 households, of which 2.4% represents 179 cases. This means that there are potentially just 35 cases per cell, which is on the borderline of statistical reliability.

The legal framework for social assistance in RS

- Law on Social Protection (2012)²³

The RS Ministry of Health and Social Welfare is monitoring the impact of the new Law in all sectors, through reports on the satisfaction of beneficiaries although the resources for carrying out such surveys are limited. The aim is to identify differences across municipalities and towns and use the information gathered to adjust the distribution of transfers so as to remedy inequalities.²⁴

The Administration of social assistance in RS

The 45 Centres for Social Work administer the social assistance scheme, while the municipalities that do not have CSWs have their own departments for social welfare.

Eligibility conditions in RS

Permanent Financial Assistance (PFA) is a cash benefit provided on condition that a beneficiary has no other source of income, no family support network, and no ability to work. It is subject to a means test.

Disability benefits are not means tested, but the only benefits available are an allowance for care and assistance by another person, and are only available for persons with a severe disability.

Social assistance benefits in RS²⁵

The social assistance scheme covers:

- Permanent Financial Assistance
- Health insurance for the claimant and family members

Under the new law, the Permanent Financial Assistance is calculated in relation to average salaries in the previous year, which for 2013 was 818 KM per month (EI, 2013: 5). The amount of benefit is calculated as 15% of this base for a single person family (i.e. 163 KM per month), 20% for a two-person family, 24% for a three-person family, 27% for four persons and 30% for five persons or more. It is supplemented by other benefits such as subsidies for electricity. The new draft law on Social protection envisages an increase of the amount of PFA to 120 KM and an increase in the income threshold at which it is available.

Disability allowance is provided to carers at a rate of 41 KM per month.²⁶

Table 6 shows the distribution of social assistance benefits across socio-economic groups, measured by quintiles of consumption expenditure.

23 A full analysis of the new law is given in EI (2013).

24 Interview held at RS Ministry of Labour, Health and Social Welfare, 6/3/2013.

25 All data in this section is taken from the MISSCEO database unless specified otherwise

26 OSCE (2012: 14).

Tabela 6. Podjela prava iz socijalne pomoći u RS (grupe potrošnje nakon transfera)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	1.8	4.0	1.9	1.0	0.9	0.8
Distribution of beneficiaries	100.0	46.0	21.9	11.8	10.6	9.7
Distribution of benefits	100.0	47.7	7.5	16.8	16.9	11.2
Distribution of benefits (pre-transfer groups)	100.0	56.1	20.3	9.1	8.1	6.5

Source: World Bank (2009) Tables AA6, AA9, AA12. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. "Coverage" is Proportion of population in each group that receives the transfer. Benefits include PFA, NWI, CVW

Overall, only 1.8% of persons in the survey received social assistance in RS. The Table shows that the distribution of both benefits and beneficiaries declines with the level of consumption and is therefore progressive and 'targeted' to the poor. This is so whether the quintiles are defined pre-or post-transfer of benefits. It is remarkable that the benefits are so progressive and well targeted even though the disability benefits are not means tested. It suggests that the largest part of the benefits are paid as means tested PFA, and that in contrast to the case of child allowance the means test is quite effective. It should be noted however, that since only 1.8% of the sample were in receipt of such benefits the reliability of the data are questionable.²⁷

4.1.4. Social assistance in Brcko District

The policy framework for social assistance in BD

The Budget of Brcko District finances a system of social assistance.

The legal framework for social assistance in BD

- Law on Social Welfare of Brcko District (Official Gazette of Brcko District 01/03 and 04/04)

4.2. Assistance for families with children

In BiH, laws on the welfare of families govern the payment of child and family allowances that are administered through the municipal Centres for Social Work (CSW) and the Children's Fund in Republika Srpska.

²⁷ The 2007 HBS interviewed 7,468 households, of which 1.8% represents 134 cases. This means that there are potentially just 27 cases per cell, which is on the borderline of statistical reliability.

Table 7: The systems of assistance for families with children in BiH

Eligibility	Families having children
Scheme	Means tested cash transfer. Includes child allowance; maternity pay during absence from work and other benefits (such as one-off cash assistance)
Responsible Organization	Supervising: In FBiH: Ministry of Labour and Social Policy In RS: Ministry of Health and Social Welfare/Children's Fund Implementing Agency: Centres for Social Work and Children's Fund in RS (FBiH 72; RS 45)
Categories of beneficiaries	Families with children
Source of Fund	Entity and cantonal budgets

The CSWs and Children's Fund in RS are responsible for the payment of child allowances and a range of other benefits for families with children including maternity benefits. They also provide assistance for families with children in poverty, and for children without parents. About a quarter of all cases handled by the CSWs are related to children suffering from various forms of disadvantage. Their number increased from 150,851 in 2006 to 173,791 in 2011. They come to the attention of the CSWs due to their family situation related to material deprivation, or because their parents are unable to look after them because they are in prison or chronically sick.

4.2.1. Assistance for families with children in FBiH

The policy framework for assistance for families with children in FBiH

In the Federation of Bosnia and Herzegovina, social welfare benefits include:

- Child allowance
- Maternity pay during absence from work
- Other cash benefits (such as for newly born babies)

Means-tested social assistance benefits and child benefits accounted for only 15% and 17% respectively of all social assistance payments.²⁸

The Ministry of Labour and Social Policy is collaborating with the UNICEF SPIS project to support child welfare at local level through projects on education and child health care, developing inter-sectoral methods to improve the situation of children²⁹. It is implementing an action plan related to the Strategy for Children Without Parental Care (2006-16). A coordinating body at the level of Cantons is working on the issue of deinstitutionalization to reduce the number of children in institutions.

²⁸ World Bank (2009: 6)

²⁹ Interview held at FBiH Ministry of Labour and Social Policy, 4/3/2013

The legal framework for assistance for families with children in FBiH

- Law on the Basis of Social Protection, Protection of Civilian War Victims and Protection of Families with Children (Official Gazette of Federation of BiH 36/99), amended in 2004, 2006 and 2009 (Official Gazette of FBiH 54/04, 39/06 and 14/09)
- Supplemented by Cantonal Laws in some but not all Cantons

According to the Ministry of Labour and Social Policy, the Federation is responsible for child allowances and maternity benefits³⁰, while according to the FBiH Ministry of Finance the Federation does not have much influence over the Cantonal responsibility for child benefit.³¹

The administration of assistance for families with children in FBiH

Child allowance is administered through 72 municipal Centres for Social Work (CSW).

Eligibility conditions for assistance for families with children in FBiH

Parents are eligible to receive child allowance, as are children without parents, and parents of children with disabilities. Children up to 18 years of age are eligible (up to 25 years for a full-time student).

Benefits for families with children in FBiH³²

Child allowance is paid at the level of municipalities at a flat rate that varies between Cantons in a range from 0 KM to 33 KM per child per month. Child benefits are means tested against an income threshold that varies from 62 KM to 120 KM between Cantons. In Canton Sarajevo, for example, the benefit is 33 KM for a family with one child in regular education and a household income not exceeding 120 KM, and up to 50KM in the case of an orphan without any parents, or a handicapped child.

A variety of Maternity Benefits are payable. Maternity pay (salary compensation during maternity leave) is paid at a rate of 50%-80% of average salary in FBiH (no data available for Cantons of Posavina, Central Bosnia, Herzegovina Neretva). Maternity allowance is equivalent to 10-35% of the average salary in each Canton where it is paid (no data available for Tuzla, Herzegovina-Neretva, Canton 10). Financial support for unemployed mothers during pregnancy ranges from 10% to 20% of average net salary or is paid as one-off assistance.³³ Cash benefit for equipment for babies varies across Cantons from 86 KM to 1,000 KM (confirmed only for Cantons of Zenica Doboje, Bosnia-Podrinje, Sarajevo). Cash assistance for child nutrition is provided for up to six months and varies from 48 KM-119 KM.

Table 8 shows the distribution of child benefits across socio-economic groups in FBiH, measured by quintiles of consumption expenditure. The World Bank calculated the data from the 2007 Household Budget Survey. Overall, 2.9% of persons in the survey received child allowance.

30 Interview held at FBiH Ministry of Labour and Social Policy, 4/3/2013

31 Interview held at FBiH Ministry of Finance, 5/3/2013.

32 All data in this section is taken from the MISSCEO database unless specified otherwise

33 OSCE (2012: 14)

Table 8. Distribution of all child benefits in FBiH (post-transfer consumption groups)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	2.9	3.1	2.7	2.9	3.2	2.9
Distribution of beneficiaries	100.0	20.8	18.5	19.5	21.5	19.6
Distribution of benefits	100.0	17.2	13.5	16.9	25.7	26.6

Source: World Bank (2009) Tables AA6, AA9, AA12. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption

The Table shows that the distribution of beneficiaries does not decline with the level of consumption and is therefore regressive and not well ‘targeted’ to the poor. The distribution of benefits even increases in the higher quintiles of consumption. Since child benefit is means tested, the fact that 2.9% of people in the highest quintile of consumption receive the benefit, and the regressive nature of the distribution across quintiles indicates the disjunction between consumption expenditure and declared income, a phenomenon that reflects the presence of a large informal economy. It should be noted however, that since only 2.4% of the sample were in receipt of such benefits the reliability of the data are questionable.³⁴

4.2.2. Assistance for families with children in the RS

The policy framework for assistance for families with children in RS

The RS Fund for Child Protection, which offers child allowances to families with children, is financed by a 1.5% contribution on wages and salaries. Fostering is being developed as a new method of childcare although there is a need to strengthen the resources of the service providers³⁵. More broadly, the Ministry of Health and Social Welfare is concerned about the increasing problem of juvenile delinquency. It considers that this is due to a cultural shift and to the crisis of the modern family.³⁶

The legal framework for assistance for families with children in RS

- Law on Children’s Protection of Republika Srpska (Official Gazette of RS 04/02), amended in 2008 and 2009 (Official Gazette of RS 17/08, 01/09).

The law sets out the rights of families with children to receive cash benefits in the form of Child Allowances and stipulates the length of parental leave.

The Administration of assistance for families with children in RS

The Ministry of Health and Social Welfare is responsible for social care of families and children. Child allowances are financed by the RS Fund for Child Protection and administered by the 45 Centres for Social Work (CSWs).

34 The 2007 HBS interviewed 7,468 households, of which 2.9% represents 216 cases. This means that there are potentially just 40 cases per cell, which is on the borderline of statistical reliability.

35 Interview held at RS Ministry of Labour, Health and Social Welfare, 6/3/2013.

36 Ibid.

Eligibility conditions for assistance for families with children in RS

Parents of children who are permanent residents of RS are eligible to receive child allowance for children up to 15 years of age, and up to 19 years of age in the case of handicapped children or children in foster care. Children over 19 years of age are eligible to receive child benefit if they are full time students.

Allowances for families with children in RS³⁷

The assistance scheme for families with children covers:

- Child allowance
- Child caring benefit
- Maternity benefit

The basic amount of Child Allowance varies with the number of children in the family: For the 1st child: no right, 2nd child: 45 KM; 3rd child: 100 KM; 4th child: 45 KM; 5th and more: no right³⁸. Child allowance is granted on proof of a low family income. Handicapped children and children in foster care receive a basic amount of 100 KM (if not in a social institution). In addition, an employed parent is entitled to 900 KM tax relief for each supported member of the family.

Child caring allowance is a benefit available to a parent who cares for a child with psychological or physical disabilities has the right to work on a part-time basis and be paid as though working on a full time basis, with the difference paid by the Public Fund for Child Protection (it can be one parent of a couple or a single parent).

A variety of Maternity Benefits are payable. Maternity pay (salary compensation during maternity leave) is the dominant expense of the Fund for Child protection. Maternity allowance is paid at a rate of 70 KM. Cash benefit for equipment for babies is paid at a rate of 250 KM. Unlike in some Cantons in FBiH, there is no cash assistance for child nutrition for newly born babies.

Maternity benefit is a one-off payment made on the birth of a child in the amount of not less than 50% of average net salary in RS in the previous year. It is currently 390 KM for the first and second child, 400 KM for the third child and 500 KM for fourth child. Maternity pay is paid at the rate of the full salary.

Table 9 shows the distribution of child benefits across socio-economic groups, measured by quintiles of consumption expenditure. The World Bank calculated the data from the 2007 Household Budget Survey.

³⁷ All data in this section is taken from the MISSCEO database unless specified otherwise

³⁸ MISSCEO database

Table 9. Distribution of all child benefits in RS (post-transfer consumption groups)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	6.3	12.5	4.6	6.5	4.2	3.8
Distribution of beneficiaries	100.0	39.4	14.5	20.5	13.5	12.1
Distribution of benefits	100.0	35.4	13.1	25.8	14.6	11.2
Distribution of benefits (pre-transfer groups)	100.0	35.0	17.7	17.8	15.5	14.1

Source: World Bank (2009) Tables AA6, AA9, AA12. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. "Coverage" is Proportion of population in each group that receives the transfer

The Table shows that, 6.3% of persons in the HBS survey received child allowance. Since the distribution of both benefits and beneficiaries declines with the level of consumption it can be considered to be progressive and 'targeted' to the poor. Since child benefit is means tested, the fact that 3.8% of people in the highest quintile of consumption receive the benefit indicates the disjunction between consumption expenditure and declared income, a phenomenon that reflects the presence of a large informal economy.

4.2.3. Assistance for families with children in Brcko District

The policy framework for assistance for families with children in BD

The Budget of Brcko District finances a universal system of child benefits.

The legal framework for assistance for families with children in BD

- Law on Children Protection of Brcko District (Official Gazette of Brcko District 01/03 and 04/04)

Eligibility conditions for assistance for families with children in BD

Parents of children who are permanent residents of BD are eligible to receive child benefits. Children up to the age of 15 years are eligible, and up to 26 years if a full time student. Child benefits are subject to a means test with a threshold of 15% of the average earnings in Brcko District and income from land rent (cadastral income) no higher than 3% of average land rent per hectare of land.

Benefits for families with children in BD³⁹

Child allowance is paid to all residents in Brcko District with children at a flat rate of 80 KM (or 10% of average earnings in Brcko District). It is increased to 120 KM (150% of the basic benefit, regardless of family income) in case of a child without parents, or with special needs, or who lives with one parent (self-supporting), or whose parent(s) is (are) invalid(s) over 60% incapable of work.

A variety of Maternity Benefits are payable in BD. Maternity pay (salary compensation during maternity leave) is paid by the budget of the Brcko District, on condition that contributions for pension insurance and health insurance have been paid regularly. Maternity allowance is a one-off payment made upon

39 All data in this section is taken from the MISSCEO database unless specified otherwise

the birth (not adoption) of a child whose parents are resident in BD regardless of family income. The amount is set at 25% of average earnings in BD and is currently 170.83 KM⁴⁰. A single parent is entitled to a payment that is 150% of the basic amount. A supplement is paid to unemployed mothers for 3 months amounting to 15% of average earnings in BD, which is currently set at 102.50 KM⁴¹. Cash benefit for equipment for babies is paid at a rate of 204.20 KM⁴².

4.3. Veteran's benefits

Table 10: Veterans benefits system

Eligibility	<ul style="list-style-type: none"> • Categorical benefit: participants in Bosnian war 1992-1995
Scheme	<ul style="list-style-type: none"> • Non-means-tested cash transfer
Responsible Organization	<ul style="list-style-type: none"> • Supervising: In FBiH: Ministry for Issues of the Veterans and Disabled Veterans of the Defensive - Liberation War; in RS: Ministry of Labour, War Veterans and Disabled Persons' Protection • Implementing Agency: the Ministries
Source of Fund	<ul style="list-style-type: none"> • Entity budgets

Three Framework laws at the state level have been adopted on the rights of veterans from the 1992-1995 war in Bosnia and Herzegovina.

- Law on Fundamental Rights of the Disabled Veterans and Families of the Killed Soldiers ("Official Gazette R BiH", No. 2/92 and 13/94)
- Law on Protection of the Members of the Territorial Defense and Other Defenders of the Republic of Bosnia and Herzegovina ("Official Gazette R BiH", No. 4/92 and 13/94)
- Law on Exceptional Material Allowances for the War Disabled-Veterans of the Republic of Bosnia and Herzegovina ("Official Gazette of R BiH", No. 33/95, 37/95)

While civilian social assistance is based on needs, war veterans' benefits are categorical benefits unrelated to needs, but based on rights. In both Entities, veterans and their survivors receive a number of special benefits including:

- Military Invalids' Benefit (Veterans). Eligibility is on the basis of individuals' physical disability regardless of financial means or employment status.
- Survivor Dependents' Benefit (Survivors). Eligibility is based on an individuals' relationship to the deceased person, who could be either a fallen soldier or a deceased military invalid (veteran), regardless of financial means or employment status.
- Demobilized Soldiers' Allowance. Eligibility is on the basis of wartime involvement, regardless of financial means. This benefit is particular to FBiH.

40 MISSCEO database; another source gives the amount as 151.73 KM (this data provided by UNICEF).

41 MISSCEO database

42 This data provided by UNICEF.

- Medal Holders' Allowance. Legislation mandates the right to benefits on the basis of individuals' receipt of the highest military decorations (now means-tested).

According to administrative data 243,703 recipients of military invalids and survivors benefits received an average benefit of 263 KM per month in BiH in 2007 (World Bank 2009: 75). However, puzzlingly, the analysis of the 2007 HBS survey data gave a lower level of benefits with an average of 1,213 KM per annum (100 KM per month). This difference may be due to sampling deficiencies in the survey.

The data in Table 11 show some results from the analysis of the 2007 HBS carried out by the World Bank.

Table 11. Distribution of veterans' benefits in BiH

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	6.5	5.7	5.8	8.0	6.6	6.3
Distribution of beneficiaries (post-transfer groups)	100.0	17.6	17.8	24.8	20.3	19.5
Distribution of beneficiaries (pre-transfer groups)	100.0	28.5	19.7	19.6	15.4	16.8
Average transfer value (annual)	1,213.6	1,026.6	1,185.3	976.3	1,296.7	1,623.8
Distribution of benefits (post-transfer groups)	100.0	14.7	16.6	19.7	22.4	26.7
Distribution of benefits (pre-transfer groups)	100.0	32.2	22.2	13.9	12.1	19.5

Source: World Bank (2009) Tables AA6, AA9, AA12 and AA23. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. "Coverage" is Proportion of population in each group that receives the transfer. Data are for military disabled and survivors' benefits.

The data reveal large differences in the distribution of beneficiaries and benefits depending on whether the calculation is made pre- or post-transfers. The pre-transfer distributions are quite strongly skewed to the poorer consumption quintiles (Q1). Thus, 28.5% of the *beneficiaries* are in the poorest pre-transfer quintile compared to 16.8% of beneficiaries who are in the upper quintile. Similarly, 32.2% of the pre-transfer *benefits* go to persons in the poorest consumption quintile, compared to 19.5% of benefits to persons in the upper consumption quintile. After transfers have been made, the distribution of both beneficiaries and benefits changes and appears to be quite regressive, especially regarding the distribution of benefits. The policy judgement about the effectiveness of the veterans' benefit system in tackling poverty therefore depends upon whether one considers the pre-transfer or post-transfer income to be a better indicator. Presumably, the correct indicator for the assessment of the impact of the benefit is pre-transfer consumption, as this is what would be targeted if the benefits were means tested. On this measure the veterans' benefits do not appear to be regressive.

The surprising difference between the two measures (pre-transfer and post-transfer) is likely due to the difference in the average amount going to the different quintile groups. The Table shows that the upper quintile receive on average KM 1,634 compared to KM 1,027 for the lowest quintile. This difference is quite surprising and suggests that there is some capture of the benefits by wealthier veterans (otherwise the distribution of benefits would be the same across the quintiles).

The World Bank has proposed an income and asset test to restrict veterans' benefits according to need. The BH authorities have agreed to this under the DPL project. However, the income and asset tests have not been introduced by the Entities apart from some limited means testing of assets, which has led to some small savings⁴³. New laws have been adopted, but after the new government came to power the process stopped, and now all that is going on is a review of current beneficiaries in terms of their levels of disability⁴⁴. A means test on assets could have endangered the disability review process, which should be completed by the end of 2004.

By agreement with the IMF, as expressed in a Letter of Intent, the governments of BiH have agreed that they will not extent veterans' benefits any further despite pressure from the association of war victims to extend the coverage of such benefits. The aim is to retain the current level of benefits, but to ensure that they are not increased any further.⁴⁵

4.3.1. *Veterans' benefits in the Federation (FBiH)*

In FBiH, 580,000 people participated in the war. Veterans' benefits are given to 47,787 family members of soldiers killed in the war, and 54,000 military invalids (disabled veterans). About 27,000 disabled veterans with 20%-50% disability receive €20-€55 per month. About 600 paraplegics receive €900 per month. The government of FBiH considers these payments as compensation, not as a social assistance. About 11,000 healthy veterans under 45 years of age are retired on KM300 per month (an amount which has been reduced by 10% under IMF conditionality).

Policy framework for veterans' benefits in FBiH

The Ministry for Issues of the Veterans and Disabled Veterans of the Defensive - Liberation War is responsible for policy development relating to veterans. In 2007, the FBiH government extended the rights of veterans, and expenditure on social protection increased sharply.

Legal framework for veterans' benefits in FBiH

- Law on Rights of Defenders and Their Families ("Official Gazette of the Federation BiH No. 33/04 and 56/05, 70/07 and 9/10)
- Law on Special Rights of the Military Acknowledgments and Decorations Winners and their Families ("Official Gazette of the Federation BiH No. 70/05 and 61/06)
- Law on Rights of Demobilized Soldiers and their Families („Official Gazette of the Federation BiH No. 61/06)

Administrative framework for veterans' benefits FBiH

The Ministry for Issues of the Veterans and Disabled Veterans of the Defensive-Liberation War is responsible for financial support of disabled war veterans.

43 Interview held at FBiH Ministry of Finance, 5/3/2013.

44 Ibid.

45 Interview, FBiH Ministry of Finance, 5/3/2013.

Eligibility conditions in FBiH

Disabled war veterans receive personal disability pay, allowance for care and assistance by another person and an orthopaedic allowance. Benefits are also granted to medal holders and families of fallen soldiers.

Veterans' Benefits in FBiH

Table 12 shows the distribution of veterans' benefits across socio-economic groups, measured by quintiles of consumption expenditure. The data cover both military disabled and survivors' benefits. Overall, 5.8% of respondents to the survey received veterans' benefits in FBiH. The Table shows that the distribution of *beneficiaries* increases non-linearly with the level of consumption in the shape of an inverted-U pattern with the greatest share of beneficiaries in the Q3 consumption quintile. The distribution is quite regressive and reveals weak targeting on the poorest consumption groups. The Table shows that the distribution of *benefits* increases linearly with the level of consumption and is therefore highly regressive and poorly 'targeted' to the poor. This is not entirely surprising, as these benefits are not means tested.

Table 12. Distribution of veterans' benefits in FBiH (post-transfer consumption groups)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	5.8	4.4	5.4	8.1	5.8	5.5
Distribution of beneficiaries	100.0	15.1	18.6	27.6	20.0	18.8
Distribution of benefits	100.0	11.5	15.9	23.0	23.1	26.5

Source: World Bank (2009) Tables AA6, AA9, AA12. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. "Coverage" is Proportion of population in each group that receives the transfer. Data are for Military disabled and survivors' benefits. The data reported in the bottom table are not labelled as for the RS in the original report but comparison with the discussion in the text suggests that this data does represent the RS.

4.3.2. Veterans' Benefits in the RS

Policy framework for veterans' benefits in RS

The Ministry for Labour, War Veterans and Disabled Persons' Protection is responsible for policy making in relation to disabled war veterans.

Legal framework for veterans' benefits in RS

- Law on the Rights of Combatants, Military Invalids and the Families of Fallen Combatants of the Homeland War of RS (RS Official Gazette, No. 134/11)
- Law on Pension and Disability Insurance (RS Official Gazette, No. 134/11)

Administrative framework for veterans' benefits in RS

The Ministry for Labour, War Veterans and Disabled Persons' Protection is responsible for financial support of disabled war veterans.

Eligibility conditions

Disabled war veterans receive personal disability pay, allowance for care and assistance by another person and an orthopaedic allowance. Benefits are also available for medal holders and families of fallen soldiers. Disabled war veterans and families of fallen soldiers are granted additional rights in accordance with the Law on Pension and Disability insurance.

Benefits

The basis for calculation of benefits was set at 1,285 KM in 2009.⁴⁶ Table 13 shows the distribution of veterans' benefits across socio-economic groups in RS, measured by quintiles of consumption expenditure. The data relate to benefits for both military disabled and survivors. Overall, 7.8% of respondents to the survey received veterans' benefits. The Table shows that when consumption groups are calculated on the basis of post-transfer welfare, the distribution of both benefits and beneficiaries increases with the level of consumption and is therefore highly regressive and poorly 'targeted' to the poor. However, when the quintiles are defined in terms of pre-or welfare the distribution of benefits appears to decline with the level of consumption and is therefore highly progressive. It is remarkable that the benefits are so progressive and well targeted to pre-transfer consumption groups, even though the veterans' benefits are not formally means tested. The difference in pre- and post-transfer distributions may reflect the high levels of benefits given to some of the beneficiaries in the upper pre-transfer quintile, which has the effect of skewing the distribution in the direction of the wealthier veterans. Data are not available on an Entity basis but for BiH as a whole the average transfer values of veterans' benefits ranges from 1,026.6 KM per annum for the poorest consumption quintile (Q1) to 1,623.8 KM per annum for the upper quintile (Q5). These transfer values are about double the level of social assistance benefits granted to non-war beneficiaries, which range from 475.2 KM per annum for the poorest quintile to 850.9 KM per annum for the upper quintile. However, the large difference in the pre-and post-transfer distributions does look unusual and may be due to a peculiarity in the coding scheme used to generate the data.

Table 13. Distribution of veterans' benefits in RS (post-transfer consumption groups)

	Total	Q1	Q2	Q3	Q4	Q5
Coverage	7.8	8.4	5.8	7.9	7.4	9.4
Distribution of beneficiaries	100.0	21.5	14.9	20.4	19.0	24.2
Distribution of benefits	100.0	21.4	15.4	19.6	15.9	27.8
Distribution of benefits (pre-transfer groups)	100.0	47.8	16.9	11.4	13.9	10.0

Source: World Bank (2009) Tables AA6, AA9, AA12 and AA23. Note: Q1 is bottom quintile of consumption; Q5 is top quintile of consumption. "Coverage" is Proportion of population in each group that receives the transfer. Data are for Military disabled and survivors' benefits. The data reported in the bottom row are taken from Table AA23 in the original report in which they are not labelled as being for the RS, but comparison with the discussion in the text suggests that this data does represent the RS.

4.3.3. *Gaps in veterans' social welfare*

Many veterans are registered at Employment Agencies as unemployed persons. Since unemployment benefits are close to the minimum wage, the beneficiaries are not motivated to find a job. An active labour market programme provides training to unemployed veterans to return them to the labour market. It offers subsidised interest rates for business start-up loans and job subsidies for employers.

The World Bank has argued that due to the poor targeting efficiency of veterans' benefits they should be means tested. Legislation has been introduced to this effect, but its implementation has been resisted. In FBiH it is recognised that the difficulty of measuring income and assets is a barrier to effective targeting⁴⁷. Means testing is controversial in most countries. Some argue that universal benefits create a sense of solidarity and shared understanding and that means tested benefits create the opposite, divisions and misunderstanding. This may be one reason why means testing veterans' benefits is so strongly resisted throughout Bosnia and Herzegovina. Universal benefits, even when modest, provide a degree of social inclusion beyond the actual material gain involved. From the social inclusion perspective there is a case to be made that the main problem with veterans' benefits is that they are higher than the budget can afford, not that they are not means tested. If the level of the benefits were to be reduced or even simply frozen, then funds could be released to improve the coverage and targeting of the poor. Moreover, means testing requires a large cost in administration that may offset the gains from the associated fiscal savings. It also introduces poverty-traps and disincentives to work.

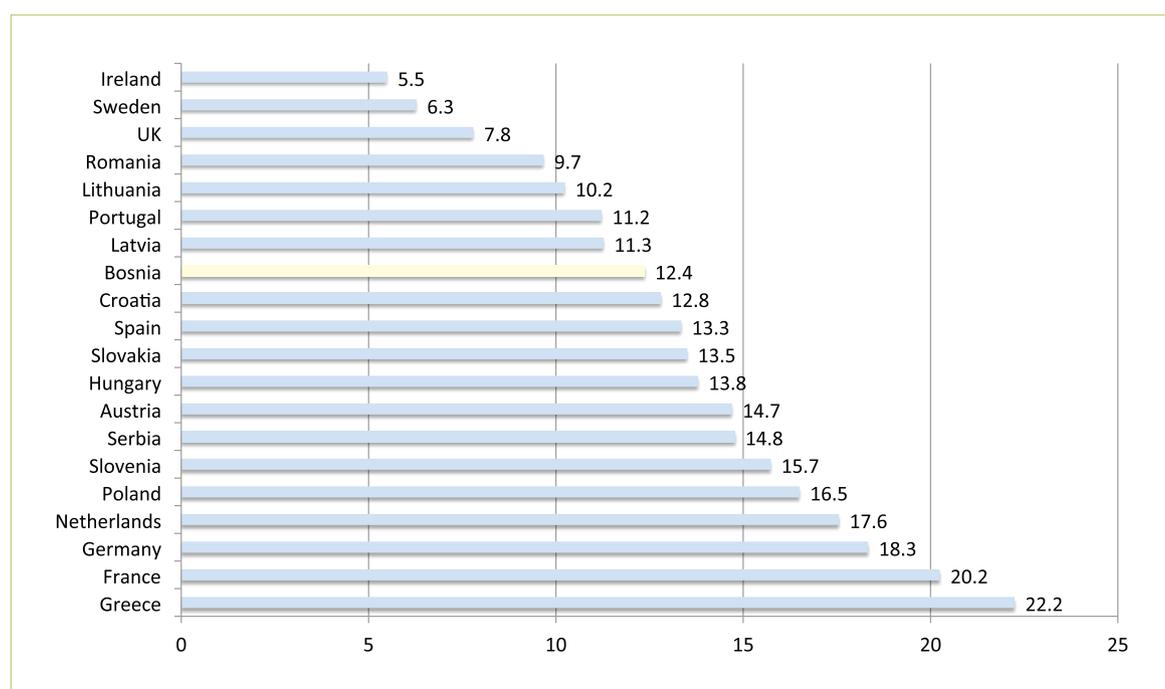
Veterans' benefits form a large proportion of total expenditure on social assistance. These benefits are not means tested and there is some evidence that the richer veterans receive higher average payments, a seemingly unjust state of affairs. The governments of BiH have already committed to the IMF not to further increase veterans' benefits. The choice to spend such large amounts of public money on veterans' benefits is one for the political system of BiH to decide. Means testing of veterans' benefits, as suggested by the World Bank, would likely be an ineffective measure, given the difficulty of effectively measuring incomes and assets in BiH. Moreover it would be costly to implement and divert resources from other forms of social expenditure. Concerns about inequality in income distribution can be better met by a more progressive income tax system, than by means testing veterans' benefits.

47 This point was made at an interview held at FBiH Ministry of Finance, 5/3/2013.

5. SOCIAL SECURITY IN BIH

This section sets out the framework of the social security system in Bosnia and Herzegovina, looking at legislation, policies, administration and trends in contributions and benefits. Countries differ in the amount they spend on social security systems (see Figure 4). The range of expenditure is large, varying from 5.5% in Ireland to 22.2% in Greece. BiH spends an intermediate amount on social security with an expenditure of 12.4% of GDP, similar to Croatia and Latvia, more than the UK and Sweden (which however have relatively large social assistance benefits pushing up their total spending on social protection to much higher levels).

Figure 7: Social security benefits as a % GDP, 2011



Source: International Monetary Fund (2013): *Government Finance Statistics* (Edition: March 2013). Note: The variable name in the IMF database is "Social security benefits as a percentage of GDP", and the variable code is [GF_942_CC_GG_271_GDP]

Social security system is financed on the basis of contributions on wages or salaries paid by both employees and employers at different rates for different schemes, and at different rates in each Entity and Brcko District. The pattern of contributions is shown in Table 14.

Table 14: Employee and Employer Contributions to Social Insurance Systems (% of gross wage)

		Pension	Healthcare	Unemployment	Total
FBiH					
Employee		17.00%	12.53%	1.5%	31.03%
Employer		7.00%	4.00%	0.5%	11.50%
<i>Combined</i>		<i>24.00%</i>	<i>16.53%</i>	<i>2.0%</i>	<i>42.53%</i>
RS					
Employee		17.00%	15.00%	0.7%	32.70%
Employer		0.00%	0.00%	0.0%	0.00%
<i>Combined</i>		<i>17.00%</i>	<i>15.00%</i>	<i>0.7%</i>	<i>32.53%</i>
BD					
Employee	May choose to join either FBiH or RS system		12.00%	0.0%	29.00%
Employer			0.00%	1.5%	8.5% or 1.5%
<i>Combined</i>		<i>24.00% or 17.00%</i>	<i>12.00%</i>	<i>1.5%</i>	<i>37.5% or 30.5%</i>

Source: MISSCEO database

The Table shows that the overall burden of contributions on salaries is high in both Entities. In FBiH the contribution rate totals 42.5% taking into account both employee and employer contributions. In RS it is 32.7% (entirely paid by the employee) and in Brcko District it is either 37.5% or 30.5% depending upon which health insurance scheme the employee chooses to join. However, not all companies actually pay the required contributions. While companies in Sarajevo regularly pay their social contributions, elsewhere in FBiH companies often fail to pay their social contributions⁴⁸.

48 Workshop with representatives on Employment and Education services in FBiH, Sarajevo, 5/4/2013.

Table 15: Social security contributions in the EU and in Bosnia and Herzegovina (% gross wages and salaries)

	Average rate of employer's social security contributions (%)	Average rate of employees' social security contributions (%)	Total social security contributions
France	44.00	13.69	57.69
Austria	29.13	18.06	47.19
Hungary	28.50	18.50	47.00
Greece	28.56	16.50	45.06
Czech Republic	34.00	11.00	45.00
Belgium	30.20	14.00	44.20
Italy	32.08	9.49	41.57
Slovak Republic	27.87	13.40	41.27
Germany	19.58	20.73	40.30
Sweden	31.42	7.00	38.42
Slovenia	16.10	22.10	38.20
Estonia	34.40	2.80	37.20
Spain	29.90	6.35	36.25
Average	22.15	13.89	36.05
Portugal	23.75	11.00	34.75
Poland	16.78	17.83	34.61
Turkey	16.50	15.00	31.50
Finland	22.80	7.62	30.42
Netherlands	10.77	15.41	26.17
United Kingdom	10.92	9.46	20.38
Ireland	10.75	3.19	13.94
Denmark	0.00	2.73	2.73

Source: OECD tax tables

As can be seen from Table 15 the total social security contributions in Bosnia and Herzegovina are not out of line with social contributions in sample of EU countries for which data is available. The contributions are above average in FBiH and below average in RS. A peculiarity of the social security contributions in BiH is the high rate of contributions levied on employees, and the comparatively low level levied on employers. This is more or less the opposite of the typical case in the EU countries, where employer contributions are much higher than employee contributions. In economic terms this is not an important distinction as it is the overall incidence of the contributions that is important.

In addition to social security contributions, social protection benefits can be paid in some countries out of general taxation. This is the case in Denmark, for example, where social security contributions amount to just 2.73 of gross wages. However, Danish income tax is very high – the highest in Europe at an average rate of 36%. The income tax rates in the two Entities are 10% in FBiH and 8% in RS, with

an annual tax-free allowance of 3,600 KM⁴⁹. Since income taxes in FBiH and RS are relatively low, it is not surprising that when these are included in the analysis of the combined burden of social security contributions and income taxes on wages then it can be seen that the overall burden on wages in BiH is relatively low (see Table 16).

Table 16: Average income taxes and total social security contribution

	Average income tax rate (%)	Total social security contributions and income taxes
Belgium	28.78	72.97
France	14.63	72.32
Hungary	16.51	63.51
Austria	15.94	63.12
Italy	21.31	62.88
Germany	19.19	59.49
Czech Republic	11.83	56.83
Slovenia	17.53	55.73
Estonia	17.10	54.30
Spain	17.89	54.14
Greece	8.87	53.93
Slovak Republic	10.97	52.24
Finland	21.78	52.20
Average	16.12	52.17
Sweden	10.30	48.72
Turkey	15.48	46.98
Poland	10.71	45.32
Portugal	9.40	44.15
Netherlands	16.54	42.71
Denmark	36.16	38.89
United Kingdom	17.08	37.46
Ireland	14.80	28.74

Source: OECD tax tables

5.1. Unemployment and unemployment benefits

Due to the severe adverse impact of the economic crisis in BiH, the unemployment rate increased from 24.0% to 28.6% between 2008 and 2012, an increase of more than four percentage points, reaching a rate more than twice the unemployment rate of 11.8% in the EU-27 in 2012. It is comparable, but still higher, than in crisis-stricken Greece (26.4%) and Spain (26.2%). In neighbouring Croatia the unemployment rate is 18.0%.

⁴⁹ Further deductions are available for dependent family members and in case of invalidity; these deductions represent an additional social benefit for children of employed persons and employed invalids.

Table 17: Unemployment in Bosnia and Herzegovina, 2008-12

	2008	2009	2010	2011	2012
BiH	24.0	24.5	27.7	28.0	28.6
FBiH	25.3	26.0	29.4	29.4	29.6
RS	21.4	21.9	24.5	25.2	26.6
BD	32.6	30.1	36.6	39.7	33.3

Source: BHAS (2010, 2012) *Anketa o radnoj snazi: konacni rezultati, Tabel 3, Sarajevo: Agencija za statistiku Bosne i Hercegovine.*

The high rate of unemployment implies a large inequality between those who have access to productive employment and those who do not, partly linked to inequalities in education attainment and skills of different segments of the labour force (Khare et al., 2011).

Unequal labour market outcomes are reinforced by prominent gender inequality in both pay and in access to employment opportunities, as women participate in the labour market less than men and are more likely to be unemployed. Gender inequalities are high in rural areas where women have lower levels of educational attainment, lack information about labour market opportunities and where child care services are less developed than in urban areas (Somun-Krupalija 2011). It should be noted however, that although the employment rate of men is significantly higher than that of women, there has been an uneven effect of the economic crisis on the gender dimension of employment. Men seem to have been worse affected by the crisis with a fall in the male employment rate of around four percentage points, while the female employment rate has remained fairly steady over the crisis period. This suggests that it has been mainly male jobs in the construction industry and other crisis hit industries that have borne the brunt of the crisis effects.

Table 18: The unemployment insurance system in BiH

Eligibility	Length of prior social insurance contribution
Scheme	A social insurance scheme financed by contributions of employers and employees that provides an earnings-related cash benefit and payment of contributions for health insurance and pension insurance.
Responsible Organization	Supervising: In FBiH: Ministry of Labour and Social Policy; In RS: Ministry of Labour, War Veterans and Disabled Persons' Protection Implementing Agency: In FBiH Federal Employment Institute, Cantonal Employment Bureaus; RS Employment Bureau
Source of Fund	Social insurance contributions
Coverage	1.8% of total registered unemployed (December, 2008)

All insured unemployed people who meet the eligibility conditions are entitled to unemployment benefits in the form of cash payments from the Employment Bureaus, as well as payments to cover their healthcare and pension insurance contributions. However, in April 2011, only 10,796

unemployed people receive unemployment benefits (only 2% of the 529,423 registered unemployed people), while 364,015 received health insurance (69% of unemployed people)⁵⁰.

5.1.1. *Unemployment insurance system in the Federation*

Policy framework for unemployment insurance in FBiH

The Ministry of Labour and Social Policy is responsible for formulating policy in relation to the unemployment benefit system.

Legal framework for unemployment insurance in FBiH

- Law on Mediation for Employment and Social Security of Unemployed Persons of Federation BiH (Official Gazette FBiH 55/00) amended in 2001, 2005 and 2008 (Official Gazette of FBiH 41/01, 22/05 and 09/08).

Administrative framework for unemployment insurance in FBiH

The Federal Employment Institute (*Federalni Zavod za Zaposljavanje*) is based in Sarajevo. Each of the ten Cantons also has its own Employment Bureau.

Unemployment Insurance Contributions in FBiH

The unemployment insurance contributions in FBiH are 0.5% from employers and 1.5% from employees.

Eligibility conditions for Unemployment Benefits in FBiH

All employees who have paid contributions for unemployment insurance prior to the termination of employment are eligible to receive unemployment benefits. The beneficiary must be over 15 years of age, unemployed and actively seeking work, registered with the Employment Service, not performing any independent professional or economic activity and not a full-time student or pensioner. In addition the beneficiary must have paid contributions without any interruption for a minimum of eight months, or with interruptions over a period of eight months in the 18 months before becoming unemployed.

Unemployment insurance benefits in FBiH

Unemployed people who meet these conditions are entitled to unemployment benefit, depending on their length of work experience. Benefit is payable with a waiting period of 30 days after termination of employment. Benefits are paid at a rate of 40% of the average monthly net salary in the Federation over the previous 3 months. The duration of unemployment benefit varies according to insurance record as follows:

⁵⁰ Statistički Informator, Agencija za Rad i Zapošljavanje Bosna i Hercegovine, Q2 2011, No. 20.

Table 19

Length of insurance record	Duration of unemployment benefit
From 8 months to 5 years	3 months
Between 5 and 10 years	6 months
Between 10 and 15 years	12 months
Between 25 and 30 years	15 months
Between 30 and 35 years	18 months
Over 30 years	24 months

Source: MISSCEO online data

The benefits are paid monthly. At the request of the unemployed person, the whole amount can be paid up-front for establishing a small business.

Gaps in the unemployment insurance system in FBiH

In February 2013, 386,091 persons were registered at the Employment Bureaus in FBiH, of which 197,935 were seeking work for the first time. In January 2013, only 2.7% of registered unemployed received unemployment benefit (see Table 20). Such a low level of coverage of unemployment benefit consigns many of the unemployed into poverty.

Table 20: Unemployment benefits and health insurance payments to the registered unemployed in FBiH (2012-13)

Cantons & FBiH	Unemployment benefit/total unemployed		Health insurance/ Total unemployed	
	XII 2012	I 2013	XII 2012	I 2013
Zenicko-dobojski	2.6%	2.8%	73.7%	73.8%
Kanton Sarajevo	3.6%	3.7%	72.2%	72.5%
Hercegovačko-neretvanski	2.2%	2.5%	71.9%	72.3%
Zapadnohercegovački	2.9%	2.6%	67.7%	68.6%
Livanjski	2.1%	2.4%	65.7%	66.5%
FBiH	2.6%	2.7%	63.0%	63.3%
Tuzlanski	1.9%	2.0%	60.4%	60.6%
Posavski	3.1%	3.3%	58.4%	58.9%
Unsko-sanski	2.7%	2.9%	58.3%	58.4%
Srednjobosanski	2.2%	3.3%	33.8%	45.3%
Bosansko-podrinjski	3.2%	3.7%	41.4%	41.4%

Source: Bilten 01/13, Statistički Pregled, Table IX Sarajevo: Federal Employment, Institute

Many of those who register as unemployed do so in order to receive health insurance, as being unemployed is a criterion for receiving insurance cover. Altogether, the Employment Service pays health insurance for almost two thirds (63%) of the registered unemployed. These payments exhaust the funds of the Employment Service, which consequently has only a small remaining budget for active employment measures to assist job seekers to find employment. In some Cantons almost three-quarters of the registered unemployed receive health insurance payments (Zenecko-dobojski, Kanton Sarajevo and Hercegovacko-neretvanski) (see Table XX).

In Mostar, according to a participant in one of the Workshops organised to support this report, the link between schools and employers is very weak⁵¹. Large local companies have not approached the Employment Office to ask for workers. They employ new people on the basis of nepotism. Employers who have not paid wages for months approach Employment Office for workers – but how can we send them to such companies?

5.1.2. *Unemployment insurance system in the RS*

Policy framework for unemployment insurance

The Ministry of Labour, War Veterans and Disabled Persons' Protection is responsible for the unemployment benefit system in RS.

Legal framework for unemployment insurance

- Law on the Intercession in Employment and the Rights of Unemployed Persons of Republika Srpska (Official Gazette of RS 30/10)
- Law on Professional rehabilitation, training and employment of disabled persons (Official Gazette of RS 98/04 and 91/06)

Administrative framework for unemployment insurance

The RS Employment Bureau is responsible for administering the unemployment insurance system.

Contributions in RS

The unemployment insurance contributions are 0.7% from employees, while no contributions are levied on employers.

Eligibility conditions

All employees who have paid contributions for unemployment insurance are eligible to receive unemployment benefits, subject to certain conditions. The beneficiary must be over 15 years old, be unemployed and actively seeking work, be registered with the Employment Service, not perform any independent professional and economic activity, and not be a fulltime student or a pensioner. In addition the beneficiary must have paid contributions for unemployment continually over a minimum period of eight months in the previous 12 months or for a minimum of 12 months with interruptions in the 18 months before becoming unemployed.

⁵¹ Workshop with representatives of Employment and Education services, Sarajevo, 5/4/2013.

Benefits

In RS, benefit is paid after a waiting period of 30 days from termination of employment. The rate of benefits depends upon the beneficiary's insurance record. It is paid at 35% of an individual's average earnings in the preceding three months for less than 15 years insurance, and at 40% of earnings for more than 15 years insurance. Cash benefits cannot be less than 20% of average salary in Republika Srpska in the previous quarter as published by the Statistics Bureau nor higher than the average salary in Republika Srpska. The minimum duration of the benefit in RS is 1 month, and the maximum duration is 12 months. Workers who are dismissed through privatisation or bankruptcy of a company are entitled to between 3 and 12 months' salary in compensation. The duration of unemployment benefit varies according to insurance record as follows:

Table 21

Length of insurance record	Duration of unemployment benefit
Up to 1 year	1 month
Between 1 and 2 years	2 months
Between 2 and 5 years	3 months
Between 5 and 15 years	6 months
Between 15 and 30 years	9 months
Over 30 years	12 months

Source: MISSCEO database

Gaps in the unemployment insurance system in RS

Unemployment benefit covers only 2.2% of registered unemployed persons in RS. The low level of coverage of the unemployment benefit consigns many of the unemployed into poverty.

5.1.3. Unemployment insurance system in Brcko District

Legal framework for unemployment insurance in BD

- Brcko District - Law on Employment and Rights During Unemployment (Official Gazette of Brcko District 33/04), amended in 2007 and 2008 (Official Gazette of Brcko District 19/07 and 25/08)

Administrative framework for unemployment insurance in BD

Contributions in BD

Contributions from employees are levied at 1.5% of gross salary, paid by the employer.

Eligibility conditions in BD

All employees who have paid contributions for unemployment insurance are eligible for receipt of unemployment benefits subject to certain conditions. The beneficiary must be over 15 years old, be

unemployed and actively seeking work, be registered with the Employment Service, not perform any independent professional or economic activity, and not be a fulltime student or a pensioner.

Unemployment benefits in BD

Benefits are payable after a waiting period of 15 days from becoming unemployed. The rate of benefit depends upon the beneficiary's insurance record and is paid as 35% of an individual's average earnings for less than 10 years insurance and 40% of earnings for more than 10 years insurance. Cash benefits cannot be less than 20% of the average salary in Brcko District nor more than the average salary in Brcko District. The duration of unemployment benefit varies according to insurance record as follows:

Table 22

Length of insurance record	Duration of unemployment benefit
Up to 5 years	3 months
Between 5 and 15 years	6 months
Between 15 and 25 years	9 months
Over 25 years	12 months

Additionally registered unemployed people are entitled to health insurance paid for them by the Employment Service if they register within certain time limits.

5.2. Gaps in the unemployment insurance system in BiH

The amount and duration of unemployment benefits differ between the Entities and Brcko District introducing inequalities in treatment of unemployment depending on where a person lives within Bosnia and Herzegovina.

Many employers fail to pay social insurance contributions, and for this reason many people are not eligible for unemployment benefit.

Due to the tight eligibility conditions, only a relatively small proportion of the registered unemployed are eligible to receive unemployment benefits. In particular, young people without any work experience are excluded from receiving unemployment benefit, even if they are actively seeking work. The low level of coverage of the unemployment benefit consigns many of the unemployed into poverty.

5.3. Active inclusion of unemployed people on the labour market

A major reason for poverty is lack of income from employment. Child poverty is especially high in families with no person in work (low-work intensity households). Policies need to be developed that will assist parents to find employment and so lift families with children out of poverty. During the period of the economic crisis from 2008 to 2012 the labour market has suffered severe stress.

Labour Force Survey data reveal that although the overall activity rate has remained fairly stable, the employment rate has declined and correspondingly the unemployment rate has increased (see Table 23a & 23b). Overall, the employment rate of 15-64 year olds fell from 40.7% to 38.5% a decrease of more than two percentage points. The employment rate is consistently about eight percentage points higher in the RS than in FBiH, while it is lowest in Brcko District where it fell to a low of 28.2% in 2011.

Table 23a: Employment and unemployment rates, 2008-12

	2008	2009	2010	2011	2012
Employment rate (%)					
BiH	40.7	40.1	39.0	38.7	38.5
FBiH	37.9	36.7	36.2	35.7	36.1
RS	46.3	47.0	45.0	45.1	43.8
BD	32.1	33.2	32.0	28.2	30.8
Unemployment rate (%)					
BiH	23.4	24.1	27.2	27.6	28.0
FBiH	25.0	25.7	29.1	29.2	29.4
RS	20.5	21.4	23.6	24.5	25.6
BD	31.9	29.2	36.4	39.0	32.5

Source: BHAS (2010, 2012) Anкета o radnoj snazi: konacni rezultati, Tabel 3, Sarajevo: Agencija za statistiku Bosne i Hercegovine.

Table 23b: Youth employment and unemployment rates (15-24 year olds), 2008-12

	2008	2009	2010	2011	2012
Employment rate (%)					
BiH	17.4	16.7	14.0	13.2	10.8
FBiH	15.7	14.6	12.4	12.6	9.6
RS	21.1	21.5	17.8	14.9	14.0
BD	15.3	15.4	11.5	8.9	7.3
Unemployment rate (%)					
BiH	47.5	48.7	57.5	57.9	63.1
FBiH	51.9	53.9	62.3	59.7	67.1
RS	38.7	38.4	46.8	53.2	54.3
BD	49.1	50.5	63.4	70.9	64.4

Source: BHAS (2010, 2012) Anкета o radnoj snazi: konacni rezultati, Tabel 3, Sarajevo: Agencija za statistiku Bosne i Hercegovine. Note: Employment rate = employed/working age population; Unemployment rate = unemployed/labour force

A relevant feature of the labour market is that having a job does not guard against poverty. According to the results of the 2007 Household Budget Survey the incidence of poverty among the employed is 16.4% (BHAS 2007: 32). This is partly related to a low level of productivity in some sectors and the low skills of the labour force in some fields of employment (DEP 2010: 27).

The employment rate in BiH and its constituent entities is far below that of the average in the EU-27 and well below the Europe 2020 target of 75%. While EU targets are specified for the 20-64 year age group, data on employment rates for BiH published by the BHAS are based on the 15-64 year age group, biasing the BiH data downwards, since many 15-19 year olds are out of the labour force in school or university. It is recommended, therefore, that the indicator for the employment rate and the respective targets for BiH, FBiH and RS should be set in correspondence with the Europe 2020 definitions. This would require a further calculation by BHAS in cooperation with the Federal Institute of Statistics (FZS) and the Republic Institute of Statistics of the Republic of Srpska (RZSRS).

5.3.1. *Policy framework for active inclusion of unemployed people in BiH*

The Employment Strategy of Bosnia and Herzegovina 2010-2014 was published in July 2010 under the auspices of the Ministry of Civil Affairs and a Coordinating Committee composed of representatives of relevant institutions in BiH, the Entities, Brcko District, and the social partners (MCA 2010). It was prepared in accordance with the National Development Strategy 2010-2014, which was prepared in accordance with the Social Inclusion Strategy 2010-2014 but never adopted.

The Employment Strategy identifies that the development of active labour market policies in both entities of BiH and in BD is quite limited, as is the involvement of the social partners in active labour market policies (ALMP). The aim of the Employment Strategy is to improve a full, productive and freely chosen employment for all (ES 2010: 36), while the overall objective is to increase the quality and quantity of jobs while promoting social inclusion and combating gender inequality. The priority objectives are:

- Promote inclusive and job-rich growth and reduce the deficit of productive employment and decent work
- Improve the employability of women and men, and especially the most vulnerable
- Improve the effectiveness, efficiency and management of policies and labour market institutions

The general quantitative targets for the period 2010-2014 are:

- 2% annual increase in overall employment rates
- 2.5% per year increase in female employment
- Youth unemployment decreased to 30% by 2014

Labour market policies in BiH, as set out in the Employment Strategy, are ambitious. They are in line with the European Employment Strategy approach to support active inclusion policies, although the amount of resources available for such policies is limited and the focus remains very much on passive support of the unemployment, the disabled and pensioners.

However, as shown above, the employment rate in BiH is extremely low by European comparisons. A greater emphasis on activation policies is therefore needed alongside an improved set of policies to improve employability through closer alignment of education to the labour market and through

‘making work pay’ by reducing the share of categorical benefits in total benefits while supporting the unemployed and inactive into work through appropriately aligned social assistance⁵².

One notable initiative in BiH is the Youth Employability and Retention Programme (YERP) is a United Nations Joint Programme designed to address the problems of high youth unemployment⁵³. It addresses high unemployment and social exclusion by focusing on improving the employability and social inclusion of youth, and supporting their entry into the labour market. The programme aims to enhance youth employability through a better alignment of national strategies on education and youth employment (Aigner 2012).

5.4. Gaps in the system of active labour market inclusion in BiH

Active employment measures throughout BiH are under-developed since available funds are mainly applied to passive measures and especially for paying health insurance for the unemployed. Consequently, active employment policies are insufficient and underfunded. In the Employment Agency in Una Sana Canton, KM1.3 million out of KM1.5million are used for passive measures and health insurance, leaving little for active measures⁵⁴. In the opinion of the representative of the Una Sana Employment Agency, Employment Agencies should not be burdened with paying for health insurance. The office also has to pay additional entitlements for war veterans. The Agency could support 7,000 jobs with that money. In Sarajevo, the representative of the Employment Office remarked that too many people register with the Employment Agency just for getting health insurance. The representative remarked that access to health care services should be separated from having health insurance as the Agency has no money left for active employment policies. The representative from the Federation remarked that the law must be changed to prevent people registering at employment offices just to get health insurance and benefits for war veterans. Employment Agencies have been turned into social offices, they are not really helping people to find work⁵⁵.

Furthermore, most of the limited funds available for active employment measures in the Employment Agencies are devoted to job subsidies for new employment which is often less effective than expenditure on training, re-training and career guidance and counselling. Job subsidies have little ‘additionality’ as they are generally applied to young people with higher education levels with a low risk of unemployment (DEP, 2010).

According to opinions expressed in a Workshop to support this report, the Employment Office BiH has a labour market needs survey, but sample size is too small⁵⁶. There is no obligation on employers to report vacancies, unlike in Slovenia. This is a legal gap.

52 See above for an analysis of the social assistance system in BiH

53 The YERP project is financed by the Spanish government in partnership with UNDP, UNICEF and UNFPA.

54 Workshop with representatives of FBiH Employment and Education services, Sarajevo, 5/4/2013.

55 Ibid.

56 Ibid.

5.5. Social health insurance and healthcare services

Table 24

Eligibility	Contributors to health insurance
Scheme	Social insurance scheme. It is a 'benefits in-kind' system providing benefits to a range of specific groups through individual and derived entitlement. Financed mainly by contributions.
Responsible Organization	Supervising Agencies: in Republika Srpska, Ministry of Health and Social Welfare; in FBiH, the Ministry of Health of FBiH has a coordinating role, while supervision and management of the health system is decentralised to 10 Cantonal Ministries of Health Implementing Agencies: Health care institutions such as medical centres, polyclinics and hospitals
Source of Funds	Health Insurance Funds: in Republika Srpska there is one Health Insurance Fund; in FBiH each Canton has a Health Insurance Fund. The Funds collect revenue from insurance contributions on wages and salaries.
Coverage	Certain categories of beneficiaries defined by the Law

The health system in Bosnia and Herzegovina is based upon social insurance principles financed through health insurance contributions made by employees and by the public employment services on behalf of the unemployed and the Pension Fund on behalf of pensioners. Each Entity, District and Canton has its own Health Insurance Fund. A good account of the institutional arrangements for the provision of healthcare services is provided by the WHO report on Bosnia and Herzegovina for the series on Health Care Systems in Transition – the HiT Report (Cain et al., 2002).

5.5.1. Social health insurance in the Federation

Policy framework for healthcare services in FBiH

Responsibility for healthcare policy is decentralised to the 10 Cantonal Ministries of Health. Services are gradually being transferred to the primary care sector in which family doctors act as a gatekeeper to secondary care in the hospitals. The development of family medicine is expected to be much more cost-effective system of health care provision than the specialist polyclinics and is at the same time expected to improve the quality of the services provided.

Legal framework for health insurance in FBiH

- Law on Health Care of Federation BiH, (46/10)
- Law on Health Insurance of FBiH (Official Gazette of FBiH, 30/97) amended in 2002 and 2008 (Official Gazette of FBiH, 7/02 and 70/08)
- Decision on Determination of Basic Package of Health Rights (Official Gazette of Federation of BiH, No. 21/09)

- Decision on the Maximum Amount of Direct Participation of Insured Persons in the Costs when Using Particular Part of Health Care in the Basic Package of Health Rights (Official Gazette of Federation of BiH, no 21/09)

Administration of health insurance in FBiH

The Federal Health Insurance Fund controls and supervises the ten Cantonal Health Insurance Funds.

The primary health care system is provided by local family doctors working in community health centres (*Dom Zdravlja*). These are partly financed by the Health insurance Fund, and partly by the municipalities.

Contributions and finance in FBiH

In FBiH, collection of health contributions and health expenditure takes place at the Canton level. Employees pay health insurance on the basis of their wages. The Employment Offices pay the health insurance of the registered unemployed.

Eligibility for health care services in FBiH

Health insurance covers various defined categories of beneficiaries:

- Employed persons
- Employees sent abroad to work or for vocational training, and persons working in the household of the insured person working abroad if they are citizens of Federation of BiH
- Employees of state, judiciary, government or administrative bodies in the Federation or Canton
- Citizens of FBiH employed with foreign or international organizations and institutions, consulate or diplomatic missions in FBiH
- Residents of FBiH who work abroad for a foreign employer and do not have a health insurance in the respective state
- Persons who serve full time compulsory service, after completion of education
- Self-employed persons, owners of private enterprises located in FBiH, if not insured on another basis
- Farmers in FBiH who farm as their sole or principal occupation, farmers who rent out their farming land and persons who take a lease of the farming land, if not insured on another basis
- Pensioners and beneficiaries of rights to professional rehabilitation and employment in compliance with the regulations on pension and disability insurance of the Federation
- Beneficiaries of foreign ordinary and disability pensions who are residents of FBiH, if not determined otherwise by the international contract.
- Unemployed persons registered with the Unemployment Institute within a certain time-limit



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- Women during pregnancy and maternity leave as well as for the health care services related to prevention of breast cancer and cancer of the uterus-veterans with disability of 60% or more
- Civilian war victims and disabled person with disability of 60% or more-family members of killed soldiers or family members of soldiers who died as result of injuries related to war casualties, and who were members of the Army of the Federation of Bosnia and Herzegovina
- Retirees whose pension does not exceed the minimum pension according to the latest published data-persons over 65 years of age who do not receive pension or their other monthly incomes do not exceed the minimum pension according to the latest published data
- Residents of social institutions
- Insured persons who are on benefit
- Displaced persons and refugees if they do not receive pension or if their other monthly incomes do not exceed the minimum pension
- Insured persons who on a regular (at least 10 times) and a voluntary basis were blood donors
- Insured persons who are organ donors
- Insured persons who are registered with the Unemployment Office
- Insured persons are exempted from patient's participation for health care services when suffering following diseases:
 - malignant diseases-treating kidney failure through dialysis tuberculosis, HIV infection and other infection diseases, epilepsy, systematic autoimmune diseases, hemophilia, insulin dependent diabetes, paraplegia and quadriplegia, muscular dystrophy, multiple sclerosis, cerebral palsy, mental disorders

Concerning the choice of hospital, patients may only choose the hospital in the Canton where they are insured. Referral from primary care physician is required. However, due to the administrative fragmentation it is only possible to choose the hospital outside the Canton with the express agreement of the relevant HIF.

Gaps in healthcare services in FBiH

According to the Ministry of Health, the health system in FBiH is oriented to relatively long stays by patients in hospitals and underinvests in preventive care⁵⁷. The improvement of preventive healthcare services should be a priority of the government. Mental health services and the early detection of children with developmental problems should also be a priority. Emerging problems are a shortage of paediatricians and psychiatrists.

⁵⁷ Interview held at Federation Ministry of Health, 4/3/2013.

It is estimated that 15% of the population FBiH are not covered by health insurance including employees working in the grey economy, farmers and self-employed persons who have the right to make voluntary health insurance payments but often fail to do so. For those who are not covered by health insurance, the health care system provides free emergency treatment, but makes a charge for the provision of elective non-emergency care. Employers in financial difficulty often fail to fulfil their obligations to pay the health insurance contributions on behalf of their employees while employers in the informal sector do not pay health insurance contributions for their employees at all. Overall, the failure of the system to collect the health care contributions effectively has undermined the health care system by starving it of funds.

The fragmentation of the system of Cantonal Health insurance Funds in FBiH inhibits risk pooling and raises costs due to duplication of facilities. In the context of budget retrenchment and austerity the issue of health reform to reduce health care costs is high on the agenda. A negative effect of fragmentation of the healthcare system has been the emergence of large health inequalities. These can be identified and monitored by appropriate healthcare indicators.

While primary health care services cover most areas, the same cannot be said of the hospital sector. In some Cantons, large hospitals that were designed to serve a wider area run at below full capacity, while other Cantons have insufficient hospital capacity. Despite these misallocations of capacity, the only mechanism to shift resources from one Canton to another is a small Solidarity Fund that was established in 2002 to equalise resources across Cantons. The fund is financed from 8% of insurance contributions with a matching amount from government budgets.

5.5.2. *Social health insurance in RS*

Policy framework for healthcare services in RS

The Republika Srpska has a centralised healthcare system under the RS Ministry of Health and Social Welfare in Banja Luka. The RS aims to broaden the collection base of health contributions, increase transfers from the central budget and accelerate the collection of arrears. Health care spending will be contained by rationalising the network of health care centres in line with the Primary Health Care Strategy and “optimizing” the number of employees in the health care system (IMF 2012).

Legal framework for health insurance in RS

- Law on Health Insurance of Republika Srpska (Official Gazette of RS, 18/99), amended in 2001, 2003 2008 and 2009 (Official Gazette of RS 51/01, 70/01, 51/03, 57/03, 17/08, 01/09 and 106/09)
- Law on Health Protection of Republika Srpska (Official Gazette of RS, 106/09)

Administration of health insurance in RS

In RS there is a single Health Insurance Fund. Local family doctors working in Health Centres provide primary health care. Healthcare is partly financed by the Health Insurance Fund, and partly by municipalities.



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Medications are defined on the Health Insurance Fund's List A and List B regarding the reference price of the drug (the lowest price for the drug on the market).

- List A contains free of charges drugs for patients who are exempted of the participation; 10% participation related to the referent price of the drug for all other health insured persons. If the price of the drug is higher than the referent price, patient should pay the difference.
- List B contains drugs for which a 50% participation is required in relation to the referent price of the drug for all patients. If the price of the drug is higher than the referent price, patients should pay the difference.

Gaps in healthcare services in RS

A significant proportion of the population in RS is not covered by health insurance. Overall, it is estimated that 15% of the population in RS is not covered by health insurance. Among those not covered by health insurance are employees working in the informal economy, farmers and self-employed persons who have the right to make voluntary health insurance payments but often fail to do so. For those who are not covered by health insurance, the health care system provides free emergency treatment, but makes a charge for the provision of elective non-emergency care.

Employers in financial difficulty often fail to fulfil their obligations to pay the insurance contributions on behalf of their employees. Many employers do not pay the health insurance contributions of their employees on a regular basis. Overall, the failure of the system to collect the health care contributions effectively has undermined the health care system by starving it of funds.

The recession has put a heavy toll on the Entity Health Fund. The quality of services in the public hospitals is poor and patients often make side payments to doctors to secure treatment.

5.5.3. Social health insurance in Brcko District

Legal framework for health insurance in BD

- Law on Health Protection of Brcko District (Official Gazette of the Brcko District of BiH 2/01) amended in 2007 and 2008 (Official Gazette of the Brcko District of BiH 19/07 and 28/08)
- Law on Health Insurance of the Brcko District of BiH (Official Gazette of the Brcko District of BiH 1/02), amended in 2002 and 2008 (Official Gazette of the Brcko District of BiH 7/02 and 34/08)

Eligibility for health care services in BD

Health insurance in Brcko District covers the following categories of beneficiaries:

- Employees
- Self-employed
- Temporary residents who are employed abroad by a foreign employer, who do not have health insurance provided by a foreign Fund

- Full-time apprentices, after completion of their education
- Farmers
- Pensioners
- Recipients of professional rehabilitation and employment in accordance with the Law on Pension and Disability Insurance
- Recipients of old age and invalidity pensions who receive all their pension from a foreign institution
- Unemployed persons registered with the competent District employment authority
- War, peacetime or civil invalid of war
- Recipients of family disability allowance, unless otherwise insured,- Persons who receive social welfare benefits, District
- Dependents of insured person including spouse, children, adopted children and stepchildren

Benefits: healthcare service provision

The insured person may choose his or her Primary Health Care doctor. A patient must register with a family medicine team for a minimum period of 1 year. Regular medical check-ups are provided for children and students, as well as for certain categories of professions. Medications defined on the Essential List are covered at a rate of 100%, 70%, 55% or 50% depending upon the type of drug used. Subsidised transport to and from medical institutions is provided for certain categories of medical treatment (e.g. dialysis, chemo and radiotherapy). Patients participate in the cost of all health services, including hospitals, at an average rate of 10-20% depending on the type of medical service as determined by insurance funds. The following are exempt from co-payments:

- Children up to 15 years old
- Persons over 65 years of age
- Women during pregnancy and maternity leave
- Mentally ill persons who may endanger themselves and others
- Persons with muscular dystrophy, cerebral palsy, multiple sclerosis, paraplegia, quadriplegia, and endemic nephropathy- Persons suffering serious and chronic diseases (diabetes, cancer, TB, HIV/Aids, those on dialysis)
- Blind people
- Recipients of social benefits
- Voluntarily blood donors

Patients referred by the medical commission for treatment outside of Brcko District can select a hospital that does not have a contract with the HIF only if the difference between the expenses incurred is paid by the patient.

6. SOCIAL INCLUSION IN BIH

In this section, the Report assesses progress and gaps in the field of social inclusion with a focus on inclusion of disadvantaged groups, on inclusive education and active inclusion in the labour market.

6.1. Disadvantaged groups and social exclusion in BiH

Social exclusion in BiH affects a wide variety of persons including those who suffer from material deprivation, who live in low work intensity households. In addition particular social groups are at risk of social exclusion including the disabled, people living in rural areas, early school leavers, women, and members of ethnic minorities such as the Roma.

6.2. Inclusive education

Education has a profound impact on the life chances of children and young people. Poverty incidence has a strong relationship with education. As can be seen from Table 25, poverty is much more prevalent among those with no (or only) primary education than those with secondary education, while very few people with higher education are at risk of poverty. The contrasts are striking. Whereas almost two fifths (38.4%) of people in RS with no education were at risk of poverty, as measured by the 2007 Household Budget Survey (against an absolute poverty line) less than five per cent of people with tertiary education faced a risk of poverty. This illustrates the importance of public investment in education, but also the need for an inclusive approach to education that brings in people from all social backgrounds and provides equal opportunities to all.

Table 25: Poverty incidence by education level (%)

	BiH	FBiH	RS	BD
No education	33.3	30.2	38.4	19.6
Primary education	24.2	24.1	23.8	32.2
Secondary education	15.5	14.7	16.4	23.3
Tertiary education	3.2	3.1	3.3	4.1

Source: BHAS 2007

6.2.1. Policy framework for inclusive education in BiH

- State Strategy for Pre-School Education in Bosnia and Herzegovina (Council of Ministers of Bosnia and Herzegovina, 2005)
- Action Plan for the Inclusion of Children with Special Needs into Regular Classrooms (2006)
- Strategic Directions for the Education Development in Bosnia and Herzegovina with an Implementation Plan, 2008–2015 (Council of Ministers of Bosnia and Herzegovina, 2008)
- Action Plan on the Education Needs of Roma and Members of Other National Minorities (Council of Ministers of Bosnia and Herzegovina, 2008)

In 2008, the Council of Ministers of Bosnia and Herzegovina released a strategic document entitled *Strategic Directions for the Education Development in Bosnia and Herzegovina*, accompanied by an *Implementation Plan (2008–2015)*, which serves as the basis for entity-level and cantonal strategies. The issue of equal access and equity in education is given special status within the strategy as an overarching strand in education development. The document advocates the right of everyone to at least nine years of basic compulsory education, which is of the same quality in the different parts of the country, especially in demographically endangered and war affected areas, rural and mountainous areas and the like.

Moreover, education should meet the needs of minorities. In 2008, Bosnia and Herzegovina joined the *Decade of Roma Inclusion 2005-2015* and adopted an *Action Plan for the Solution of the Issues of Housing, Health Services and Education for the Roma* and established a coordination committee to monitor implementation. Other documents relating to the inclusive education policy include the *Strategy for Pre-Schooling Education in Bosnia and Herzegovina* and the *Action Plan for the Inclusion of Children with Special Needs into Regular Classrooms*, which are currently awaiting adoption by the ministers of education.

According to the opinion of NGOs, the biggest issue facing the education system in BiH is teacher training⁵⁸. Although enrolment is going up, the quality and competence of teaching staff is very low. Private universities enrol more and more student teachers, but they do not know how to teach and teaching graduates with a Master's degree often need to be retrained. Both teachers and parents are insufficiently prepared for inclusive education, and the resources available to support disabled pupils in mainstream schools are inadequate. The system can no longer count on the enthusiasm of the teachers. According to NGO opinion, this is not just an issue for the Ministries of Education – more investment is needed. Unfortunately, according to NGOs, there too few expert professionals in the education sector. Specifically, the Agency for Improving Education is understaffed. There is also a lack of outcome-based evaluation of schools.⁵⁹

6.2.2. *The legislative basis for inclusive education in BiH*

- Framework Law on Preschool Care and Education (2005)
- Framework Law on Primary and Secondary Education (2003)
- Revised Framework Law on Vocational Education and Training (2008)
- Framework Law on Higher Education (2007).

The Framework Law on Preschool Education of 2007 envisages that each child should attend one year of compulsory pre-school education. This law has been adopted in the cantons of Sarajevo and Posavina.

The Framework Law on Higher Education was adopted in July 2007. The higher education laws and regulations of the RS, the ten cantons in the Federation as well as the Brcko District are to be

⁵⁸ Workshop held with NGOs, Sarajevo 9/4/2013

⁵⁹ Ibid.

harmonised with the Framework Law.

At the state level of BiH, the Ministry of Civil Affairs has a coordination role in the education field, as does the Ministry of Human Rights.

6.2.3. Administration of inclusive education in BiH

Compulsory education starts at the age of six and, in the past, lasted for no less than eight years. Reforms introduced through the state-level Framework Law on Primary and Secondary Education of 2003 led to a gradual introduction of nine-year primary school programmes (UNESCO 2011). It is estimated that, while nearly all children attend compulsory primary education, there is a small minority of about 6% of children who do not do so. Most of these are from the Roma community, of whose children only 15% attend primary school. Other children in this category come from poor families or with special needs that cannot be fulfilled in school.

General and technical-vocational secondary education in principle lasts for three years (grades 10-12), but in practice lasts for four years (grades 9-12) leading to a *matura* exam, while secondary vocational schools also offer two- and three-year programmes which do not lead on to tertiary education. Vocational education has a great significance for the fight against poverty and social exclusion in BiH and for the improvement of the skills of the workforce, which is needed to support economic growth. Yet, graduates from vocational schools are disproportionately represented among the unemployed.

6.2.4. Gaps in the field of inclusive education in BiH

The term “early school leaving” refers to young people who have at most primary or lower secondary education and are not currently receiving education or training.⁶⁰ Estimates of the rate of early school leaving vary. Directorate for economic planning (DEP) in close cooperation with Agency for statistics BiH, based on the Labour Force Survey Data calculated that the early school leaving rate or non-attendance for the age group 18-24 years was 14,5% for 2010.

According to one study, about 31.5% of primary school graduates do not continue their education in secondary school (MDGF 2011: 13). However, a different picture is provided by the MICS4 survey according to which the transition rate to secondary school was 96.9 per cent, which means that almost all those children that had successfully completed the last grade of primary school during the previous year were attending the first grade of secondary school at the time of the survey⁶¹. Furthermore,

60 Early leavers from education and training refers to persons aged 18 to 24 fulfilling the following two conditions: first, the highest level of education or training attained is ISCED 0, 1, 2 or 3c short, second, respondents declared not having received any education or training in the four weeks preceding the survey (numerator). The data are calculated from the Labour Force Survey. As noted by Antonowicz (2013) the statistics offices in BiH do not currently calculate this indicator although it would in principle be possible to do so from the LFS data available.

61 It is possible that the MDGF report refers to the number of students who do not complete their secondary education, which corresponds to the estimates made in this report. If this were the case then the apparently contradictory findings of the MDGF report and MICS4 survey would not be inconsistent with one another.

almost twice as many children from poor households fail to enrol in secondary education, compared to 23% of children from more affluent households (UNDP 2007: 90). The MoCA expressed a special concern about the high rate of dropping out from the secondary education system⁶². Poverty is the most important reasons for early school leaving, followed by a lack of parental support, loss of motivation and interest in education, and conflict with the law (MDGF 2011).

Data from official sources seem to indicate a high rate of attrition of students as they pass through the secondary school system in Bosnia and Herzegovina (see Table 26).

Table 26: Secondary Pupils by Grade and Early School Leaving in BiH, 2011/12

	All grades	I	II	III	IV	Estimated early school leavers	Estimated early school leaving rate
Grammar school (four-year)	41,081	11,944	11,105	9,883	8,149	3,795	31.8%
Technical school (four-year)	83,704	24,446	22,445	20,009	16,804	7,642	31.3%
Vocational school (three-year)	34,479	13,528	11,177	9,774	0	3,784	28.0%
Total	159,264	49,918	44,727	39,666	24,953	15,221	30.5%

Source: BHAS (2012) Education Statistics, First Release, (31.10.2012) p.19. Note: Potential early school leavers are calculated as the difference between entrants at grade I, and leavers at grade IV at grammar schools and technical schools; for vocational schools as the difference

The data shown in Table 26 show a very high rate of early school leaving in Bosnia and Herzegovina. The rate is calculated as the difference between the number of students in the final grade (either grade III or IV depending on the type of school) and the entry grade (grade I), divided by the initial number of entrants (grade I). The early school leaving takes place as a process of attrition over time as pupils drop out of the schools. This method of calculation is subject to a number of errors. Firstly it assumes that the size of each cohort is the same, while the BHAS data indicate an increase in enrolment into secondary schools of 7.6% between 2010/11 and 2011/12. However, increasing enrolment would suggest that the rate of early-school leaving would be actually higher than calculated here. The second source of error might occur where pupils leave the school early having completed their course of study, which might be the case for some students enrolled in two-year courses. However, it can be expected that this describe the situation of a rather small number of students. Moreover, the estimate is in line with other studies of the phenomenon in Bosnia and Herzegovina reported above. Let us suppose that the rate of early school leaving is around 30% as they pass through post-compulsory secondary schools system in BiH.⁶³

The YERP project on youth employment has addressed issues of school dropout. An evaluation of

⁶² Interview, Ministry of Civil Affairs, 4/3/2013

⁶³ See : BHAS (2012) Education Statistics, First Release, (31.10.2012) p.19.

the project (Aigner 2012) found high dropout rates in BiH primary and secondary education, with a high percentage of poor and uneducated parents not sending children to school. It found that poor and uneducated parents often do not consider that their child needs more education beyond basic writing and reading skills. Most elementary schools do not have a policy to prevent children dropping out. Dropout seems to be especially prevalent among delinquent children and Roma children. The MHRR is especially concerned about the issue of dropout among Roma children.

In FBiH, the rate of drop-out of secondary school students is almost two-fifths (38%) of the intake to first grade, while in RS the rate of drop-out is far lower at just 11%.⁶⁴

In 2011/12 there were 223 pre-school institutions in Bosnia and Herzegovina attended by 17,293 children, an increase of 1.5% over the previous school year⁶⁵. Employment in these institutions increased by 1.5%, while there was some new entry of institutions into the market as the number increased by 1.8%. The pre-school institutions could provide a significant number of jobs if the sector were to expand further. Some 316,657 pupils were enrolled in 1,888 primary schools, a reduction of 5.6% in the number of pupils over the previous year; the schools employed 24,605 teachers of which almost 70% were women. Some 163,284 students were enrolled in 312 secondary schools, an increase of 7.2% in the number of pupils over the previous year. One quarter of the students were enrolled in grammar schools, and almost three quarters in technical-vocational schools that offer four-year technical courses (51.3%) and three-year vocational courses (21.1%). Just over half the teachers are women (57.6%). There were 107,083 students enrolled in higher education of which 55.5% were women.

6.3. Inclusive education in FBiH

6.3.1. Policy framework for inclusive education in FBiH

In FBiH, the ten Cantons have full competence for education policy.

- The National Strategy of Education 2008-2015 was adopted in June 2008; it points out that access to education in BiH is characterised by inequalities.
- The Strategy of Vocational Education and Training 2007-2013 was adopted in 2007.
- Action Plan for Roma Inclusion – aims to reduce drop-out among Roma children through the use of mentors.

6.3.2. Administration of inclusive education in FBiH

The administration and practice of education differs between the Cantons in several respects.

In Sarajevo Canton, the Law on Primary Education provides for compulsory nine education from age 6 to 18. Children receive 150 hours pre-school education⁶⁶.

⁶⁴ See Tables 26-28 in the full report of which this document is a summary.

⁶⁵ BHAS (2012) Education Statistics, First Release 31.10.2012.

⁶⁶ Workshop with representatives of Employment and Education services, FBiH, Sarajevo, 5/4/2013.

Una Sana canton has adopted a law on pre-school education, but it is not applied⁶⁷. It is one of the few Cantons where pre-school education is a cantonal responsibility rather than a municipal responsibility. Pre-school education has been provided by NGOs such as Save the Children but their programme was discontinued in 2012. Further funds are needed to support the programme since currently teachers continue to work on a voluntary basis without pay. Primary schools are not cost-effective due to small enrolment. One school has only 7 children from 5th-8th grade. There are 130 school branches in the Canton. The main problem is the political difficulty in restructuring the system. At secondary level, a ensures that students who do not continue to upper secondary education enter a programme of “additional qualifications”. The Canton has a tracer system that provides information on who obtains employment after leaving school, but there is insufficient information to guide students into work.

In Gorazde, all children in the Municipality enrolled in pre-school education⁶⁸. Curricula are changed to make schools more attractive. Health centres, teachers and schools are coordinated at both primary and secondary schools in relation to students with disabilities. Staff in secondary schools take an active role in enrolling students so they avoid becoming unemployed. There is good collaboration between local companies and schools.

In Mostar, we were told that there is a lack of cooperation between Ministries of employment and education⁶⁹. Education does not follow changes in the labour market. According to one Workshop participant, “We have so many hairdressers registered, but still so many shops are opening. But I cannot find anyone to cut my hair well”

6.3.3. Gaps in the field of inclusive education in FBiH

Table 27: Estimated Secondary Pupils by Grade and Early School Leaving in FBiH, 2011/12

	All grades	I	II	III	IV	Estimated early school leavers (I-III/IV)	Estimated early school leaving rate
Grammar school (four-year)	29,511	8,931	8,165	6,860	5,555	3,376	37.8%
Technical school (4-year)	54,743	16,974	15,150	12,263	10,356	6,618	39.0%
Vocational school (3-year)*	25,231	10,329	8,251	6,651	0	3,678	35.6%
Total	109,485	36,234	31,566	25,774	15,911	13,672	37.7%

Source: BHAS (2012) Education Statistics, First Release, (31.10.2012). Note: * for 3-year vocational courses the number of early school leavers is estimated as the difference between the first and third year cohorts

67 Ibid.

68 Ibid.

69 Ibid.

Table 27 estimates the pupil numbers in each grade in general technical and vocational schools in the Federation⁷⁰. Potential early school leavers at grammar schools and technical schools are calculated as the difference between entrants at grade I, and leavers at grade IV; for vocational schools as the difference between entrants at grade I and leavers at grade III. The rate of early school leaving is the ratio of the number of early leavers to the initial intake in grade 1. The estimated rate of early school leaving is very high, at almost two-fifths (38%) of the intake to first grade. According to the NGO “Step by Step” the rate of early school leaving is actually even higher, at around 50%. The data indicate that FBiH has a high rate of early school leaving, and it is important for the reduction of social exclusion that this rate is reduced significantly. It is recommended that by 2020 FBiH should reduce the rate of school leaving should be cut in half with a target of 20% by 2020.

The FBiH authorities have tried to introduce the concept of inclusive education for disabled pupils by supporting their inclusion in mainstream schools. However, according to the opinion of NGOs, the policy has not worked well, as no supplementary support has been provided for such children⁷¹. There is an urgent need for more investment in such support services for disabled children in mainstream schools. According to the opinion of NGOs, schools in FBiH are stuck in a 19th-20th century system based on teacher-centred education and a prescribed curriculum, and in addition, teachers are overburdened by administration.

6.4. Inclusive education in RS

6.4.1. Policy framework for inclusive education in RS

In RS, the Ministry of Education considers that the biggest problem is inadequate coverage of pre-school education, especially in rural areas⁷². Pre-school education consists of nurseries and kindergartens of which most are in the public sector although there are also a few private providers. The main problem is that pre-school education covers only 12% of the population of RS, or perhaps a little higher⁷³. The main reason for the low coverage of pre-school education is a lack of financial resources for pre-school education. This is the main reason for the low coverage. Some additional provision could be made through the development of playgroups and mobile kindergartens. In Banja Luka, there is a lack of premises. There are many more applications for places in pre-school institutions than there is capacity to provide the services.

The issue of early school leaving after compulsory education is completed, and of drop out from upper secondary education is not perceived to be a significant problem in RS.

⁷⁰ Taking differences, it also absorbs the relatively small number of pupils in Brcko District

⁷¹ Opinions expressed at NGO workshop held in Sarajevo, 9/4/2013.

⁷² Information provided by the RS Ministry of Education, interview held on 8/4/2013. Information provided by the RS Ministry of Education, interview held on 8/4/2013. According to the MICS4 survey 10.3 per cent of children aged 36-59 months are attending preschool education in RS. In urban areas that per cent goes to 22.5, while in rural areas is only 2.8

⁷³ NGOs estimate the coverage for BiH as a whole at 10%, NGO workshop held in Sarajevo, 9/4/2013.

6.4.2. The legislative basis for inclusive education in RS

- Framework Law on Preschool Education of 2007
- Revised Framework Law on Vocational Education and Training 2008
- Framework Law on Higher Education July 2007.
- The RS adopted a Law on Adult Education in June 2009.

6.4.3. Administration of inclusive education in RS

In RS, the law provides for 9 years of compulsory education. Compulsory education continues until the age of 15.

6.4.4. Gaps in the field of inclusive education in RS

Table 28: Secondary Pupils by grade, Grade and Early School Leaving in RS, 2011/12

	All grades	I	II	III	IV	Estimated early school leavers	Estimated early school leaving rate
Grammar school (four-year)	11,570	3,013	2,940	3,023	2,594	419	13.9%
Technical school (four-year)	28,961	7,472	7,295	7,746	6,448	1,024	13.7%
Vocational school (three-year)	9,248	3,199	2,926	3,123	0	76	2.4%
Total *	49,779	13,684	13,161	13,892	9,042	1,519	11.1%

Source: Institute of Statistics (2012) Education Statistics Annual Release: Secondary Schools, Banja Luka: Republika Srpska.
Note: Potential early school leavers are calculated as the difference between entrants at grade I and leavers at grade IV at grammar schools and grade III at vocational schools.

Potential early school leavers at grammar schools and technical schools are calculated as the difference between entrants at grade I, and leavers at grade IV; for vocational schools as the difference between entrants at grade I and leavers at grade III. The rate of early school leaving is the ratio of the number of early leavers to the initial intake in grade 1. As can be seen from Table 28, the rate of early school leaving is far lower than in BiH as a whole, and is closer to the rate observed in the EU-27. Appropriate targets for RS would therefore be much similar to the Europe 2020 target, which is to reduce the rate of early school leaving to 10% by 2020.

6.5. Inclusive education in Brcko District

6.5.1. Policy framework for inclusive education in BD

According to NGO opinion, an important example of good practice in inclusive education can be found in Brcko District⁷⁴. The Head of Pre-school and Primary Education has created a model to improve the quality of the 15 schools in the District. A strategy and a road map have been prepared, and schools exchange best practice between themselves.

6.5.2. The legislative basis for inclusive education in BD

The Law on Education in Brcko District provides for compulsory schooling only up to the age of 15.

6.5.3. Administration of inclusive education in BD

In RS a child may leave school at the age of 15.

6.6. Gaps in the field of inclusive education in BiH

The education system in Bosnia and Herzegovina is far from being inclusive. There is a large gap in the quality of education provided in urban and rural areas. According to MoCA, education in rural areas is “completely neglected”⁷⁵. According to a recent report on primary education, although several policies for inclusion of disadvantaged children in primary education have been adopted by Entity and cantonal Ministries of Education⁷⁶, the implementation of these policies has been weak leading to exclusion of children with special needs and Roma children (UNICEF 2009: 7).

A significant reduction in early school leaving would make an important contribution to the reduction of social exclusion in education in Bosnia and Herzegovina. It would have a direct impact on the employability of young people, it would contribute to improved integration into the labour market and therefore to the achievement of the employment rate target, and it would make a significant contribution to breaking the cycle of deprivation that leads to the social exclusion of so many children and young people. These factors argue in favour of the most ambitious feasible target for the reduction of early school leaving especially in the Federation where the early school-leaving rate is extremely high.

School Directors are political appointees and often have little experience in the education field⁷⁷. It is impossible to fire poor teachers, and there are too many teachers on short-term contracts. School-based policies such as discipline policies do exist, but extra-curricular activities are very under-developed. The curriculum needs to be less based on memorising facts and more on critical thinking.

⁷⁴ Workshop with NGOs, held in Sarajevo 9/4/2013.

⁷⁵ Interview held at the Ministry of Civil Affairs, 4/3/2013. Most international projects focus on the three main cities in Bosnia; only UNICEF has worked in rural areas.

⁷⁶ For example, Action Plan on Children with Special Needs, Entity and Cantonal Ministries of Education of Bosnia and Herzegovina, August 2006; Action Plan on the Education Needs of Roma and Members of Other National Minorities in Bosnia and Herzegovina, Entity and Cantonal ministries of Education of Bosnia and Herzegovina, February 2004.

⁷⁷ Workshop held with NGOs, Sarajevo, 9/4/2013.

Secondary schools lack physical access to for disabled students and there are no transport facilities for disabled people⁷⁸. Vocational secondary schools are not outcome-based, and do not prepare their students to be ready for a job. Consequently, when students finish school they are “lost” as they do not know how to find a job and simply wait for someone to give them a job.

According to NGO opinion⁷⁹, although a quality framework for teachers has been developed simply counts grades and there is no real analysis of its effects. Parents have not been asked to evaluate the quality of the education provided to their children.

7. MECHANISMS TO PROMOTE SOCIAL INNOVATION

The economic crisis and the subsequent crisis of the Eurozone has led many governments throughout Europe to seek ways to reduce budget deficits through cutting public expenditure and raising taxes. These austerity programmes inevitably put great pressure on public social services. Many governments have sought ways to maintain the effectiveness of public services in areas such as health services, education services and social services by improving the efficiency of service delivery. This involves reducing costs while maintain quality. New forms of public sector management have been introduced and new forms of delivery of public services have been tried out including delivery by non-state actors such as social enterprises and other social economy organisations. Such social experiments have been labelled “social innovations”.

7.1. Social innovation

According to the European Commission, social innovation is “developing new ideas, services and models to better address social issues. It invites input from public and private actors, including civil society, to improve social services”.⁸⁰ In the EU, new policy ideas are disseminated through peer learning, through regular meetings that bring together policy experts from different member States to exchange best practice in a great variety of policy fields.

In the sphere of social protection and inclusion, public sector modernisation has an important role to play. Also, the idea of *social enterprises* as a potential new form of solving problems of social exclusion has become a leading example of social innovation. Social enterprises and social cooperatives can integrate disadvantaged groups in a participative way in the world of work.

In Serbia, the Ministry of Social Affairs has established a Social Innovation Fund for innovative projects involving CSWs and NGOs providing social services. The programme supports the activities of NGOs in providing services to vulnerable groups. The Social Innovation Fund supports the role new providers of services including both private for-profit and not-for-profit organisations.

78 Ibid.

79 Ibid.

80 EC website - <http://ec.europa.eu/social/main.jsp?catId=1022&langId=en>.

7.2. Innovation in public services

In many countries, the reform of the public sector has involved the introduction of competitive practices and incentives that motivate public employees to deliver services more effectively and efficiently. Public sector modernisation of this type has taken place through decentralisation of services and through the introduction of ‘new public management’. There are several forms of new public management. The first, which is mainly relevant to public services that have been under central control and central financing, is to separate the ‘provider function’ and the ‘purchasing function’. In countries that have adopted social health insurance system, while there is already a separation between for example health insurance organisations and provider organisations (hospitals, community health clinics), the introduction of competitive contracting in such systems motivates hospitals to provide better services by encouraging them to compete for funding from the health insurance organisation. In the education sector, the introduction of per-student funding for schools encourages schools to provide better services by competition against each other to attract pupils. The common thread is to replace centrally determined allocation of funds between provider organisations by some sort of ‘quasi-market’ that mimics the competition found in the private market, within the public sector.

A further development of this idea has been to open up the competitive quasi-market to new provider organisations from outside the public sector. The rationale is the argument that public sector providers can often be rather bureaucratic and fail to respond well to user needs. It is argued by proponents of this type of modernisation that organisations in from the social economy can better respond to user needs, being ‘closer’ to the users, and often indeed having users in a decision making role in the managing boards, or as members of the organisation.

7.3. The social economy

Social economy organisations aim to provide goods and services (including employment opportunities) to their members, local communities or the wider community. In the most general terms, they pursue general interest goals rather than narrow commercial goals. Due to being close to their users and communities, social enterprises are ideally positioned to reflect emerging needs in society and develop innovative responses to them. The social mission of these organisations combined with their entrepreneurial nature ensures that the innovations they engage in are aimed at addressing relevant social users.

Typically, ownership in the social economy is assigned to stakeholders rather than investors. Emphasis is placed on stakeholder involvement and participation. Such stakeholders can include customers, workers or volunteers from the local community. Stakeholders can also be users of services, such as disabled people. Historically, social economy organisations have been established as

- Cooperative enterprises
- Mutual societies
- Foundations
- Associations

In the EU, it is estimated the social economy engages over 14.5 million paid employees, equivalent to about 6.5% of total employment.

7.3.1. Cooperatives

Cooperatives were established in the 19th century as a response to social exclusion and poverty among many different social groups including consumers, workers and farmers. In former Yugoslavia, many cooperatives were established in the inter-war period, starting in the 1920s. By 1938 there were 10,832 cooperatives with 1.4 million members. Most were credit cooperatives, consumer cooperatives or agricultural cooperatives but there were also 93 active rural health cooperatives with 65,436 members. They engaged in general public health work and educational activities (Tomasevich, 1955). Cooperatives are generally established as commercial organisations that are owned by their members and governed on democratic principles. Whereas in capitalist enterprises the governance, while being also democratic, is based on the voice of the investors of capital, on the basis of the number of shares held, in a cooperative the voice of the stakeholders is expressed on the basis of membership, usually with one vote for each member, irrespective of capital contribution. Cooperatives are therefore enterprises that serve the needs of their members. Today, cooperatives account for a significant part of activity in some European countries and in some sectors. In Spain, for example, cooperatives account for 21% of pharmaceutical and healthcare services.⁸¹ Cooperatives are also widespread in Italy, where a social innovation in the form of ‘social cooperatives’ has been developed. In these organizations the users, such as disabled people, are also members of the cooperative and often are employed by the cooperative to enable them to earn an income (Borzaga, 2007).

7.3.2. Civil society organisations

There are various types of civil society organisations, all of which are defined by their “not-for-profit” nature.

Mutuals

Mutual societies are organisations that offer services to their members. They were originally developed to provide insurance against disability, sickness and old age. Public social insurance schemes have absorbed many of the original mutual societies. They are still common in some EU countries such as Romania, where 887 Mutual-help Associations have over five million members. Mutual savings banks were established in many countries. An example is the German Sparkassen, originally established for people with low income to save small sums of money. They have no shareholders, and hence are not ‘owned’ by anyone, but are governed by municipal trusts. Their supervisory boards consist of representatives of the local community, the local municipality and the employees. In the UK, the building societies have played a similar role although many were sold off in the 1980s.

81 European Commission website - http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm

Foundations

Foundations are legal entities created to accomplish specific goals for the benefit of a specific group of people or the community at large, through the use of an endowment of systematic fundraising. They usually aim to provide general social services, or promote educational or religious activities. Some Foundations have been established by wealthy philanthropists to promote a particular social cause. Others have been established by businesses that were formerly Mutuals but that have been privatised, such as the Austrian Erste Foundation, linked to the Erste Bank.

Associations

Associations are formed by groups of people who join together for a common purpose that may be social, cultural or economic. They have a wide variety of forms of organisation; the most common one in South East Europe is the non-governmental organisation (NGO). Many NGOs in the region have an advocacy role. Relatively few are involved in the direct provision of social services.

7.3.3. Social entrepreneurship

Social enterprises are a specific form of organisation in the social economy that may act as a provider of social services. They are trading companies that have a social purpose and may have a “for-profit” or a “not-for profit” orientation,⁸² but they reinvest part of their profits either in the organisation or directly in realising their social or community objective. The idea of the social enterprise as a new way to overcome social exclusion is a good example of social innovation. Social enterprises may be set up as private companies, or be companies that are set up in any other legal form. In contrast to other forms of social economy organisations that operate on behalf of their members, social enterprises operate in the general social interest.

Social enterprises earn most of their revenue on the market, although they may receive part of their funding from grants from government and donors. As a rule of thumb they should not receive more than 50% of their revenue from non-market sources. Social enterprises work on behalf of the poorest sections of society and socially excluded people. They may also provide a variety of services of general social interest doe example in the areas of healthcare services, child care and education.

According to the findings of a recent research project, three quarters of the social enterprises in the EU are active in the following fields: social services (17%), employment and training (15%), environment (15%), education (15%) and economic and community development (14%) (SELUSI project data). Many social enterprises operate on a small scale but networks of social enterprises have also developed, as has social franchising which enables the spread of particular forms of social enterprise across countries. The European Social Franchising Network (ESFN) has been established to enable this replication process to take place more easily.

Some European countries have specific legislation to enable social enterprises to be established including Greece, Hungary, Poland, Portugal and Spain. In 2011, Slovenia passed a Law on Social Enterprise and a Council on Social Entrepreneurship was formed in 2012. The Slovenian Ministry of

⁸² http://www.youtube.com/watch?v=lY5fzr_vH18

Labour, Family and Social Affairs has published two public calls for pilot projects in the field of social entrepreneurship valued at €6.5 million (Zidar and Arh, 2012). The Ministry also provides training for social enterprises to work with persons from vulnerable target groups. Elsewhere in the region an interest in supporting social entrepreneurship is emerging. In Serbia the European Movement for Serbia has implemented a project on social entrepreneurship.

7.4. Social investment approaches

“Social investment is about investing in people. It means policies designed to strengthen people’s skills and capacities and support them to participate fully in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job-search assistance and rehabilitation” (EC website).

The EU’s “Social Investment Package” prioritises spending that enables people to fully contribute to the economy and participate in the society. It shows how countries can strengthen their active inclusion strategies and use social budgets more effectively. It emphasises the importance of public investment in the development and activation of human capital throughout a person’s life, but also shows what both private enterprise and the social economy can do to improve socio-economic inclusion. It highlights the need to invest in the development of the social economy and social entrepreneurship in view of their contributions to inclusive employment, community development and social innovation.

7.5. Diffusion of social innovation

Social innovation can be diffused through methods of policy entrepreneurship that include policy transfer and peer learning. One of the purposes of peer learning is to spread best practice examples and new ideas about social policy, social protection and social inclusion.

7.6. Gaps in social innovation in BiH

A major gap preventing the development of social innovation in BiH is the lack of legislation on social enterprise. It is recommended that this should be addressed through the adoption of a Framework Law for social enterprise at the state level followed by the adoption of implementing laws at the level of Entities and Districts. The Federal Ministry of Social Policy and the Ministry of health and Social Welfare in RS should consider developing a programme of support for social enterprises with activities promoting social inclusion in the fields of child care services, healthcare services, active inclusion for unemployed people and pre-school education.

The modernisation of public services has a long way to go in Bosnia and Herzegovina. The prevailing approach is bureaucratic and top-down. There is a need to introduce effective incentives and quasi-market mechanisms that would improve the effectiveness of the services and ensure that they respond better to social needs. There is a large gap between the limited resources available and the efficiency and effectiveness to which the resources are used that could be filled by more efficient

forms of service organisation including opening up service provision to social enterprises and social economy organisations within the existing social protection system.

The social economy is very underdeveloped in Bosnia and Herzegovina in relation to the extensive development observed in the EU. The main difficulties facing the social economy can be identified as (i) lack of visibility (ii) lack of specialised training and education (iii) lack of support networks and business infrastructure (iv) a lack of access to finance, and (v) a lack of specific enabling legislation.

Recommended actions in overcoming these gaps and deficiencies are:

- (i) Promote research on the social economy in Bosnia and Herzegovina
- (ii) Build the capacity of social economy organisations
- (iii) Reorient social insurance purchasing organisations to enable them to purchase services from independent social enterprises and other organisations in the social economy
- (iv) Introduce training and education in the management of social economy organisations at all levels of education including in collaboration with the SECEL approach to promote (social) entrepreneurial education at school
- (v) Use vouchers to enable users to choose between providers from the public sector and from the social economy sector
- (vi) Enable state sector providers to transform themselves into independent social economy organisations
- (vii) Develop a “Social Enterprise Venture Fund” to provide low cost start up finance to social economy organisations that aim to provide social services or services of general interest in the fields such as health care services, children’s services, education services and so on
- (viii) Provide subsidies to social enterprises in their early stages of operation
- (ix) Establish a “Social Enterprise Park” where new social enterprise start-ups can be provided with low-cost premises and advisory services
- (x) Promote knowledge transfer from university Faculties of Social Science and Social Work to enable spin-off social enterprises to be created from the research and education institutions.
- (xi) Promote peer learning activities between Entities, Districts and Cantons in the field of social economy
- (xii) Engage with the EU PROGRESS programme activities (open to BiH as a potential candidate state) to participate in Europe-wide peer learning

8. CONCLUSION

This report has identified and documented the serious and growing extent of poverty and social exclusion in Bosnia and Herzegovina. It has set out the policy, legal and administrative framework of social protection and social inclusion systems designed to deal with these issues in the fields of poverty, family and child welfare, veterans welfare, unemployment benefits system and active labour market measures to raise the employment rate, in the field of healthcare services and inclusive education. It has presented these issues separately for the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brcko District and highlighted differences in the extent and nature of the problems between the various Entities, Districts and Cantons, while also emphasising the similarities in the problems that are faced. It has identified a number of significant gaps in the policy, legal and administrative frameworks in all these areas of social policy. Given the scale of the problems and their increase in the wake of the impact of the global economic crisis and the associated crisis of the eurozone on the Bosnian economy and society a new approach is needed to tackle these problems. Fortunately, since many similar problems afflict all European countries, including those of the EU, it is possible to draw on international and especially EU experience in tackling these, in many cases common, issues. The EU approach emphasises the role of 'social investment' and also sets out a social agenda as part of its Europe 2020 Strategy. Inspired by these initiatives, this report identifies a set of instruments for policy coordination and a set of Roadmaps for social protection and social inclusion specified at the level of Entities and Districts. The essential function of policy coordination is set out in the form of a Framework for the Coordination of Entity Roadmaps for social protection and social inclusion, that where shared with relevant government representatives for further comments and agreements.

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10. APPENDIX 1: THE MEASUREMENT OF SOCIAL PROTECTION EXPENDITURE AND INTERNATIONAL COMPARISONS

Data on public expenditure on social protection is gathered through systems of national accounts. These are drawn up according to internationally accepted procedures that are defined through the system of Government Financial Statistics (GFS)⁸³. The data can be analysed either according to an economic classification or a functional classification.

The economic classification of government expenditure identifies “expenses” on social protection as Social Benefits. These are defined as transfers in cash or in kind to protect the population or specific segments of it against certain social risks. Social benefits are always current transfers. They are further subdivided into social security benefits and social assistance benefits. The former are paid by social security schemes such as sickness and invalidity benefits, unemployment benefits, and retirement pensions. The latter are paid irrespective of social insurance contributions. Data on social protection benefits in countries around the world can be found in the IMF Government Financial Statistics database.

The functional classification presents government expenditures according to the Classification of Functions of Government (COFOG) developed by OECD and the UN Statistics Division. It is based upon a detailed classification of functions, or socioeconomic objectives that general government units aim to achieve through various kinds of “outlays”.⁸⁴ The classification subdivides the “Group” of social protection functions of government into various subcategories (Classes) including sickness and disability, pensions (old age and survivors), family and children, unemployment, housing, social exclusion, research activities, and other social protection outlays. Outlays on healthcare are given in a separate Group of outlays.

Data on government expenditure on social protection in the EU Member States is provided by EUROSTAT through the European System of Integrated Social Protection Statistics (ESSPROS), which additionally provides aggregated data for the group of 27 member states of the EU as well as various subgroups of member states. The data is based on the functional classification of government expenditure. The definition of social protection expenditure within the ESSPROS system includes expenditures on healthcare services. The data on social protection expenditure as a share of GDP is provided under the code [spr_exp_sum].

EUROSTAT also provides data on government expenditure under a separate set of Government

83 See GFS Manual

84 The COFOG system uses the term “outlays” rather than “expenses” to indicate a difference between the two systems that results from the inclusion in capital expenditures in the functional classification. For this reason social protection outlays are slightly larger than total social protection expenditures. As with the data on social benefits, the data on social outlays can be found in the IMF Government Financial Statistics database, although the coverage of the data on outlays is not complete.

Financial Statistics outside ESSPROS that are used to monitor and supervise the government expenditures of the member states through the Excessive Deficit Procedure. This set of data is based more closely on the COFOG system of classification, and does not include expenditure on healthcare services within its definition of social protection. The data on social protection in this set of statistics is provided under the code [gov_a_exp]. Care should therefore be taken in identifying government expenditure on social protection as provided by the EUROSTAT database. For example, total general government expenditure on 'social protection' as a share of GDP in the EU-27 in 2010 within this set of statistics [gov_a_exp] is 19.9%, while expenditure on healthcare is given separately as 7.5%. Taking both of these together, total expenditure on 'broad' social protection including healthcare services is 27.4% of GDP. However, within the ESSPROS system, total expenditure on social protection [spr_exp_sum] for 2010 is given as 29.4% (while expenditure on social protection benefits excluding administration is 28.2% of GDP) within which 8.3% of GDP is spent on healthcare services. The higher figure under the ESSPROS system is due to the fact this is based on the functional classification, corresponding to 'outlays' in GFS, and therefore includes capital expenditures.

11. APPENDIX 2: THE CONSULTATION PROCESS FOR SOCIAL PROTECTION AND INCLUSION

CONSULTATION PROCESS SECTOR FOR SOCIAL PROTECTION AND INCLUSION February - July 2013

INTERNATIONAL ORGANIZATIONS

1. Delegation of the European Union in BiH
2. World Bank
3. IMF
4. Regional Cooperation Council
5. UN Agencies
6. ILO
7. OSCE

STATE LEVEL INSTITUTIONS

1. Ministry of Human Rights and Refugees
2. Ministry of Civil Affairs
3. Directorate for European Integration
4. Directorate for Economic Planning
5. Agency for Statistics BiH

ENTITY LEVEL AND BRČKO DISTRICT

1. Federal Ministry of Labour and Social Policy
2. Federal Ministry of Health
3. Federal Ministry of Science and Education
4. Federal Agency for Statistics
5. Federal Public Health Institute
6. Federal Agency for Employment
7. Canton Sarajevo – Ministry for labour, social policy, displaced persons and refugees
8. Canton Sarajevo-Ministry of health
9. Canton Sarajevo-Pedagogical Institute
10. Canton Sarajevo-PI Agency for employment
11. Bosansko Podrinjski Canton-Ministry for labour, social policy and refugees
12. Bosansko Podrinjski Canton-Ministry of Health
13. Bosansko Podrinjski Canton-PI Agency for employment
14. Tuzla Canton-Ministry for labour, social policy and return
15. Tuzla Canton-Ministry of health
16. Tuzla Canton-Pedagogical Institute
17. Srednjo Bosanski Canton-Ministry of health and social policy
18. Una Sana Canton –Ministry of health, labour and social policy
19. Una Sana Canton-PI Agency for employment

20. Una Sana Canton – Pedagogical Institute
21. Hercegovina Neretva Canton-Ministry of health , labour and social protection
22. Hercegovina Neretva Canton-Pedagogical Institute
23. Hercegovina Neretva Canton- Ministry of education, culture and sport
24. West Hercegovina Canton- Ministry of health, labour and social welfare
25. West Hercegovina Canton- Pedagogical Institute
26. West Hercegovina Canton-PI Agency for employment
27. Bosansko Podrinje Canton- Ministry for social policy, health, displaced and refugees
28. Bosansko Podrinje Canton- Pedagogical Institute
29. Zenica Dobojski Canton- Ministry for labour, social policy and refugees
30. Zenica Dobojski Canton- Ministry of health
31. Zenica Dobojski Canton- Pedagogical Institute
32. Tuzla Canton- Ministry for labour, social policy and return
33. Tuzla Canton- Ministry of health
34. Tuzla Canton- Pedagogical Institute
35. Posavina Canton-Ministry of health, labor and social welfare
36. Posavina Canton- PI Agency for employment
37. Canton 10- Ministry of health, labor and social welfare
38. Canton 10- Ministry of science, education, culture and sports
39. RS Ministry of Health and Social Welfare
40. RS Ministry of Economic Relations and Regional Cooperation
41. RS Ministry Culture and Education
42. RS Ministry of Labour, War veterans and Protection of Persons with Disabilities
43. RS Agency for Statistics
44. Brčko District – Center for Mental Health (Health Department)
45. Brčko District- Department for Education
46. Brčko District – Department for Health and Social Protection

NGO REPRESENTATIVES

1. Renesansa
2. Žene Ženama
3. Duga
4. IBHI
5. Cure Foundation
6. Edus
7. Association XY
8. Vive žene
9. Local Democracy Foundation
10. Step by step
11. Roma Council

