

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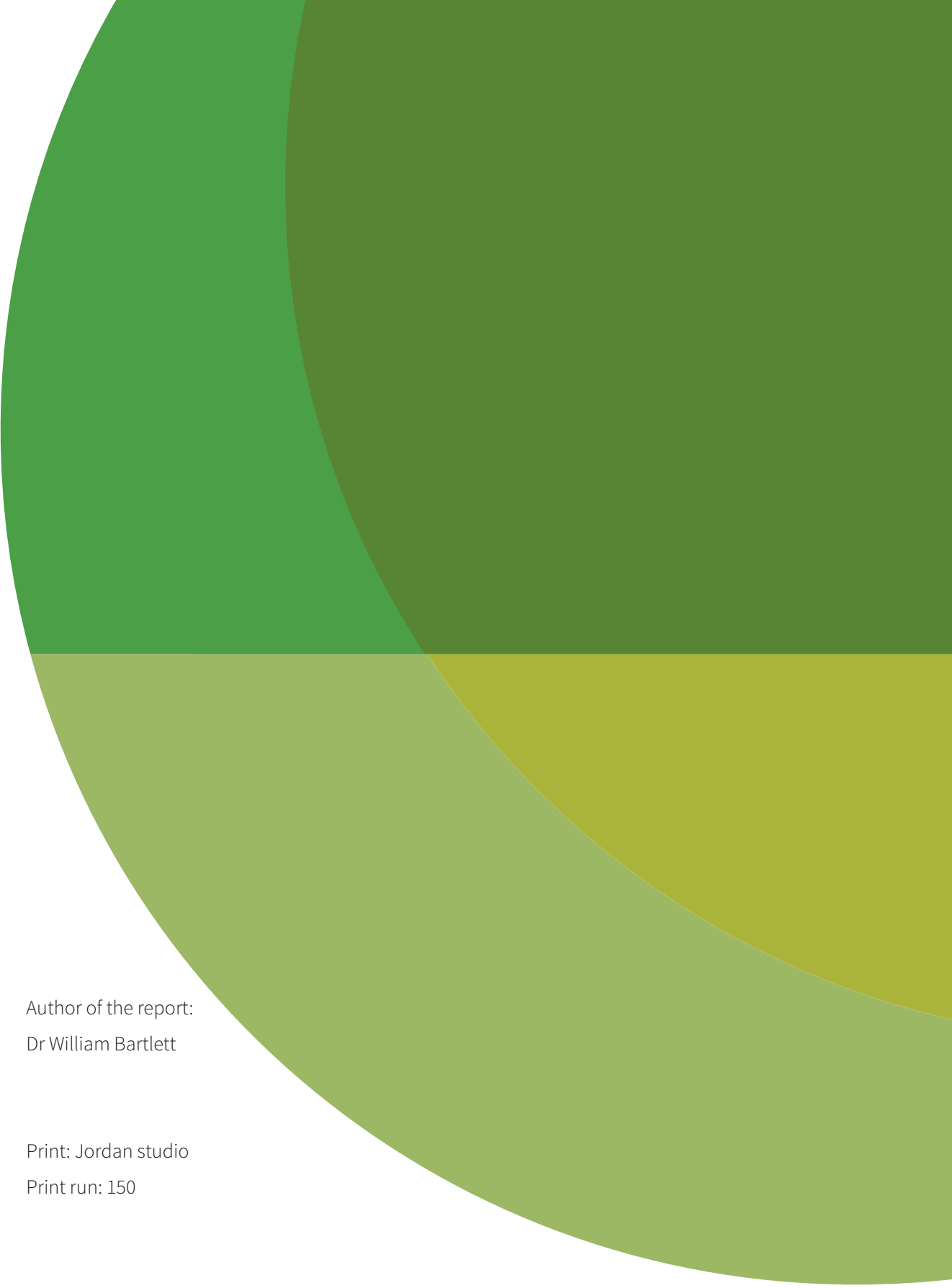
IN THE AREA OF SOCIAL PROTECTION AND INCLUSION POLICIES IN BOSNIA AND HERZEGOVINA

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An abstract graphic on the left side of the page consists of several overlapping circular and semi-circular shapes in various shades of green, yellow, and blue. The shapes overlap in a way that creates a sense of depth and movement. The colors range from a deep forest green to a bright yellow and a vibrant blue.

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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 (Cojocaru 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.

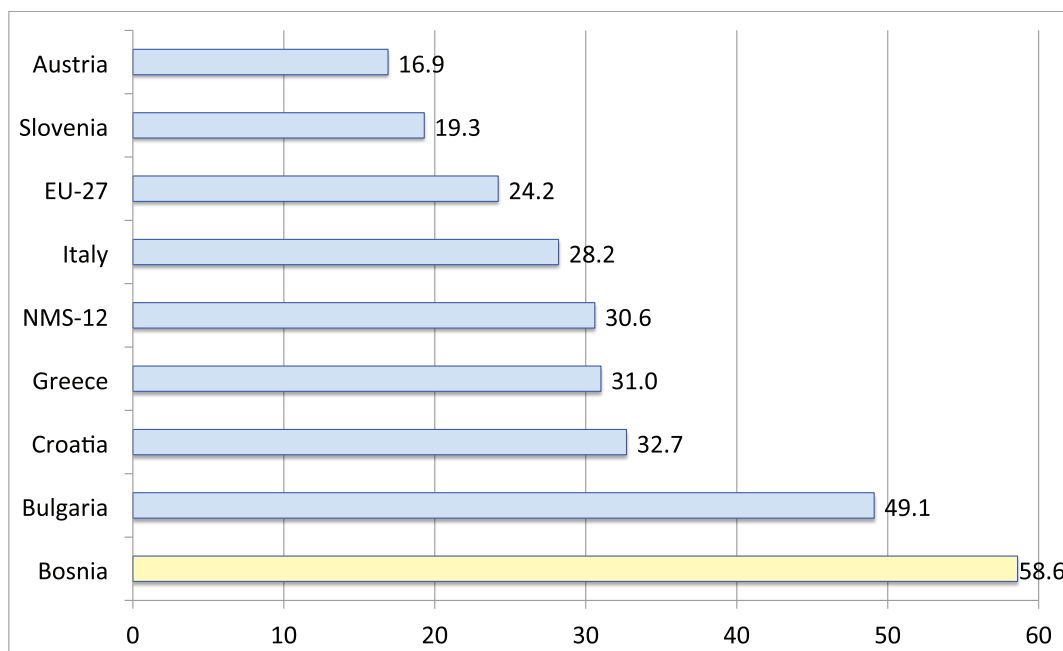
Table 2: People at Risk of Poverty or Social Exclusion in BiH

	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: Cojocar 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: Cojocaru 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 Džihčić, 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.

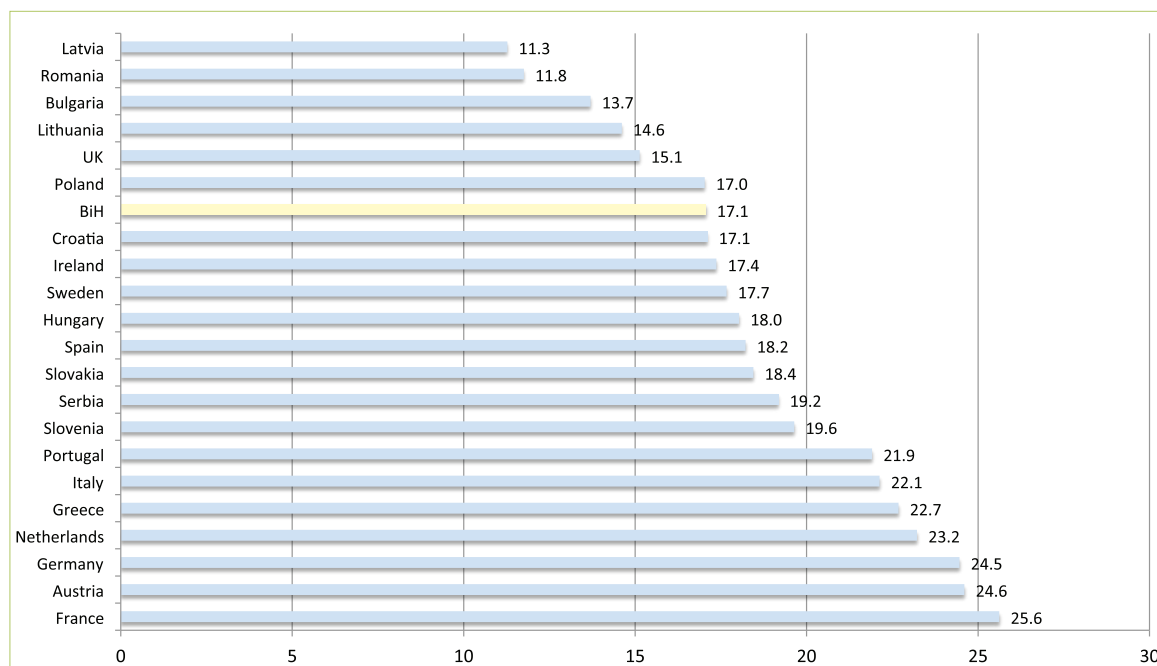
The social assistance system is a non-contributory scheme that provides a social safety net for the most needy. It provides eligible persons with family benefits, child benefits, veterans' benefits, and social care services.

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:

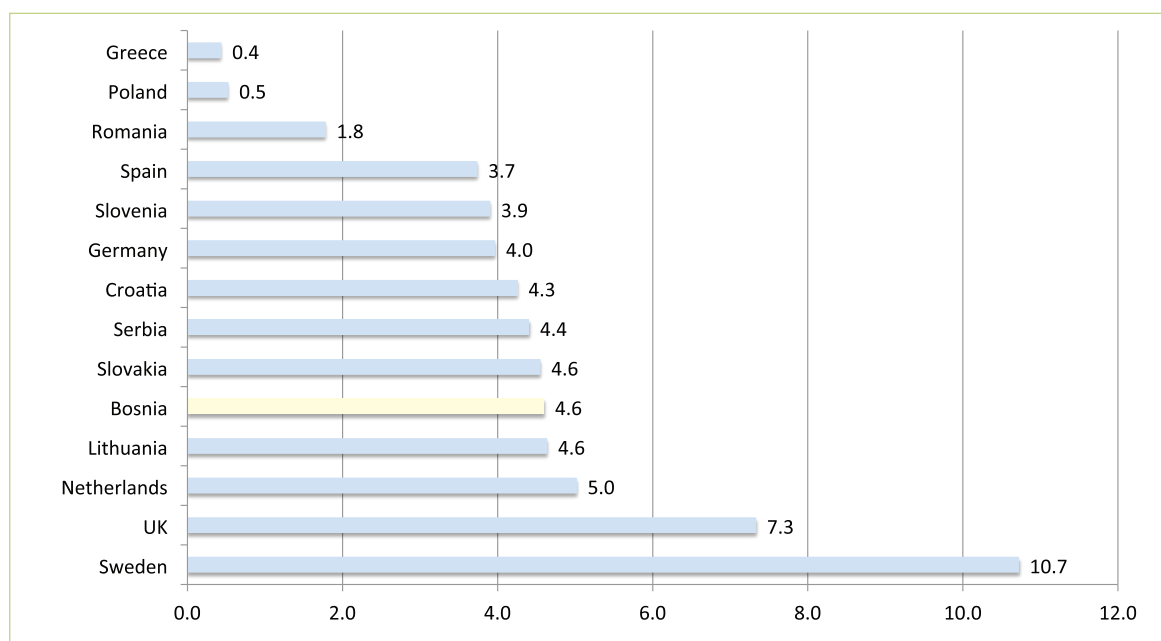
- Law on Social Protection
- Law on Child Protection
- Family Law

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 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.

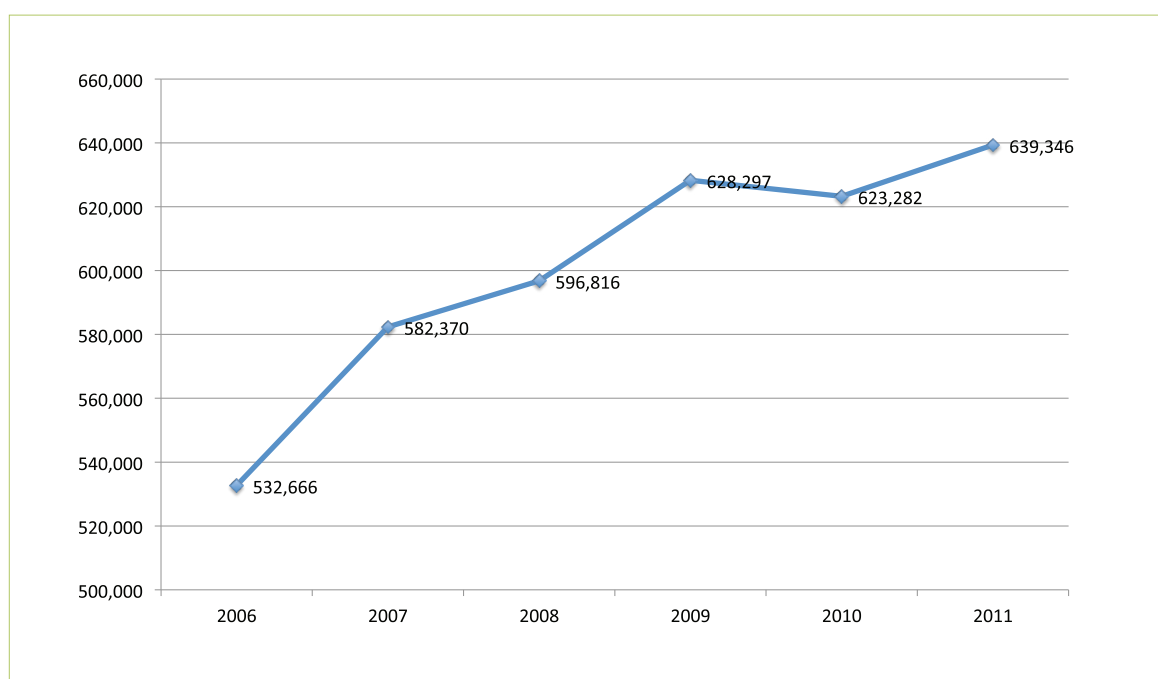
Laws on basic social welfare, social welfare of civil victims of war provide social benefits for every person who is unable to take care of herself or himself or who is without basic financial means and who does not have any relatives to take care of him or her, as well as individuals who suddenly find 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

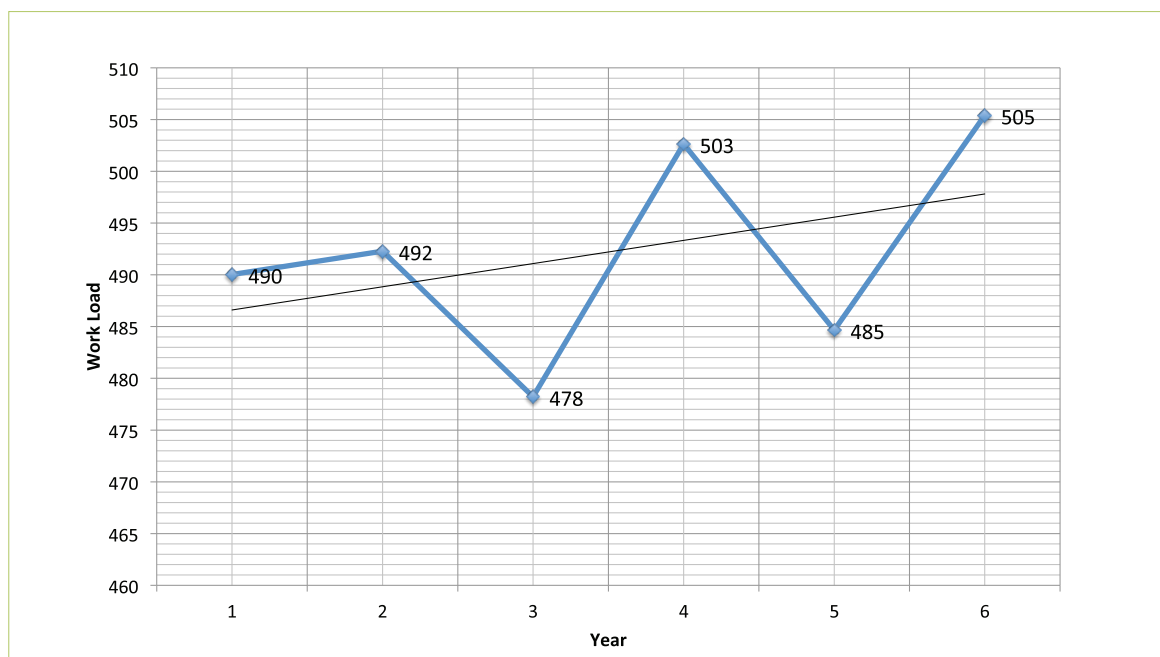
Source: BHAS (2012) *Social Welfare 2006-2011, First Release*, TB 07, Sarajevo: Agency for Statistics of Bosnia and Herzegovina

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).

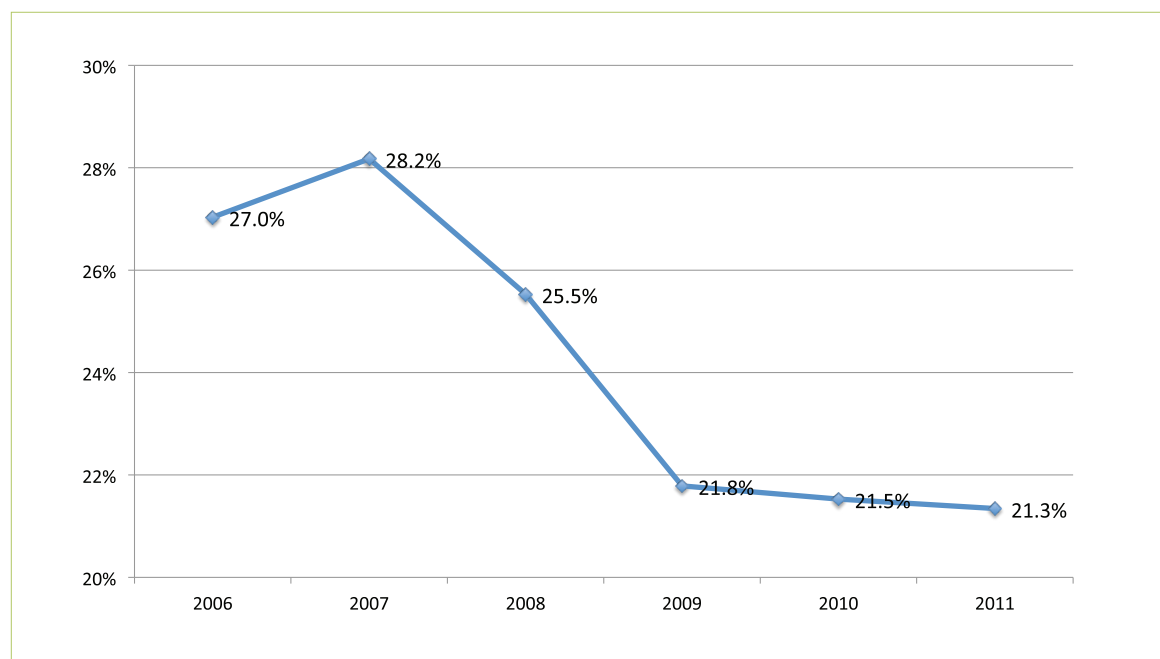
Figure 5: Number of clients per social worker in CSWs in BiH



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	160,00 180,00 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.