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# **Welfare States in Transition**

20 Years after the  
Yugoslav Welfare Model

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## Socio-Economic Transformation in Bosnia and Herzegovina

*Reima Ana Maglajić, Ešref Kenan Rašidagić*

### Introduction

Eighteen years after the independence of Bosnia and Herzegovina, (BiH) was proclaimed and recognised by the UN in 1992, it is still difficult to produce a critical analysis of recent BiH history in the context of its effect on life today. This is due both to the effects of the 1992-1996 war, as well as its consequences that continue to unfold and affect the society in a variety of ways. The figures available on direct war and post-war damages and their indirect effects are varied, hard to reference properly, and often tailored to specific political purposes. Many of these figures were produced by local political actors for direct propaganda purposes. However, several key international actors also produced data skewed to fit their particular agendas. Much of the published data is also unreferenced or based solely on ad-hoc and partial surveys, the reliability of which is often disputed. Dubious quality of available studies stems not only from their sometimes questionable agendas, but also from small survey samples and inadequate pooling techniques.

What is undoubtedly true is that the citizens of Bosnia and Herzegovina were deeply affected by the war through mass killing; mass destruction of property; torture inflicted in concentration camps on civilians and combatants; systematic sexual assaults on women; and ethnic cleansing resulting in massive population displacement. Estimates on the numbers killed range from a conservative figure of 100,000 to as high as 300,000. More than 10,000 people were killed in the capital Sarajevo alone, including 1,500 children. One sixth of the city's population was injured during the 3-year siege from 1992 to 1995. At

least 16,000 children were killed and some 35,000 children were injured in total during the war (Bassiouni, 1994).

Quite possibly, the deepest and longest lasting impact on society was felt as a result of population changes due to forced war and post-war migrations. The pre-war population of BiH was approximately 4.4 million. No precise data were ever produced on direct consequences of ethnic cleansing and other contributing factors to mass displacement of people, but by some estimates, more than one million people fled the country during the war, some 650,000 of whom were children. An additional million were internally displaced, fleeing the ethnic cleansing by moving to the areas where members of their ethnic group formed a majority. Since the signing of the General Framework Agreement for Peace in Bosnia and Herzegovina (GFAP, popularly known as the Dayton Agreement) which ended the war in December 1995, approximately one million civilians returned, mainly to areas where they are now ethnic minorities (Wilkinson, 2005). Such a situation is the product of political realities on the ground, especially in the context of the creation of two or, de facto three, ethnically based "entities" (Republika Srpska, and Bosniak-Croat Federation of BiH). According to the Internal Displacement Monitoring Centre (2010), 114,000 people remain internally displaced out of the wartime figure of 1 million displaced people across BiH. No accurate figures on the current population of BiH, or reliable data on the effects of forced mass migrations are available, as the country, for political reasons, has not conducted a general census since the end of the war. For the same reason, even the fate of the next

census, due in 2011, remains in balance at the time of writing this text (summer 2010).

In addition to effects on population, Bosnian economic, urban, social and other infrastructural capacities were to a large extent destroyed. These included businesses, industry, schools, hospitals, and social care institutions, but the main physical capacity affected was housing. In the Federation of BiH alone, over 70 per cent of the housing stock was heavily damaged or destroyed (Kljajić, 1999). Taken all together, direct war-induced damage made Bosnia and Herzegovina physically the most severely destroyed former Yugoslav Republic. The scope of physical damage, combined with the even more severe sociological and psychological impact on the population, made post-war recovery a long and arduous task as no ready-made solutions existed that could be applied by those in charge of reconstruction and development after the war.

Political developments related to conflict resolution further compounded the host of problems aggravating post-war reconstruction and development of the country. The Dayton Peace Agreement outlined a new map of Bosnia and Herzegovina in terms of constituent peoples and entities. As already mentioned, the country is both 'divided and joined' into the Federation of BiH (of Bosniaks/Bosnian Muslims and Croats) and Republika Srpska (the Serbian Republic or RS). Given the fact that these entities are semi-autonomous regions where elites rule with little regard to the central authorities, many feel that this division of the country legitimises ethnic cleansing, since it reinforces the 'ethnic supremacy' of certain ethnic groups in certain parts of the country.

All of these issues affect both the levels of needs for the four chosen themes in this regional review (pensions, unemployment, health care and social welfare/assistance) and the manner in which these are legislated and administered. BiH has multiple layers of

government. Since its main purpose was to secure a permanent ceasefire in Bosnia and Herzegovina, it comes as no surprise that the General Framework Agreement for Peace (GFAP, "Dayton Agreement") paid little attention to social policy (Stubbs, 2001), or anything else of substance, not directly related to immediate political and security issues. According to the BiH Constitution (which is part of the Dayton Peace Agreement), none of the social policy (but also health, pensions, employment, etc.) responsibilities were afforded to the country-level institutions (*ibid.*). For example, Article III/3 of the Constitution states that 'all governmental functions and responsibilities that are not explicitly afforded to the BiH institutions are considered to be the functions and the responsibilities of the entity-level governments'. The outcome of such decision, when related to the post-war governance structure is a myriad of social, health, and pension systems in BiH.

At the national level, weak central government is composed of representatives of all three major ethnic groups (Bosniaks, Serbs, and Croats). Virtually all welfare functions of the state are split into two politically denominated para-state systems. On one side, the Republika Srpska is a centralized state within a state, possessing only two layers of government: central and municipal. Given also the largely ethnically homogeneous population (as a result of ethnic cleansing during the war), articulation and aggregation of interests, as well as decision making is much easier to accomplish in this Entity. On the other hand, the Federation of Bosnia and Herzegovina was created as a composite Entity, composed of ten Cantons, five with Bosniak and three with Croat majority, as well as two ethnically mixed cantons with 'special regimes'. Each entity also has an elected Prime minister and entity-level legislatures that have important responsibilities with respect to social

policy, education and health care. Again, for political reasons, responsibility for most areas of governance was devolved to the Cantonal level. Ministries at the Federal level mostly serve as coordination or overseeing bodies. The Federal parliament legislates for the so-called 'umbrella' laws, which outline general principles and frameworks within which the Cantonal assemblies are supposed to pass their own specific laws and regulations. As funds for most social activities, from education to health and welfare come from Cantonal budgets, realization of related policies mostly depends on the economic strength of individual Cantons. In practice, this means that the Federal bodies lack effective means for coordination and supervision of most areas of governance. In addition to an already complex political structure, there is also the District of Brčko, a small town about which agreement could not be reached at Dayton and which, along the comparative US model has its own governmental bodies. Hence, any country-level reform in areas of governance related to social and health issues requires voluntary engagement of at least thirteen Ministries responsible for decision-making and legislation in their respective jurisdictions.

The power and the influence of the international community remained high throughout the post-war period, a situation that was made necessary by the inherent instability of the Dayton structure. Most importantly, guarantees against domination by any of the ethnic groups led to misuse of the veto mechanism, which tends to be used indiscriminately, resulting in virtually political stalemate, particularly at the state level, and necessitating continuing existence of arbitrary international authority. The latter is most visibly embodied by the Office of the High Representative (OHR), which has the powers to impose decisions that facilitate the implementation of the Dayton Peace Agreement. These powers include

the ability to dismiss any elected or appointed officials deemed to be working against the provisions of the GFAP, restructure major institutions, and pass laws and regulations by decree, so that Bosnia still resembles an 'international protectorate' (ICG, 1998, p. 7). However, influence of the OHR has been on the wane for the past five or so year, i.e. since the ending of the mandate of Paddy Ashdown, British-appointed High Representative, whom critics accuse of ruling Bosnia in the manner of Viceroy of British Raj of yesteryears.<sup>9</sup>

Hopefully, it is clear from this brief expose of recent historical and political framework which shaped the present governance of Bosnia and Herzegovina, that governing this country remains a particular challenge, bearing in mind the impact the war has had on the country and population. Poverty in BiH remains pervasive with more than half of the population lacking the resources to secure even basic necessities. The 'Living in BiH Wave 4' report (FOS, BHAS and RSIS, 2005) established that 35.7 per cent of households in BiH were in poverty, defined as 2/3 of median income or a poverty threshold of KM 250 per month (approximately EUR 125). Age, employment status, marital status, number of children and level of education were all found to be associated with levels of poverty over the four years. At the time of the survey, 30 per cent of working age households in BiH had no one in paid employment. Households in FBiH continue to be generally better off in terms of mean household income from all sources, mainly due to higher levels of employment-based income in FBiH compared to RS.

<sup>9</sup> In an entertaining coincidence, Ashdown was indeed born in New Delhi, India at the time of the British Raj.

Table 1: Socio-economic indicators, Bosnia and Herzegovina<sup>10</sup>

INDICATORS	91	92	93	94	95	96	97	98	99	0	1	2	3	4	5	6	7	8	9	
GDP	10870	WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	5517	5749	6655	8367	10020	10889	12346	15222	18480	17047	mio USD
GDP (per capita)	2490	WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	1459	1514	1738	2184	2608	2834	3213	3962	4810	4436	USD
GDP growth rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	5.5	4.5	5.5	3.0	6.0	5.5	6.1	6.2	5.7	-2,91	%
General government debt (% of GDP)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A								17,8	16,7	21,0	%
Consumer price index		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							6,1	1,5	7,4	-0,4	%
Employment rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							29,7	31,2	33,6	33,1	%
Unemployment rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A							31,1	29	23,4	24,1	%
Average wage		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					505	534	575	645	752	790	KM <sup>11</sup>
Labour productivity		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A									-0,2		GDP per person engaged
(At risk of) Poverty rate		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A		19,6						18,6			
Inequality of income distribution (Gini)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A		0,26			0,27			0,34			
Social expenditure (% of GDP)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A				13,02	13,39	14,01	13,5				%
Old age & survivorship		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					6,8						
Health & disability		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					5,7						
Unemployment benefit		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					0,4						
Social assistance (benefit)		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A					0,9						
Structure of the economy																				
Industry		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	29,60	28,42	37,2	32,06	31,88		30,8	32,6	32,5	31,5	%
Agriculture		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	13,70	13,32	17,93	14,94	14,78		20,5	19,8	20,6	21,2	%
Services		WAR	WAR	WAR	WAR	N/A	N/A	N/A	N/A	56,70	58,26	44,87	53	53,34		48,7	47,6	47	47,3	%

<sup>10</sup> Authors wish to personally thank Mr Fahrudin Memić, currently of UNICEF BiH, for his invaluable help regarding the painstaking job he did collecting various statistics and generally helping us with advice in navigating this treacherous area of our research.

<sup>11</sup> 1 EUR = 1.95 KM

N.B. Availability, reliability, and consistency of statistical data is a major problem in Bosnia and Herzegovina. The country has been through a war that completely changed the character of society and its organization, public infrastructure and institutions, making compilation of reliable data all but impossible for about a decade of its existence as an independent state. In addition, political issues made it impossible to compile statistics in a systemic fashion until the Law imposed by the High Representative regulated the status of the BiH Agency for Statistics. The Law on Statistics at state level was finally passed by the BiH Parliament in 2004 but, according to this Law, the Agency does not collect statistics; it simply compiles data supplied to it by the Entity Statistical Institutes. This, of course, makes up for unreliable statistical data, especially when we take into account that collaboration between the State Agency and the Entity Institutes (especially the RS one) remains patchy. The country has not conducted general a census since 1991, which means that in the absence of a statistical baseline the quality of statistical data remains highly dubious. It is sufficient to say that no one knows with any degree of certainty such basic data such as the current total population of BiH, with estimates ranging from 3.8 – 4.6 million people. Unsurprisingly, other, more detailed, data are either missing, or figures given by the e.g. Agency for Statistics, World Bank, UNDP, ILO, etc. vary widely. The authors have done their best to compile and correlate the existing data using multiple sources, but refrain from asserting the veracity of figures.

### **Unemployment, pensions, health and social welfare in Bosnia and Herzegovina**

#### ***Pensions***

In respect to the pension system, as with the

other selected themes of socio-economic transformation in Bosnia and Herzegovina, there are two entity Pension and Disability Funds (PIO/MIO Funds). The Brčko District does not have its own Pension Fund, but the pensioners receive pensions from either of the two Entity Funds. Pension funds in former Yugoslavia were organized in Federal Republics; hence the division of the country did not affect the funds as such. Instead, in BiH the pension fund was affected by wartime division into three (later two) funds, and the general destruction of the economy, which translated into a weak contributors' base. The pension system in both Entities is largely the same as the one that operated in the former Yugoslavia, based on the pay-as-you-go scheme. Contributions are mandatory for all employees, regardless of the status of the company or institution they work for. Family dependants (children, unemployed spouses) are insured through the principal insurer. The Self-employed are insured on the basis of their voluntary contributions (e.g. farmers, artists) or mandatory contributions in the case of owners of small workshops, shops, taxi drivers, etc. Pension entitlements are set at entity, rather than state, level, on the grounds of age, disability, and family relations (Art. 2 Law on Pension and Disability Insurance in FbiH, 1998; Law on Pension and Disability Insurance in RS, 2000).

The pension system remained relatively stable throughout the socialist period, even during the severe economic crisis of the '80s. This was primarily due to a relatively strong economic base that provided almost universal employment and therefore a large funding base for the pension system. The ratio of working people against the recipients of pension and disability benefits also remained favorable until well into the 1980s. The inherent instability of financing pay-as-you-go scheme was offset in

the former Republic Funds through large-scale investment into real estate, notably hotels and old people's homes, which provided both additional income for the Funds and a savings opportunity through the placement of old people without family care into long stay institutions owned by the Fund in exchange for their pension monies. Apart from the division of the pension system into two entity-based ones, the Funds continue to function in the same fashion.<sup>12</sup> However, dwindling numbers of contributors (as a result of fragmentation of Funds and low employment), a weak economic base, high unemployment rates, and the prevalence of grey economy meant that the financing of the Pension Funds shrank to unprecedented levels. In addition, early retirement – used since mid-eighties as favourite political tool for resolving large number of social crises – escalated in the post-war period. Every type of social crisis was resolved in this manner, from caring for elderly workers in unproductive companies to resolving the problem of large numbers of fairly young professional soldiers that had to be laid off in accordance with modern standards. Generous granting of pensions to sizeable numbers of fairly young people had a perverse psychological effect on them, giving them illusion of enjoying something of social status and preventing them from entering labour market, while still very much in productive age.

All of these factors combined to put both Pension Funds under ever-increasing strain, lowering pension checks to sometimes almost symbolic levels. Another favourite tool of politicians – printing money to pay for pension and other social contributions – became unavailable following the introduction of the currency board system in state finances and Convertible Mark, which was pegged to the then-Deutsche

Mark in 1998. Additional sources of income for the Pension Funds in the form of previously mentioned real estate holdings also became unavailable due to their physical destruction and the manner in which the remaining establishments were privatised in the post-war period. The collapse of the economy, ever increasing number of dependants and shrinking base of contributors to the Funds meant that the Entity-level Pension Funds had to operate throughout the post-war period with empty budgets. Their current performance is dependent almost exclusively on the monthly realization of benefits through mandatory deductions from taxpayers' salaries. All attempts at reforming the pension system by introducing, for example, a three-tier system as in neighbouring Croatia have failed, due to political blockages and worries that the introduction of even partly voluntary schemes would lead to shrinking contributions to the Pension Funds and result in the collapse of the PIO/MIO budgets. The latest reform was attempted in 2007, under the patronage of the Social Insurance Technical Assistance Project (SITAP) funded by the World Bank (ILO, 2009).

Partially due to concerns related to ever-increasing number of pensioners who were placing Pension Funds close to breaking point in terms of financing, the age of retirement for both men and women was increased in 2000 by the decree of the High Representative. Still, however, the results of the Living Standard Measurement Survey indicate that 36.4% of the male pensioners and 57.6% of the female pensioners fall below 65 years of age (ILO, 2009). In parallel, the same results indicate that only around 30% of the population aged 65 years or more receive the old-age pension.

The main difficulties regarding the current pension system include limited coverage and low compliance, particularly among workers employed in the informal economy, inadequate level of pension benefits, concern

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<sup>12</sup> Initially there were three ethnic-denominated Pension Funds, but pressure from international community led to merging of Bosniak and Croat Funds in 2002.

for the financial sustainability of the pension system and problems with the limited administrative capacity and governance of the social security organisations (UNDP, 2007; World Bank, 2007; ILO, 2009). The Labour Force Survey (Agency for Statistics of BiH, 2008) indicates that the number of employees represents only 24.4% of the working age population. The responsibility for the collection of the social security contributions rests with the entity-level tax authorities that have a limited power to enforce contribution collections, as well as having a lack of co-ordination with the social insurance institutions (the pension and retirement funds). The two Entity Funds remain similar in terms of organization and are governed by almost identical laws (the main difference being the method of calculation and rates of insurance contributions from the gross salary, in FBiH, and net salary in the Republika Srpska). However, partly due to a different level of economic performance and perhaps stricter compliance with the laws, the Federation Fund operates independently from the government, having achieved economic viability, while in case of Republika Srpska, the Fund continues to depend on net transfers from the Entity Budget. The RS Fund has lately been forced to resort to short-term borrowing from commercial banks to finance regular pension transfers (Oslobođenje, 2010).

The entity regulation determines the pension base used for the calculation of the pension. It is defined as the average of the revaluated wages over the best 15 consecutive years of insurance. The pension accrual rate is 45% for the first 20 years of insurance, increased by 2.0% for each year of insurance in excess of 20 years (ILO, 2009). The entity-level regulation and administration of pensions, coupled with the related other socio-economic differences, also led also to the initially different pension entitlements in the two entities (Ademovic, 2005). Differences narrowed

down recently to approximately EUR 126, which is 31.6% of the average gross wage (ILO, 2009), although pensions remain approximately 10% higher in the Federation of BiH. Increase in salaries is not accompanied by an increase in pensions, despite the growing cost of living (Ademovic, 2005). Pension Funds also pay for the pensioners' health insurance: 3.75% of the net pension in the RS and 1.2% of the net pension in FBiH is deducted automatically by the Funds and paid as a contribution to the respective Health Insurance Funds.

Faced with economic hardship and undermined by Funds' insufficient enforcement capacities, employers are often in arrears with pension and disability contributions for their employees. As a result, despite having met the retirement criteria, some workers cannot achieve the right to pension or health insurance, as payments were not made to the pension funds on their behalf (ibid.). In April 2005, the Constitutional court of BiH ruled that individuals could sue their employers for unpaid contributions. Prior to this ruling, only the Pension and Disability Fund could take legal action against the employers (ILO, 2009).

Overall, challenges to the BiH pension system include long-term concerns related to the inherent instability of the pay-as-you-go scheme: an ever-shrinking contributors' base and an ever-expanding number of pensioners, coupled with an increase in life expectancy and a longer retirement period. In addition, the RS Fund especially has to find the way and means to overcome its continuing dependence on net budget transfers and short-term borrowing, which increase public debt and make necessary reforms harder to achieve by the day. Any future reform would also need to include the creation of a financial projection model and local expertise that would enable decision makers to assess the sustainability of the current system and to evaluate the implications of the various reform options. Both are currently lacking (ILO, 2009).

**Table 2: A review of the pensions system in Bosnia and Herzegovina**

<b>Information Required</b>	Description
<b>Structure of the pension scheme</b>	No pillars Pay-as-you-go system of finance Managed through Pension and Disability Funds (as in the former Yugoslavia)
<b>Population covered</b>	People of retirement age (65) <sup>13</sup> The disabled "Survivors' pensions" Those not covered and how this population compares to pensioners or to the whole population: pension benefits available only to the formal employment sector, resulting in only approximately 30% of population over 65 years of age receiving old-age pensions. <sup>14</sup>
<b>Old age dependency ratio</b>	Number of pensioners and number of insured 24% of people above 65 compared to 15-64 years (25.3% in the FBiH and 23.6% in the RS). System dependency rate – 77.7% <sup>15</sup>
<b>Financing of the system</b>	System replacement rate – 31.6% <sup>16</sup> Social Security contribution rates <sup>17</sup> : FBiH – 43.5% (24% for pension insurance, 17% for health insurance, 2.5% for unemployment insurance) RS – 42% (24% for pension, 15% for health, 1% unemployment insurance and 2% for child allowances). % of the state budget: 0% in FBiH; almost 10% of the Entity budget in RS (160 mil KM in 2009) <sup>18</sup> Ratio between insurance and state budget financing: the system is supposed to be based on a pay-as-you-go scheme, mandated by the OHR to avoid undue political interference and stabilize the budgets. This means that pension funds only distribute as much money as they collect, calculated on a monthly basis. However, the RS pension fund has never managed to achieve sustainability, depending for one-third of the total expenditure on net transfers from the Entity budget. Pension expenditure – 7% of the GDP; largest component of the social protection expenditure (ILO, 2009) <sup>19</sup> .

<sup>13</sup> Although, in the FBiH, women can still retire at the age of 55 with 30 years of insurance and men can retire at the age of 60 with 35 years of insurance. In the RS, men can retire at any age if they have 40 years of insurance, while women can do the same with 35 years of insurance (ILO, 2009).

<sup>14</sup> LSMS (2001)

<sup>15</sup> ILO (2009, p.13)

<sup>16</sup> ILO (2009, p.13)

<sup>17</sup> ILO (2009); note: in the FBiH, contribution rate is levied on

gross wages, while in the RS the contribution rate is levied on net wages.

<sup>18</sup> RS Government (2009, p. 9)

<sup>19</sup> ILO (2009, p. 2) reports – 'The estimate of pension expenditures as percentage of GDP differs widely between sources. According to the World Bank, it is 5.5% in FBiH and only 2.4% in RS. The estimates provided in the UNDP report are higher: in 2006 these values were 8.69% in FBiH and 10.41% in RS'.

<b>Benefit</b>	<p>Average monthly gross wage (in KM) 246.6KM (807.8KM in the FBiH, 735.4KM in the RS)</p> <p>Average monthly pension (in KM): 246.6 (246.7 in the FBiH; 246.3 in the RS).</p> <p>Minimum pension – not less than 50% (RS) or 60% of the average pension (not universal, but for people who have at least 20 years of pension insurance).</p> <p>Persons with 40 years of insurance – guaranteed pension of 80% (FBiH) or 100% (RS) of the average pension.</p> <p>Number of people receiving min pension – 10% (RS) -42.5% (FBiH) of all pensioners.</p> <p>Number of people with privileged pension rights: no exact number exist, but numbers are huge, given that numerous categories of the working-age population continue to be allowed to retire under favourable terms, for political and social reasons. Among them are war veterans, workers made redundant by former socialist ‘giants’ (state-owned combines, or conglomerates), professional soldiers, etc.</p>
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### **Health care**

Health care organisation and regulation in Bosnia and Herzegovina is complex, reflecting the political and territorial divisions of the country. Two separate health care systems exist in two Entities, plus the Brčko District. However, the Federation health care system is further subdivided into cantonal systems, with the full complement of ministries, health insurance funds and public health institutes. Therefore, a total of 13 Ministries of Health, 13 Health Insurance Funds and 12 Public Health Institutes exist in BiH (Ademovic, 2004). Prima facie, the situation in this regard is much more favourable in the Republika Srpska that is organized as a highly centralized state, with one Ministry and Fund responsible for organization and financing of health care. In the Federation, extreme decentralization does not reflect modern standards of proximity or subsidiarity, but rather ethnically mandated consideration whereby each ethnic group could be in control of ‘their’ funds and institutions.

Federal level institutions and authorities were by the law accorded some measure of ‘coordination’ capacity, but are in no way hierarchically superior to the Cantonal level. A fragmented health care system in the Federation increases administrative costs of operations and significantly affects efficiency due to unavoidable overlapping, duplication of facilities (secondary level health care institutions existing sometimes literally few hundred meters apart). Richer cantons also can afford better care for their population, while poorer cantons struggle to maintain operations of their minuscule health insurance funds.

The relevant legislation provides for three types of insurance (Article 70, Law on Health Care FBiH 1997, Article 76, Law on Health Care RS 1999; Article 20, Law on Health Care DB, 2001), but only the compulsory insurance has been made operational. Additional legislation covers the rights of the war veterans and the civil war victims. The basic entitlements are not set by either of entities (Ademovic, 2004).

Health policy across BiH is funded on the solidarity principle through the health insurance funds and on the principle of mandatory contributions. These vary across the country (13% in FBiH and 15% in the RS), while employers in both entities contribute an additional 5% to the health insurance of employees. The total contribution for health insurance is estimated at 7.6% of the GDP from public spending. Thirty-seven percent is allocated for primary, 35% for secondary and 18% for tertiary health care. Health spending per capita varies in the two entities. In the FBiH it is 218 Convertible Marks (approx. EUR 106), but in the RS it is 100 Convertible Marks (EUR 50) (Ademovic, 2005).

This data indicates a number of inequalities that exist across the country, depending on where a citizen resides. There are also related 'cross-border' health care entitlement issues, which particularly affect persons who are still displaced. There are also problems with the manner in which the system is funded, as the ratio between those who pay health care contributions and others is 1:7, due to a number of employed for whom neither they themselves nor their employees are paying health insurance (e.g. due to temporary and seasonal nature of their official work status) (Ademovic, 2005; UNHCR, 2001). It is estimated that 26% of the population is not covered by health insurance (Ademovic, 2005). Although there is only anecdotal evidence available, it was widely assumed that for much of the post-war period there was substantial practice of underreporting wages for health insurance contributions (the situation in this regard has stabilized with fiscal and tax reforms in the recent years). Informal payments for health care provision and outright corruption remain a matter of significant concern, although no firm data exist to support widespread perception of corrupt practices in the health sector (Cain et al., 2002).

Despite several reforms undertaken or still ongoing, some authoritative studies conclude that the quality of the overall health care provision has been characterised as devastated since before the war and lacking minimum standards of care across the whole country (UNHCR, 2001). Some authors describe such puzzling processes as follows *'Reform [of health care] in Bosnia and Herzegovina has been a contradictory pairing of the best with the sub-optimal; it has combined innovative approaches with political resistance and enthusiasm with obstruction. If anything, the case of Bosnia and Herzegovina shows, in particular, how an excess of easy financing can also have negative influences on the reform'* (Cain et al., 2002, p. 101). The reforms were particularly focused on primary and secondary care, through, for example, the introduction of family medicine or the introduction of Centres for Mental Health within primary care Health Care Centres, as the main pillars for community-based mental health provision. The Federal Ministry of Health and the Ministry of Health and Social Protection of Republika Srpska in 2008 prepared and published several Health Strategy Documents<sup>20</sup> (for primary, secondary and tertiary health care) in which health care reform is defined together with its objectives, foundation and principles, and service provision.

The Primary Health Care Strategy documents (officially adopted in both FBiH and RS) emphasize the significance of health in relation to sustainable economic development and social cohesion. Health is viewed as economic potential and an ingredient of human resources, as well as a tool for increasing productivity and decreasing public expenditure related to treatment. Furthermore, better

<sup>20</sup> The Primary Health Care Strategy, Ministry of Health and Social Welfare RS (2008); Strategy for Primary Health Care Development FBiH, Federal Ministry of Health (2008); Strategic Plan for Development of Health in FBiH 2008-2018, Federal Ministry of Health(2008).

health significantly contributes to the reduction of poverty and as such is seen as a tool for ensuring conditions for long-term and sustainable economic development.

Key health care issues, as identified by strategy documents, to be addressed by the primary health care reform are as follows:

- unequal access to health care,
- inefficient delivery of health care services,
- inadequate health care financing,
- inadequate structure of human resources,
- an ageing population.

The core strategic goal of the reform is the development of primary health care focused on family medicine, which will be based upon delivery of accessible, efficient, quality and cost effective services, interventions and programs. Development of primary health care, which will be based on the family medicine model, is seen as a key factor of the health reform. The health care reform aims to: introduce the family medicine model, establish an efficient entry point into the health system, rehabilitate the PHC infrastructure, allow free choice of a doctor, establish new mechanisms for health care resource allocation and introduce new provider payment mechanisms, enhance the organization, planning and management of health institutions, develop and implement national health policies strategies and programs.

In practice, family medicine should perform the following tasks: health promotion and disease prevention, pre-symptomatic detection of diseases, early diagnostics, final diagnosis, disease management, disease complication management, recovery of patients, palliative care, and consulting of families in extraordinary circumstances. In order to prioritize family medicine in the overall health system in BiH, it is intended to structure PHC centres in such a way that they will be able to handle a minimum of 80% of all health-related problems. PHC centres are seen as the

foundation of the health system and a starting basis of integrated health care - health institutions that will plan, organize, and deliver accessible, efficient, cost-effective and high quality health care based on the family medicine model to the population of the given area.

Comparable to Family Medicine, Mental Health care suffers from the same set of issues as other areas of the health care system in Bosnia and Herzegovina since the war. Primary health care is, however, organized in dedicated mental health centres that are products of an earlier reform. They currently enjoy various degree of integration in primary health care system in both entities. Beside organizational and technical issues related to the functioning of mental health centres in relation to the community health care centres, their work suffered from conceptual and policy-related deficiencies. Being a novelty brought in by external intervention, the concept of community mental health centres took a long time to gain acceptance in the mainstream health system. Only recently have the entity governments strategically approached the need for the development of the mental health sector in general by adopting a set of relevant policy documents.

Mental Health Policy documents<sup>21</sup> for Bosnia and Herzegovina, both FBiH and RS, were developed as part of the Stability Pact Initiative – Mental Health Project for southeastern Europe (2002-2008). The Mental Health Policy document was adopted in RS in 2006, while in FBiH it was planned to be adopted by the end of 2009, but has not been so far. Albeit different – due primarily to differences in institutional and policy framework – these documents contain the same overall set of objectives. Allowing for entity specifics, these

<sup>21</sup> Mental Health Policy, Ministry of Health and Social Welfare RS (2006), Mental Health Policy, Federal Ministry of Health, draft version.

overall objectives can be summarized to read as follows:

- improve psycho-social status of the population and establish a health system that will enable complete and efficient mental health services to all persons suffering from mental health disorders;
- alleviate all factors that contribute to the increase of mental health disorders such as: unemployment, migration, social tensions, substance abuse and other risk factors;
- define the program for mental health improvement and care for vulnerable groups of the society (children, adolescents, elderly, etc.);
- further development of the network of mental health centres in the community;
- further development of human resources in the field of mental health;
- increase promotional activities in raising public awareness.

An integral part of both policy documents is the Action Plan, which in both entities identifies the following set of priorities:

- provision of treatment in primary health care;
- availability of psychotropic medications;
- provision of services in the community;

- education of the public;
- developing policies and adoption of laws;
- human resources development;
- establishment of links with other sectors;
- development of information system;
- improvement of research capacities among medical workers.

In another positive reform development, compared to the situation before the war, health care is possibly the only major public sector that systemically moved towards an accreditation system of its professionals. Applicable laws stipulate that all health practitioners (physicians, technicians, nurses) have to be members of respective medical chambers. Again, in reflection of political realities, these chambers are organized on the Entity (in the RS) and Cantonal level (in the Federation of BiH). An important role of these chambers is supervising and monitoring professional standards and education of their members and issuing and revoking licenses accordingly. In practice, it is too soon to tell how this system will function. Early evidence indicates that in the case of physicians, their chambers are quite active, while in the case of nurses the experience is somewhat varied.

**Table 3: A review of the health care system in Bosnia and Herzegovina**

<b>Information required</b>	<b>Description</b>
<b>Structure</b>	<p>Primary health institutions (health centres, health stations) are organized at municipal level. All other secondary and tertiary level institutions are organized at Entity (in RS) and Cantonal (in FBiH) level. They consist of hospitals (in smaller centres) and clinical centres (most developed), strategically spaced to cover most population geographically, although due to political developments this is somewhat skewed, leading to doubling of facilities in e.g. Sarajevo/ EastSarajevo, Mostar (East/West).</p> <p>The health system is publicly owned and managed, funded by wage contributions for health, as well as budget contributions for capital expenditure (building works, repair of facilities, purchasing of equipment). Health funds are organized at Entity (in RS) and Cantonal (in FBiH) level.</p> <p>-private health-care has long augmented health services provided by the public sector by providing more specialized services (e.g. involving expensive machinery that cash-strapped public institutions cannot afford), or by allowing the patients to reduce waiting periods (dental services, also specialist examinations where waiting period sometimes extends up to six months)</p>
<b>Population covered</b>	<p>- in theory health services coverage should be universal. All employees are insured by registering and paying their wage contributions (deducted by employers). However, the prevalence of grey and informal economy put some categories of employees at risk (e.g. construction where seasonal work prevails or retail trade where workers are easily replaced and thus not registered). Unemployed are eligible for free health services upon registration, but again many people remain in the 'grey' sector;</p> <p>- the estimated number of people not covered by any form of health care coverage at 13% of total population (2004 figure)<sup>22</sup></p>
<b>Health-status of the population</b>	<p>- life expectancy rates: 70 (male), 77 (female). (1991 figure, the last available)<sup>23</sup></p> <p>- infant mortality rate: 9.1/1000 live births<sup>24</sup></p>

<sup>22</sup> UNDP (2007, p.13)<sup>23</sup> WHO (2008, p. 24)<sup>24</sup> WHO (2008, p. 30)

<b>Financing</b>	<p>- contribution rates as percentage of earnings: 17% of gross wage (FBiH), 15% of net wage (RS)</p> <p>- health-care expenditures (8.3% of GDP)<sup>25</sup></p>
<b>Cost-containment measures<sup>26</sup></b>	<p>In the absence of effective insurance coverage, people are obliged to pay the full cost of medical fees (average medical costs for birth delivery range from EUR160-270 in RS to EUR 127-360 in FBiH)</p> <p>- considerable anecdotal evidence for 'informal payments' across the board.</p> <p><u>Out of pocket payments</u></p> <p><i>FBiH</i></p> <p>This is determined at Cantonal level that depends on the user's social status and with no control over private sector out-of-pocket payments. Half of the payment to the Health Insurance Fund and half to the provider (in practice – payments made only to the provider).</p> <p><i>RS – set at entity level</i></p> <p>Medication – in FBiH – medication provided free of charge is set by the so-called 'Essential list of medication'. All non-essential medication has to be paid by the users. Particular problems exist for, for example, psychiatric medication, many of which are not included on the list.</p>
<b>Benefit</b>	<p>- FBiH guarantees benefits under compulsory insurance – primary health care, specialist consultative care and hospital care, salary compensation in cases of illness, refund of travel expenses incurred while seeking medical care.</p> <p>RS – pregnant women, children aged 0-15 and people over the age of 65 are entitled to free health care.</p>

### **Unemployment protection**

The Dayton Peace Accords neither defined Bosnia and Herzegovina as a welfare state, nor provided the right to work as a separate constitutional right (Ademovic, 2005). This right is indirectly accepted through the International Covenant on Social, Cultural and Economic Rights and through the two entity level Constitutions (Article 2(1)(1), Constitution of the Federation of Bosnia and Herzegovina; Article

39, Constitution of Republika Srpska). Unemployment is primarily regulated through the relevant employment legislation (Article 2, Law on Employment and Social Security of Unemployed Persons FBiH 2000; Article 3, Law on Employment RS 2000; Article 5, Law on Employment BDBIH 2004). The economic and health entitlements of unemployed individuals are administered through the Employment Agencies. These are organised differently in the two Entities. In the Federation of BiH, these are decentralised to the cantonal level, while

<sup>25</sup> WHO (2008, p. 131)

<sup>26</sup> Cain et al.(2002)

the Employment Agency is a centralised service within Republika Srpska. The Employment Agency makes payments to the unemployed.

Lack of appropriate unemployment support is particularly concerning considering the high unemployment levels. Despite the absence of a Census since 1991, the Labour Force Survey indicates a 43.9% labour force participation rate (the ratio of labour force to working age population; 42.4% in the FBiH, 47.0% for the RS, 36.8% for the Brčko District) (Agency for Statistics of BiH, 2008). In 2008, the unemployment rate was 23.4% (21.4% for men and 26.8% for women), a decrease from 29.0% in 2007 (*ibid.*). Due to the absence of the Labour Force Survey time series, it is difficult to highlight any unemployment trends. As in most countries in South-Eastern Europe (ILO and CoE, 2009), unemployment rates are significantly higher for women as compared to men (Ademovic, 2005), while youth unemployment rates are higher than adults (62.3% compared to 31.8% in 2007) (ILO and CoE, 2009). Most worryingly, the long-term unemployed present 85.9% of all unemployed (*ibid.*).

Overall, the participation rate in formal employment is low; it is estimated that informal economy employment presents between 33-50% of the formal sector employment (ILO, 2009). In parallel, the ethnic cleansing and the subsequent displacement and re-settling of the BiH population also resulted in the loss of employment and employment rights for a number of displaced and refugee workers (Ademovic, 2005).

Following the war, there was an expectation both within BiH and from the relevant international organizations (e.g. the EU, World Bank) that the transition from the post-socialist system of governance, marked by state-owned businesses, would include the transition to a market economy through rapid privatisation and a large injection of recon-

struction aid (ESI, 2004). However, such plans overlooked the impact of outdated and war-affected technology, full employment targets from the previous system, as well as those by misplaced and corruption affected privatisation/investments. The most affected were a particular group of workers whose companies were undergoing such a transition. Namely, while a number of people remained in official employment, they were, *de facto*, owed salaries for their work conducted during and after the war period. While the new company owners were to settle such debts on behalf of the previous employers, these settlements were either never or only partially settled (FBiH Ombudsman Report, 2004).

In parallel, the lack of a coherent employment policy framework makes for a reactive labour administration, paralleled by a lack of an efficient and co-ordinated system of labour inspection (ILO and CoE, 2009). The Public Employment Service in BiH comprises of a state-level institution, two Entity Agencies and one District Employment Agencies. In parallel, there are cantonal level Agencies in the FBiH and seventy-four municipal Employment Bureaus. In the RS, the entity-level Agency has six Regional Offices and sixty-three municipal Employment Bureaus. As the State-level Agency primarily has mandates for international representation, there are difficulties in implementing any kind of reform processes within the devolved structure. In parallel, the manner in which the Agencies and Bureaus are regulated and structured makes their main activity the registration of the unemployed, rather than screening of the applicants, counselling, guidance or job brokering (*ibid.*).

Registration with employment services gives access to health insurance. Unemployment benefits vary in the two entities. In the FBiH, based on the Employment Law 2005, the benefit given is three months wages for

the insurance period between 8 months to 5 years or 24 months for an insurance period longer than 35 years. In the RS, the difference is in the higher insurance periods, where the benefit is equal to 12 months (rather than 24 as in the FBiH) for the unemployed with more than 25 years of insurance. The benefit is between 35 (RS) and 40% (FBiH) of the individual's average salary over the preceding 3 months for those with ten or more years of insurance. However, unemployment benefit coverage is only 1.9% of the registered unemployed (ILO and CoE, 2009).

In terms of employment support efforts, there have been significant international resources allocated to the creation of loans and

grant programmes aimed at Active Labour Market Programmes. These mainly included loans to companies for job creation programmes in the Federation of BiH, employment subsidies in both entities (targeted at unemployed youth, disabled employees and the long-term unemployed in the FBiH and unemployed youth in the RS) and training programmes for the long-term unemployed (financed by the World Bank). However, none of these initiatives has yet proved to be efficient or effective (ILO and CoE, 2009). In real terms, income support is set at the poverty level, particularly as the actual coverage is at approximately 2% and, therefore, one of the lowest in Europe.

**Table 4: A review of the unemployment protection in Bosnia and Herzegovina<sup>27</sup>**

Information required	Description
<b>Coverage</b>	Eligibility criteria: FBiH – 2.5% of gross wage + paid unemployment contributions for an uninterrupted period of at least 8 months in the preceding 12 months or for an accumulated total period of at least 8 months in the past 18 months RS and DB – 1% (RS) or 1.5% (DB) gross salary + minimum of 8 months of continuous qualifying period in preceding 12 months or 12 months with breaks in preceding 18 months. Only about 2% of the unemployed are covered.
<b>Financing N/A</b>	-contribution rates as percentage of earnings: 2.5% of gross wage (FBiH), 1% of net wage (RS) -% of state budget: N/A -ratio between insurance and state budget financing: N/A -expenditures on unemployment benefit (% of GDP): N/A -revenues (% of GDP): N/A

<sup>27</sup> ILO and CoE(2009)

<b>Benefit</b>	<p>Free health insurance</p> <p>Unemployment benefit:</p> <ul style="list-style-type: none"> <li>- FBiH – 40% of the average net wage earned in the FBiH in the 3 months before the termination of employment (can be disbursed in a lump sum for the establishment of an independent or a joint company)</li> <li>- RS – for people with a 10-year qualifying period – 35% of average wage earned in the previous three months of work; for people with more than 10 years – 40% of the average wage earned in the previous three months. The cash benefit may not be less than 20% of disbursed average wage in the RS nor may it exceed the amount of an average net wage in the RS in the month preceding decision-making.</li> <li>- DB – up to a 10 year qualifying period – 35% of the average salary earned in the previous three months of work; over a ten-year qualifying period – 40% of average salary. AS in RS, the benefit cannot be lower than 20% of disbursed average salary.</li> </ul> <p>-number of people receiving unemployment benefit: 11,935, or 2.31% of the total number of unemployed<sup>28</sup></p> <p>Maximum duration of benefit FBiH</p> <ul style="list-style-type: none"> <li>- 3 months for a working period from 8 months to 5 years</li> <li>- 6 months for a wp 5-10 years</li> <li>- 9 months for a wp 10-15 years</li> <li>- 12 months for a wp 15-25 years</li> <li>- 15 months for a wp 25-30 years</li> <li>- 18 months for a wp 30-35 years</li> <li>- 24 months for a wp of more than 35 years</li> </ul> <p>RS and DB</p> <ul style="list-style-type: none"> <li>- 3 month for a qualifying period of up to 5 years</li> <li>- 6 months – qp 10 years</li> <li>- 9 months – qp 15 years</li> <li>- 12 months – qp 25 years</li> </ul>
<b>Active labour market policies</b>	<p>Provisional plans set in the Mid-Term Development Strategy 2004-2007, but not implemented</p> <ul style="list-style-type: none"> <li>- changes in labour laws and regulations</li> <li>- labour market measures</li> <li>-what kind of policies are there;</li> <li>-financing (% of state budget);</li> <li>-coverage.</li> </ul>
<b>Other measures against undeclared work</b>	<p>Occasional campaigns, e.g. huge campaign by the Federal government in 2008, promising tax breaks for employers who register undeclared workers. Labour inspectors conduct checks on employers, but these checks vary in frequency and stringency, depending on the area/political climate, political connections of businessmen, etc.</p>

<sup>28</sup> ARZ (2010)

### **Social welfare/assistance**

As other former Yugoslav Republics, Bosnia and Herzegovina retained a social welfare system based on the principles of universal coverage and mutual solidarity. The collapse of Yugoslavia made construction of such a system an unfinished business. In addition, war and immediate post-war developments deconstructed the social welfare system in BiH even further, bringing it to the brink of existence. The situation has since stabilized, even though some of the problems that were caused in the previous period continue to affect the performance of the system and significantly impair its ability to function.

Formal social welfare provision is still primarily implemented through local Centres for Social Work (CSWs) and traditional long-stay institutions for children and adults, following in the former Yugoslav tradition. CSWs cover large geographical areas, sometimes up to 50,000 people, and specialize in diverse practices - from social security provision to counselling services. Traditionally, distribution of cash-based assistance was viewed as the main purpose of the CSW existence. Favourable economic conditions and socialist ideology translated into a solidarity principle, which served as the foremost concern behind codification of legal provisions regulating social welfare. Vulnerable groups (beneficiaries of welfare assistance) were broadly defined and entitlement-based. Large numbers of people thus qualified for at least one of numerous and relatively generous benefits. In combination with free education and health, it made life in socialist times bearable even for the poorest categories of population.

The availability of cash and other forms of material assistance pushed other forms of social assistance – notably professional counselling and community work – into the background. Some professional services continued to be provided during the eighties and nine-

ties, notably marriage counselling, but were overall rather neglected in the light of pressing demands for cash payments due to the sharp decrease in living standards. The post-war period meant further deterioration in all aspects of welfare provision, from cash benefits to service provision. Needs were huge, but budgets for social welfare almost non-existent. Social workers themselves would sometimes go for months without pay.

The Post-Dayton period also saw a fragmentation of the social welfare system along ethnic lines. Two separate social welfare systems exist today, one for each entity, in addition to a separate regime in the Brčko District. Both systems suffer from the same range of problems, the most important being underfunding. In addition, a weak material base, a proliferation of alternative welfare providers, and the failure to educate staff and attract younger personnel affected the ability of the welfare system to grapple with the changing times. Data for 2005 indicates that social and child welfare in BiH is implemented through 101 municipal CSWs, 40 Social and Child Welfare Offices, two Cantonal CSWs and a Sub-Department for Social Welfare of the Brčko District (Save the Children UK, 2005). The Thematic Bulletin 'Social Welfare' (Agency for Statistics of BiH, 2008a) states that in 2007 these services employed 561 professional and 622 administrative and other staff (a total of 1183 employed). Over half of the CSWs (62%) do not employ the number of staff proposed in the legislative framework for their operation (Hadžibegić, 1999). It is relevant to note that, in FBiH, an additional 74 staff was employed over the period of two years (2002 – 2004). However, these were mainly administrative, rather than professional staff.

In the Republika Srpska, part of social welfare services is covered by the Child Protection Fund. The public fund was es-

established in 1996, basically taking over some of the professional services and benefit payments that were traditionally handled by the Centres for Social Welfare. The Fund did not establish new institutions at the local level, instead linking the central office in Bijeljina with dedicated staff co-located in CSWs, but with separate missions and on the Fund's payroll. According to the Fund's website, its primary mission is linked with the realization of child protection rights, namely dispensing financial assistance and 'caring for development needs of children'. According to the Fund's web site, there are few professional services being provided by the Fund, if we do not count the organization of summer holidays for several hundred underprivileged children annually. The dispensation of cash assistance remains the chief responsibility of the Fund's staff. The primary goal of having a separate Fund to handle child protection appears to be an attempt to guarantee equal child protection benefits across the Entity, in a situation when local communities (responsible for social welfare payments) sometimes struggle to commit sufficient budgets to this purpose.

The social welfare systems in both Entities remain broadly comparable in terms of their functions and legal framework (principal differences being the existence of the Child Protection Fund in the RS and Cantonal organization of welfare in the Federation). As such, they experienced similar problems in the post-war period. Besides already mentioned, and an obvious weak economic base, the welfare regimes suffer from range of systemic inadequacies which are mostly related to the failure to adopt to changing times and reform in accordance with the changed nature or needs and available resources. The BiH Council of Ministers identified various difficulties in

the implementation of the reform of social welfare (The BiH Council of Ministers, 2004, pp.145-146). Primarily, there is an increase in the needs of the population, paralleled with the creation of new service user categories (due to the post-war socio-economic problems). There is also a lack of up-to-date and complete databases on service users. Secondly, there is a lack of resources (from trained staff to adequate workspace) and monitoring instruments for social welfare implementation. Thirdly, resource constraints are further exacerbated by normative and accountability difficulties.

It is illustrative of the welfare systems' inability to reform that none of these deficiencies has ever been systemically identified, or addressed by the system itself. Instead, this task was taken over by a range of international donors and nongovernmental organizations, which at different times attempted to map the capacity gaps and resolve some of the outstanding issues. These donor-driven reforms fall into two broad categories: earlier more numerous, NGO-implemented partial reforms, and later, more mature and fewer in number, attempts at systemic reform of social welfare regimes. The partial, NGO-implemented reforms, which abounded in the immediate aftermath of the war, typically worked to resolve issues centred on one aspect of the welfare system (say children with special needs, or institutional care) often working in a small part of BiH (e.g. in one Canton, or even municipality).

Most of these efforts were ultimately unsuccessful, for reasons that are well documented by some of the recent studies (see Rašidagić, 2006; Maglajlic, Holicek & Rašidagić, 2007, 2008). These include the finite nature of project-based intervention, limited mandates of NGOs operating in the country and the failure to adequately engage relevant stakeholders, etc. In the early

'Naughties', a gradual withdrawal of donors, coupled with their desire to attempt to resolve some of the issues by (finally) working in a systemic manner, led to the conception of a few large-scale reform projects, most notably those funded by the Finnish Government (Support to Social Sector Project) and DFID. Both projects, similar in outlook (having been conceived by the same consultant, after all) were implemented by the local organization, the International Bureau for Humanitarian Issues (IBHI). Being realistic about the prospects of comprehensive reform of social welfare in the country, both projects sought to incorporate lessons learned from the implementation of local projects into policies and ultimately legal regulations at the central level. The particular approach went by the name 'bottom-up approach'. It failed in the short-term, but eventually significantly influenced the blueprint for reform contained in the country's first-ever Mid-Term Development Strategy 2004-2007 (MTDS, initially conceived as World Bank's Poverty Reduction Strategy Paper, PRSP) (DEP, 2004).

For reasons which are directly related to the worsening political prospects in the coun-

try in the period following the 2004 local elections, the MTDS was never actually implemented, nor was the Strategy amended or replaced by a new one after the original expired. The welfare regimes thus remain largely unreformed, with progress being limited to incremental steps based on partial incentives occasionally implemented by individual NGOs, or, in fewer cases, certain public institutions. Thus we can say, two decades into independence, social welfare systems in BiH remain largely modelled upon the socialist model that has clearly long outlived its purposefulness. Social work education remains almost exactly the same as when it was conceived in the mid-70s, producing social workers that are not adept at becoming true community workers. The majority of staff employed in the CSWs still focus on the provision of paltry and poorly targeted material assistance, rather than offering professional services. This was somewhat remedied in relation to particular aspects of practice, for example, transformation of care for children without parental care, but only in some of the Cantons/regions, and based on the efforts by the staff or dedicated work of certain international agencies within their limited scope of intervention.

**Table 5: A review of the social welfare system in Bosnia and Herzegovina**

Information required	Description
<b>Structure</b>	<ul style="list-style-type: none"> <li>- a total of 103 municipal and cantonal-based Centres for Social Work (CSWs), plus 40 municipal departments. Uneven population coverage; varied level of technical and funding capacities</li> <li>- a total of 1183 staff employed in these institutions; unfavourable professional and age structure</li> <li>- relatively even territorial distribution, with most municipalities covered, save for the smallest ones (institutions, human capacities) and territorial distribution;</li> <li>- mostly professionals employed as managers of CSWs, however, appointments open to political influence</li> </ul>

<b>Coverage</b>	<ul style="list-style-type: none"> <li>- population coverage uneven, in theory one social worker is employed per 50,000 people, but standards are not well defined and rarely respected;</li> <li>- entitlement-, rather than needs-based eligibility means that numbers of eligible beneficiaries are huge and unsustainable;</li> <li>- vulnerable categories broadly defined and numerous, basically copied from the pre-war system with the inclusion of additional categories (war veterans, war victims, etc.)</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>- no expenditure at the state level;</li> <li>- Financing systems differ in Entities, with staff-related and benefits-related costs split between municipal, cantonal and entity governments. In addition there are 'solidarity' instruments to help with financing in weaker municipalities and cantons</li> <li>- expenditure on social welfare benefits is relatively high compared to comparable countries in the region. However, when payments for war veterans are deducted real expenditure for social welfare drops to between 0.8 and 1.1 % of GDP);</li> </ul>
<b>Benefit</b>	<ul style="list-style-type: none"> <li>- mostly cash-based, meaning that very few CSWs actually pay any benefits beyond symbolic. CSWs in richer areas (Sarajevo, Banja Luka) pay benefits as stipulated by the law. In poorer areas, benefits actually consist of rare handouts or symbolic payments of e.g. EUR 20-30. Larger CSWs employing specialized staff also provide other forms of assistance, mostly specialized counselling (marriage, youth, addiction...). Some CSWs benefited from different donor-funded projects that introduced different forms of non-cash based assistance, although sustainability of these measures is somewhat questionable.</li> <li>- value of benefits dispensed, although regulated by the applicable laws is entirely depending on the available financing and therefore hugely variable across the municipalities/cantons/entities</li> </ul>
<b>Measures against poverty and social exclusion</b>	<ul style="list-style-type: none"> <li>- there are few systemic efforts to combat poverty and social exclusion. Certain measures were included in the country-level Mid-term Development Strategy 2003-2007 and yet-to-be-implemented Social Inclusion Strategy, but without dedicated funds and agencies at the state level.</li> </ul>

## Conclusion

Bosnia and Herzegovina's welfare system has suffered from the combined effects of: restructuring processes typical of other comparable former socialist countries; physical and sociological damage caused by the war; politically induced fragmentation of the welfare system; effects of uncoordinated, short-term, and sometimes outright disastrous aid policies by the international community. In our previous publications (Maglajlic, Holicek & Rašidagić, 2007, 2008), we analysed the same issues chronologically, with an emphasis on the role international organisations played in the transformation process, which was logical, given the lack of capacity and willingness of local players to champion the necessary reforms. For the benefit of clarity, we have divided the phases in the development of the welfare system in BiH into the following phases: the war period (1992 – 1996), characterized by the dispensation of emergency forms of aid; the immediate post war period (the late 1990s), characterized by the domination of welfare agendas promulgated by large INGOs and donor community; the so-called capacity building phase that was marked by the exit strategies of a number of international organisations (early 2000s); and, finally, the transformation phase that was marked by the poverty reduction strategies in Bosnia and Herzegovina and other countries in the region, as well as the Paris Declaration on Aid Effectiveness, resulting in the so-called 'country-led' initiatives (the mid-2000s).

In the opinion of most authors who have studied developments in transformation of the BiH welfare system, despite the huge volumes of money and effort that were invested in Bosnia and Herzegovina prior to the international community's disengagement from the country in the early 2000s, this period chiefly

represents the period of wasted opportunities (Deacon & Stubbs, 2007; Papić, 2001). This was chiefly due to the failure of the international (donor) community to cobble together a cohesive and strategic approach to reform of different sectors in BiH, including welfare.

International assistance came in the form of numerous short-term aid projects, suffering from a blinkered vision of the overall needs of society. These projects, funded as they were by the myriad INGOs and foreign donors, were also characterized by overlapping and sometimes outright conflicting agendas. New projects as a rule failed to take into account and build upon the experiences of the previous ones. In addition, there was much hesitation – for political reasons – to involve the governments directly into reform processes. Instead, individual government officials were involved to create the semblance of official sanction for the reforms promoted by individual projects. Even though many reform policies received official sanction in such form, they invariably failed in their ambition to govern the official agenda of responsible governments. Instead, faced with mounting needs and demands for change, new donors would come forward, championing entirely new agendas, often by involving identical set of stakeholders in the process.

The period since the mid-2000s – when large donors and INGOs have largely left in pursuit of greener pastures elsewhere – has been characterized by stalled reforms in social and economic fields, as well as frequent outbreaks of social discontent in the country (although nothing on the scale of upheavals that would challenge the prevailing political order in society). It is indicative that in 2010, fifteen years after the end of the war, the reform agenda remains basically the same, as it was when the current welfare system was created. Despite all reform attempts and efforts invested, mostly by the international

community in different forms, the system suffers from basically the same basic structural flaws, insufficient funding, inefficient institutions, and political meddling as in 1995. This paper attempted to partially illustrate the consequences of incomplete reform attempts and to identify the underlying causes of the resulting crisis. This is of particular importance for our discussion of the transition of the welfare state in the post-war period, since the unwieldy and ineffective political structure imposed by the Dayton Peace Agreement of 1995 effectively makes any moves towards genuine reform of the social sector dependent on the consensus between the three ethnic groups on wider political agenda.

That sad part of the whole story is that after

fifteen years of post-war development (or 'development') Bosnia and Herzegovina finds itself – again – at decisive stage in the transformation of its socio-political and economic structure. Findings of relevant recent studies, such as the UNDP's National Human Development Report - The Ties That Bind: Social Capital in Bosnia and Herzegovina (2009), indicate that ethnic considerations – which ultimately governed all previous reform processes – are decreasing in relevance, supporting our view that the time is ripe for supporting appropriate grassroots initiatives, as well as more coherent and country-wide bottom-up policy building and general strengthening of the local community systems, building on the best of the tradition of community based intervention and administration.

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