



COUNTRY BRIEF



Social protection system in Bosnia and Herzegovina

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1. Overview of policy context

Social policy in contemporary Bosnia and Herzegovina (BiH) was developed under very specific circumstances. Established on the basis of inherited institutional and legal orders, as well as system of values of the former socialist society, it has been developed under the influence of unfavourable social-economic circumstances (war, dissolution of Yugoslavia, transition etc.) and direct interventions from different international actors and stakeholders. The transition of the ideological and total disassembling of the political system developed a new matrix of organizing and functioning of the system of social policy and social welfare.

Social protection in BiH is composed of a social security, social assistance and social services. Social security system enables different contributory benefits to persons who have paid their contributions for a minimum period in order to protect them against social risks. Those risks include old age, professional ill, disability, death, or unemployment. The main contributions which are paid during the employment are for health insurance, unemployment insurance and pensions and disability. The other part of social protection is organised as non-contributory and includes a number of different means-tested and conditional benefits that target the most vulnerable persons and families. These benefits are provided on a basis of eligibility criteria that vary across the country.

The crucial influence on the practice and contents of social policy and social welfare measures came from the direct consequences of war, determining and defining the first period of the socio-economic development of BiH. The war brought new, and intensified old, social problems that needed the introduction of new approaches and modifying existing work methods, as well as designing and introducing new organizational solutions. After the war, in the later period, the field of social policy and social welfare comes under even greater influence of unfavourable social and economic trends, which have significant influence on the current social development of BiH: collapse and deterioration

of big economic organizations and companies, unsuccessful privatization of state-owned companies, decrease in GDP, decrease in purchasing power, increase in the unemployment rate, intensifying poverty, accelerated aging of population, crisis in pension funds, increased migration of the young and working age population, depopulation of the whole region, and so on. Social welfare in BiH has been preoccupied with the following issues: consequences of war, negative influences of the transition processes, decomposition of family and intergeneration solidarity, negative demographic trends, financial crisis, crisis in public funds for social insurance, lack of organizational, substantive and human resources for systemic approach and activities.

In addition, there is a parallel system of category-based benefits, primarily to war related categories, such as veterans (with or without disabilities) or their families. These benefits are mainly provided by ministries in charge of war veterans issues and employment institutes (for unemployed veterans). In the Republika Srpska, veterans' affairs fall under the auspices of the Ministry of Labour and Veterans' Issues, so veterans' benefits, as well as other issues concerning this category of this population are defined by the Law on Rights of Soldiers, Military Invalids and Families of Fallen Soldiers of the Homeland War of Republic of Srpska. Financial aspects and benefits for war veterans and military invalids and families of fallen soldiers for the period from 2006-2017 show that in 2017, the RS Government allocated BAM 221 million for soldiers-invalids protection and protection of civilian victims of war.¹

These laws introduced discrimination against non-war related benefits. For example, personal disability allowance (PDA) for civil war victims (CWV) in FBiH is calculated as 70% of the base for PDA for war veterans, while other factors such as the level of household income isn't taken into account. The difference is clearly seen in the FBiH budget where BAM 315 million is allocated to about 97,000 beneficiaries of war-related personal and family allowance and only about BAM 27 million to civilian war victims. The same is with disabilities allowances, where a non-war related person with disability can receive a monthly allowance of BAM 41 in RS or BAM 390 in FBiH, while war-related person with disability can through different benefits receive over BAM 1,800.

There are further concerns regarding unequal treatment when considering the social assistance provided to the most vulnerable, i.e. through permanent financial assistance to those unable to work and with very low incomes, in comparison to others in a comparable situation who are eligible for war related benefits. For example, the families of fallen soldiers are eligible to benefits in both entities; a widow of a fallen soldier with two children enrolled in school may receive a monthly grant of BAM 483 in the FBiH or BAM 475 in the RS. Similar benefits exist for families of civilians who died or disappeared during the war; a widow of a civilian victim of war with two children enrolled in school is eligible for approximately BAM 338 in the FBiH and BAM 150 in RS on a monthly basis. Most importantly, such benefits are not means tested, i.e. they are awarded irrespective of the family's level of income. The discrepancies between these benefits and the social assistance eligibility of a family that lost a member due to non-war related causes are considerable.

¹ In more details can be found at the following link: http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpb/Documents/%D0%94%D0%BE%D1%81%D1%82%D0%B8%D0%B3%D0%BD%D1%83%D1%9B%D0%B0%20%D1%80%D0%B5%D1%81%D0%BE%D1%80%D0%B0%20%D0%91%D0%98%D0%97%20%D0%B8%20%D0%97%D0%A6%D0%96%202017._506957307.pdf

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

The economy of BiH in the previous years was characterised by growth in real GDP (3,0% in 2015, 3.1% in 2016) and deflation (-1,0% in 2015). Consumption remains the main driver of growth. Despite some improvements, the economic environment in BiH is still burdened by instability, high labour taxes, inflexible labour market policies, uneven transport infrastructure, energy inefficiency and other constraints. Unemployment is over 27% and only about half of working age people are economically active. Although beginning to decline, unemployment, especially among the youth, remains high, despite significant improvements in the labour market. The unemployment rate fell from 25.4% in 2016 to 20.5% in the first half of 2017, driven by a fall in the activity rate and a slight rise in the employment rate. Unemployment among the youth has also decreased from 54.3 to 45.8 percent in 2017. The relative poverty rate, measured as a share of people with income below 60% of median income, is 18% and has not declined since the global financial crisis in 2008.

Strong fiscal consolidation in 2015 resulted in a fiscal surplus of 0.6% of GDP. Still, fiscal accounts are likely to have deteriorated in 2016 and 2017 to a deficit of 0.6% of GDP due to a stable revenue-to-GDP ratio, combined with an increase in social spending and some recovery in capital spending. Recent Debt Sustainability Analysis confirms BiH is a moderately indebted country with public debt to GDP ratio slightly above 40 percent of GDP.

Table 1. Key macro indicators for BiH, by entity

Indicator	FBiH	RS
Population	2,206,231	1,157,500
GDP per capita (in €)	4,528	4,267
Number of unemployed	377,854	120,321
Official Unemployment rate	43%	36%
Unemployment rate (ILO definition)	29.1	25%
Average salary (in €)	429	429
Average Pension (in €)	189	176
Ratio between pensioners and employed	0.88	1.20
Relative poverty rate	17.1	19.5
Relative poverty line – calculation from 2011 (monthly in €)	199	195

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

According to the Constitution of BiH (Dayton Peace Accord), the field of social policy and social welfare is under the exclusive jurisdiction of entities, Republic of Srpska (RS) and Federation of BiH (FBiH) as well as the District of Brcko. Institutions at the State level, in this field, have only a coordinating role. The field of social welfare in BiH covers activities of the support/welfare system designed for individuals and their families, when exposed to risk or found in the state of social need. Such closely determined definition of “social welfare” can be found in all 12 laws in BiH (two entities and 10 Cantons in FBiH) regulating the field of social welfare. In FBiH, the social protection system involves

over 30 ministries and institutions². RS has somewhat more centralized and effective social protection system and harmonized protection at the level of entities within four ministries³, and consequently, they have a more effective protection system. Although the benefits to the socially vulnerable persons are generally lower in RS, the implementation of laws is direct and even, and does not lead to discrimination on territorial grounds, as is the case in cantons in FBiH. The main contributory schemes are managed at entity level and include benefits for old age pension, disability benefit (completely disabled, partially disabled, injured at work, professional illness, and disabled worker) and family pension. There are different schemes in the two entities and the main difference between them is in part of percentages of contributions paid by employee and employer.

The contributory benefits in FBiH are regulated by the law on Pension and Disability Insurance. For non-contributory benefits framework is defined at the entity level, but detailed regulation is provided at cantonal level. Three main laws regulate the area of non-contributory benefits in FBiH: 1. Law on social protection, protection of families with children and protection of civil war victims; 2. Law on the Rights of the War Veterans and Members of Their families; and 3. Law on Special Rights of War Awards and Honours and Their Family Members. The laws establish the following groups of benefits: basic social assistance benefits, protection of civil war victims, protection of families with children and protection of people with disabilities (non-war related). Each law gives an option to cantonal governments to expand the policies, but benefits can't be lower than those specified by FBiH law. Also, the cantonal level can redefine eligibility criteria or describe it in more details. The main authority managing the collection of contributions and payment of benefits in FBiH is Federal Institute for Pension and Disability Insurance (FIPDI), which operates with its cantonal offices. Financing of the benefits is PAYG based, but if there is not enough funding the difference is paid out of the FBiH budget (in 2016. the amount was over 18 mill BAM or c. 9m. EUR). The main authority for planning and designing the scheme of non-contributory benefits which are non-war related in FBiH is the Federal Ministry of Labour and Social Policy. According to the FBiH laws, financing of benefits is provided by: municipal budget, the budget of the cantons, investments of founders of social institutions, contributions, gifts and endowments, and other sources. Laws don't specify the percentage of the contribution from each source of funding, because the budget of every canton or municipality depends on the collection of taxes. Also, there are number of cantons which cover the lack of funds from the FBiH budget transfers. Consequently, such an over-decentralized system relying mainly on municipal level budgets is unsustainable.

Provision of social benefits and services in FBiH is done at the local level. The main institutions are Centers for Social Work, which are established by and present in each municipality. There were 106 social welfare centers in country, 59 in FBiH, 46 in RS and 1 in BD in 2015. They had 1,372 employees providing services to 406,605 beneficiaries in 2015. About three-quarters of the total funds of centers

² Ministry of Labor and Social Policy of FBiH and 10 cantonal ministries, Ministry for Veterans and the Disabled of the Defense-Liberation War of FBiH, Ministry of Displaced Persons and Refugees of FBiH, Ministry of Health of FBiH and 10 cantonal ministries of health, Health Insurance and Reinsurance Institute of FBiH and 10 cantonal institutes/funds, Pension and Disability Institute of FBiH, Federation Employment Institute and 10 cantonal employment institutes, Centers for social work – two cantonal centers (Sarajevo and Gorazde) and 71 municipal centers.

³ Ministry of labor and veteran/disability protection of RS, Ministry of health and social protection of RS, Ministry for families, youth and sports of RS, Public fund for child protection of RS, Health Insurance Fund of RS, Pension and Disability Fund of RS, Employment Institute of RS with 6 regional institutes and municipal employment bureaus, Centers for social work (45 municipal centers).

allocated for social protection is spent for direct financial compensation and only one-fourth towards supporting social services of which most of the funds went to financing the institutional homecare of beneficiaries. Other social services are underdeveloped and they used only 6% of the total funds available. Besides social welfare centers there are social work providers (SWP) at municipal level providing geographic coverage of social protection for each social welfare center. In addition, a number of social services were introduced at the community level as a result of the activities of NGOs and beneficiaries' associations through projects. However, in the most cases the newly established social services delivery stopped once a project ended.

There are a number of social benefits in FBiH that are provided combining cash and provision of social services. For example, in the case of basic social assistance at the FBiH level, persons who fulfil eligibility criteria can receive personal cash allowance in the form of permanent allowance, one-time allowance, allowance for support and care by another person, as well as several social services such as placement in family, placement in social welfare institution, services of social and other professional work, home care and assistance at home. Cantonal laws provide similar combination of cash benefits and social services, taking into account different rules for eligibility criteria, and some of cantons provide additional benefits such as reimbursement of funeral expenses, or unemployment benefit for families with children and adults in need for continuous care and support in satisfying their basic needs.

In contrary to FBiH, the social policy field in RS has been organized as a centralized organization, meaning that all laws are being brought at the level of RS. Also, at this level the organizational service network, criteria for benefits, establishment of controlling mechanisms, and standards for activities are being defined. In certain and defined fields, jurisdictions concerning management and financing of certain departments is divided between the RS and local institutions.

In RS, social welfare system is defined by the Law on Social Welfare (2012). Full jurisdiction and financing from the RS level is applied in following fields: policies concerning pensioners and invalids (persons with disabilities), health insurance, insurance in cases of unemployment, family and children welfare/protection, protection of war veterans and civilian war victims. The field of social welfare is functioning upon the principal of divided/shared jurisdiction between RS and municipality level. The RS defines the system of social welfare, reaches policies and development strategies, defines rights, criteria and beneficiaries of social protection, provides part of the financial means for defined rights and benefits, establishes and guides the work of social welfare and social protection institutions, and is obliged to make sure that optimal development of social welfare is fulfilled within the framework of economic and social policies.

Local level (municipalities) develop and bring annual and mid-term programs of social welfare upon the analysis on social status of citizens in their area of jurisdiction. As of 2012, the Budget of RS provides funding for the following: 50% co-funding of the rights to cash benefits, 50% co-funding of the right to long-term care and support benefit (for people with disabilities); co-funding of share of costs of health insurance for beneficiaries etc.⁴ This means that most of the funding of social welfare comes from the municipal level. Also, at this level of jurisdiction, municipalities can reach decisions on so called "extended rights" and other legal documents and bylaws that define conditions for fulfilling the rights and measures anticipated by the Decisions on extended rights. Furthermore, municipalities

⁴ See more in *Bulletin – Social, Family and Child Protection 2016*, issued by RS Government (Ministry of Health and Social Welfare – Department for Social, Family and Child Protection), link: <http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/MZSZ/dokumenti/Documents/BILTEN%20SOCIJALNE%20PORODICNE%20I%20DJECE%20ZASTITE%202016.pdf>

are obliged to provide the financial means for realization of those rights defined by law and other decisions, provides financial means for implementation of activities within the social welfare system, establishes and finances institutions of social welfare, coordinates the activities of social welfare in their area of jurisdiction, establishes a working body for social welfare and fulfils other duties in line with the achievement of set goals of social welfare and social policy. Cities and municipalities are founders of Centres for Social Work, which represent the essential institutions of social welfare. Centres for Social Work implement the majority of social welfare measures. In 2016, the RS Ministry of Health and Social Welfare allocated BAM 26 million (BAM 21 million for co-financing beneficiaries, BAM 3 million for co-financing social protection institutions founded by the RS, and BAM 2 million as a financial support to Public Fund for Child Protection). Financing from the Budget in total, based upon the rights and in jurisdiction of the Public Fund for Child Protection, in 2016, were BAM 60 million. Municipalities in RS allocated in total BAM 50 million in 2016, for the rights by the Law on Social Protection⁵. Another important aspect of the role of Centres for Social Work is the coordinating role for all social services in local communities, which means equal inclusion of non-government and government sectors. This partnership exists de jure, but not so much de facto.

4. Directions/policies for development, innovation

The most vulnerable field of social policy in RS is the “pension-disability insurance”, meaning the state-owned insurance fund providing payments for pensioners and people with disabilities. A development direction of this field is going towards the redefining of the PAYG system of financing, which means the introduction of a three-pillar system of pension insurance. In 2010, the Law on establishing the Reserve Pension Fund was reached, followed by the Law on establishing unique register for cash transfers from Budget of RS (2011), but both laws still have no effect in practice. The RS Government Agenda for Reforms from 2015, includes only Pension and Disability Insurance system, out of all systems that fall under social protection. Also, another burden concerning the financing are benefits for the categories of war veterans. In this area, all the possible inefficiency of the existing system has appeared on surface, through targeting and cash transfers from the public budgets. With regard to the above-mentioned inefficiency, first steps of “corrections” have been made, implying introduction of “indirect assets census”(proxy means test - meaning that beneficiaries status is assessed upon their consumptions instead of their earnings/incomes), as a “more fair” method of budget distribution of means assigned to so called “social categories of population” of RS. This system was introduced as a pilot project and there are no analysis on affects available at this point of time.

Social assistance and services as a key field of development of the state of social protection of the most vulnerable citizens can be recognized in three key directions of activities, over the period of its development until now, which point towards the following:

1. Beneficiaries – key area of development – the increase of the level of social welfare services accessibility;
2. System – it is necessary to increase the level of quality of social welfare services;
3. Service providers (professionals, institutions and associations/NGOs) – it is necessary to undertake activities with regard to strengthening of professional competences.

⁵ See more details at: <http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/MZSZ/dokumenti/Documents/BILTEN%20SOCIJALNE%20PORODICNE%20I%20DJECE%20ZASTITE%202016.pdf>

A precondition for successful development of the above-mentioned key fields is implementation of reforms in the field of legal regulations/documents, which implies division/separation of fields of providing social services from financial/substantive benefits. Reforms of the system of substantive benefits will depend on introduction of a unique register of cash benefits from public budgets, while the reforms of system of social services are leaning on introduction of a mixed system of social welfare, with special accent on definition of quality standards. It is worth mentioning that the current Law on social welfare provides a good starting point for implementation of reforms in the field of social welfare in Republic of Srpska.

5. Challenges and shortfalls

The government institutions in BiH are facing the period of structural reforms in many areas including social protection system. The first challenge to be met is reform of pension system in both entities and the payment of debt by the entity governments to the Pension and Disability Fund. The risks concerning the implementation of measures and services of social policy derive from the system deficiencies and lack of resources. The key issue derives from the fact that the field and system of social policy is being marginalized by decision makers. Also, alternative solutions need to be considered as well.

Challenges imposed upon the system of social welfare in BiH are concerning the following processes:

- Defining the clear list of social protection,
- Monitoring cash flow/financial transfers,
- Introduction and establishing of a process of accreditation of service providers,
- Establishing binding partnerships between government, non-government and private sectors.

6. Lessons learnt or good practices

During the past period of 10-15 years, the institutions of RS have initiated many activities towards the development of social welfare system. A good example that should be emphasized is a successful model of a joint financing of the basic right (substantive support/cash benefits and “support and care by other person”), financed by the Republic/State and municipalities in 50:50 ratio. Also, another good example arises from cooperation between Centers for Social Work and Associations of parents with children with development challenges/children with special needs. Also, this cooperation had established a more efficient support network, resulting with fast/early identification of needs of children and finding optimal system solutions concerning the support for children and their families. This mechanism and cooperation strengthened local capacities regarding the social welfare services for children with development challenges/special needs and their parents. Also, it is worth mentioning, that due to this cooperation and joint activities, the level of public awareness and sensibility has increased towards providing necessary services and support to this specific population.

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

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

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

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