
HUMAN DEVELOPMENT REPORT

BOSNIA AND HERZEGOVINA 1998



**TEAM FOR THE PREPARATION OF
HUMAN DEVELOPMENT REPORT - BiH 1998**

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ABBREVIATIONS

| | |
|--|--|
| AGES – African Gerontological Society | REC – Regional Environmental Centre |
| ANU BiH – Arts and Science Academy of Bosnia and Herzegovina | RIC – Repatriation Information Centre |
| BiH – Bosnia and Herzegovina | RRTF – Return and Reconstruction Task Force |
| CIP – NGO Information and Support Centre | RS – Republika Srpska |
| CRPC – Commission for Real Property Claims | SFOR – Stabilisation Force |
| ECHO – European Community Humanitarian Office | SFRY – Socialist Federative Republic of Yugoslavia |
| ECHR – European Convention for the Protection of Human Rights and Fundamental Freedoms | SABiH – Statistical Almanac of Bosnia and Herzegovina |
| ESCR – International Covenant on Economic, Social and Cultural Rights | SRBiH – Socialist Republic of Bosnia and Herzegovina |
| EU – European Union | USSR – Union of Soviet Socialist Republics |
| FAO – Food and Agriculture Organisation | UN – United Nations |
| FBiH – Federation of Bosnia and Herzegovina | UNCIVPOL – United Nations Civilian Police |
| GAD – Gender and Development | UNDP – United Nations Development Programme |
| GDP – Gross Domestic Product | UNHCR – United Nations High Commissioner for Refugees |
| GFAP – General Framework Agreement for Peace | UNICEF – United Nations Children's Fund |
| HVO – Croatian Defence Council | UNMIBH – United Nations Mission in Bosnia and Herzegovina |
| IBHI – Independent Bureau for Humanitarian Issues | UNPROFOR – United Nations Protection Force |
| ICG – International Crisis Group | UNRISD – United Nations Research Institute for Social Development |
| ICVA – International Council of Voluntary Agencies | USAID – United States Agency for International Development |
| IDP – Internally Displaced Persons | WB – World Bank |
| IFOR – Implementation Forces | WFP – World Food Programme |
| IOM – International Organisation for Migration | WHO – World Health Organisation |
| IPTF – International Police Task Force | WID – Women in Development |
| LA-21 – Local Agenda 21 | |
| MEB – Micro Enterprise Bank | |
| MFB – International Forum Bosnia | |
| NATO – North Atlantic Treaty Organisation | |
| OHR – Office of the High Representative | |
| OSCE – Organisation for Security and Co-operation in Europe | |
| PHC – Primary Health Care | |
| RBiH – Republic of Bosnia and Herzegovina | |

BASIC FACTS ABOUT BOSNIA AND HERZEGOVINA

| | |
|---------------------------------|--|
| Official name: | Bosnia and Herzegovina (BiH). |
| Geographical position: | Bosnia and Herzegovina is situated in the western part of the Balkan peninsula. |
| Neighbouring countries: | FR Yugoslavia to the east, The Republic of Croatia to the north, west and south. |
| Administrative division: | The country is composed of two Entities: the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS). |
| Entity structures: | <p>FBiH is made up of ten cantons (Bosansko podrinski, Hercegovačko-neretvanski, Hercegbosanski, Sarajevski, Srednjobosanski, Tuzlansko podrinski, Unsko-sanski, Zeničko dobojski, Posavski and Središnjebosanski).</p> <p>Republika Srpska is divided into two main regions: the north-west, subdivided into two 'areas', and the eastern part subdivided into five areas. Real regionalisation is expected in the future.</p> |
| Area: | Total area is 51,197 km ² . (FBiH - 25,989 km ² , RS - 25,208 km ²) |
| Climate: | Primarily continental, Mediterranean in the south. |
| Population: | The total population of BiH is 3,599,736, (FBiH - 2,208,143 citizens, RS - 1,391,593 citizens), (1997 estimate). |
| Population structure: | The population consists principally of Bosniacs, Croats and Serbs but includes a number of minority groups. |
| Capital: | Sarajevo (FBiH - Sarajevo, RS - Banjaluka). |
| Official languages: | Bosnian, Croatian and Serbian (Bosnian and Croatian use the Latin, while Serbian uses the Cyrillic alphabet). |
| National currency: | Convertible mark (KM), (1KM = 1DM). |
| Brief background: | In 1991, BiH was one of the six republics of former Yugoslavia. It consisted of 109 municipalities. 62% of the population lived in cities with more than 50,000 inhabitants, while 38% lived in rural areas. According to the 1991 census, the capital, Sarajevo, was made up of ten municipalities with 525,980 inhabitants. In April 1992, BiH was officially recognised by the international community and became a Member State of the United Nations. |

**THE GENERAL FRAMEWORK AGREEMENT FOR PEACE
IN BOSNIA AND HERZEGOVINA**

The Dayton Accords were initialled on the 21st of November 1995 and signed as a peace agreement in Paris on the 14th of December 1995. Eleven Annexes were attached to the ten-point Accord, representing the body of the agreement, in addition to the one hundred and two maps delineating boundaries.

Military Aspects of the Peace Agreement

Annex 1-A Agreement on Military Aspects of the Peace Settlement

Provides for the withdrawal and demobilisation of forces, the setting up of zones of separation along the inter-Entity boundary and the establishment of the NATO Peace Implementation Force (IFOR). This force was transformed into the Stabilisation Force (SFOR) by United Nations Security Council Resolution 1088 (12th December 1996).

Article 8 establishes a "Joint Military Commission" as the central military liaison forum between IFOR and the Parties.

Annex 1-B Agreement on Regional Stabilisation

Provides for confidence-building measures and measures designed to consolidate the peace process including, *inter alia*, the reduction of armaments.

THE GENERAL FRAMEWORK AGREEMENT FOR PEACE IN BiH

Civilian Aspects of the Peace Agreement

Annex 2 Agreement on Inter-Entity Boundary Line and Related Issues

Establishes a "Joint Commission" mandated to prepare an agreed technical boundary delineation document. Provision is also made for the Brčko arbitration.

Annex 3 Agreement on Elections

Elections are to be free, fair and democratic and, in this regard, a "Provisional Election Commission" is established, under the auspices of the OSCE, with the powers of supervision and monitoring.

Annex 4 Constitution of Bosnia and Herzegovina

Deals with citizenship, human rights and the division of governmental responsibility between the Entities and the State of BiH. Provision is also made for the legislative system, Constitutional Court and the Central Bank of BiH. Annex 1 contains a list of international instruments incorporated into domestic law that are being applied directly.

Annex 5 Agreement on Arbitration

Both Entities agree to the peaceful settlement of disputes through arbitration.

Annex 6 Agreement on Human Rights

Outlines human rights provisions and establishes the Commission on Human Rights, consisting of the Office of the Ombudsperson and the Human Rights Chamber. These bodies are mandated to adjudicate upon alleged or apparent violations of the ECHR or discrimination in the enjoyment of the rights provided for in the international instruments appended to the agreement.

Annex 7 Agreement on Refugees and Displaced Persons

Outlines the rights afforded to refugees and displaced persons and provides a system for their return. Chapter two establishes the Commission for Displaced Persons and Refugees, mandated to receive and decide claims relating to real property in BiH, where it has been involuntarily sold or lost.

Annex 8 Agreement on the Commission to Preserve National Monuments

Establishes the "Independent Commission to Preserve National Monuments". This Commission may receive and adjudicate upon petitions to designate property with cultural, historical, religious or ethnic importance as "national monuments", placing the Entities under an obligation to protect.

Annex 9 Agreement on Bosnia and Herzegovina Public Corporations

Establishes the "Commission on Public Corporations" to examine the feasibility and methods for the operation of joint public facilities, including energy and communication. The "BiH Transportation Corporation" is also established to organise and operate transportation requirements.

Annex 10 Agreement on Civilian Implementation

Appoints a "High Representative" as the final authority for the interpretation and co-ordination of the civilian aspects of the peace agreement. In order to facilitate these activities, provision is made for a "Joint Civilian Commission" and subordinate bodies and a "Joint Consultative Committee".

Annex 11 Agreement on International Police Task Force

Establishes an International Police Task Force (IPTF), as a UN Security Council UNCIVPOL operation, co-ordinated by the High Representative. The force is mandated to assist the Parties in providing a "safe and secure environment for all persons", for example, through monitoring and training.

INTRODUCTION

“After many decades of development, we are discovering the most obvious truth, that human beings are both the means and the end of development.”¹

1. This is the first Human Development Report (HDR) of Bosnia and Herzegovina (BiH). It represents a modest beginning of an ambitious process to put the well-being of the citizens of BiH at the centre of concerns of policy-makers, both national and international. Its purpose is to initiate and encourage a national debate on the pivotal role of human development in shaping the future of the country after a devastating war, in consolidating a sustainable democracy and building a durable peace. It is intended to be a tool for those who govern and those who are governed to develop strategies which would engage the hearts and minds of both, for the benefit of all. In a country still recovering from the ravages of war and reeling from a fundamental change of its political and economic system, the importance and timeliness of such a Report can hardly be overemphasised.

2. With this Report, BiH, a newly independent State going through a painful infancy following the pangs of birth, joins over a hundred other countries which have been annually preparing HDRs, including all the States that emerged after the disintegration of ex-Yugoslavia. HDRs are multi-purpose reports: they focus not only on what is, but also on what can be and should be. They are an exercise in stock-taking but, more importantly, they help identify problems and priorities and encourage debate, if not controversy, about the course of action to be pursued for the betterment of the most precious of a nation's assets: its people.

3. Before addressing the concept of ‘human development’, it is important to recognise that the concept of development itself is under intense scrutiny, a subject of animated international debate, whose purpose is to restore the much needed balance between economic-centred and social/human-centred development approaches. Efforts in the field of development have fallen short of the expectations they inspired in the post-World War II period. Theoreticians and practitioners alike now talk of ‘alternative development’ and, in the countries of the South, disillusionment is leading some scholars to look for an ‘alternative to development.’

4. In many countries, the development process of recent decades is perceived to be at the origin of a number of social ills. In recent history, almost universally, material progress has been emphasised to the detriment of human well-being. There is now a growing awareness of the fact that for development to be durable, equitable and sustainable, it must be development ‘of the people, by the people, for the people’². In pursuing the path of reconstruction and development, policy-makers and the general public of BiH must constantly bear in mind that human resources are a nation's greatest asset, that the future must be built through a participatory and democratic approach and that people should be the ultimate beneficiaries of development. The triple transition referred to in the opening chapter of this Report is both a challenge and an opportunity. The challenge lies in learning from the lessons of history and addressing the root causes of the country's misfortunes. If it is met, the opportunity for laying the foundations of a future of peace and prosperity for BiH would be all the greater – for both Entities which comprise the core political constituents of the State.

CONCEPT OF HUMAN DEVELOPMENT

5. In the seventies and eighties, after several decades of strenuous efforts in the field of development, it began to become clear that economic growth and modernisation were, by and large, not adequate foundations for eliminating poverty and even less for ensuring equity and social justice. Sustained by the growing awareness of fundamental human rights and freedoms, the search for alternative development models began. The concept of human development emerged from the recognition that human well-being and quality of life ought to be pursued in order to ensure “the fullest flowering of human potential without degrading, despoiling, or destroying society or nature.”³ This lies at the centre of the Sustainable Human Development (SHD) approach.

6. It is the role of the United Nations Development Programme (UNDP) to nurture this concept. While a

¹ Budapest Statement: *Human Development in a Changing World*, Budapest, 1987, p. 7.

² Echo of Abraham Lincoln's definition of a ‘democratic government’.

³ See: *Goals, Processes, and Indicators of Development* (GPID) Project of the United Nations University, GPID Project Integration Group A, 1983, p.5.

full blown universally accepted definition of human development is yet to emerge and its scope and limits are yet to be determined, there is a general agreement that it is an idea whose time has come. The concept, as defined by UNDP, affirms that “the process of widening people’s choices and the level of well-being they achieve are at the core of the notion of human development... such choices are neither finite nor static. But regardless of the level of development, the three essential choices for people are to lead a long and healthy life, to acquire knowledge and to have access to the resources needed for a decent standard of life.”⁴

7. In applying this definition it is not crucial to determine, in a rigid manner, the longevity or the exact standard of health and education or, indeed, to establish a measure of what a ‘decent’ standard of living is. What is crucial, however, is that people are free to choose, that their choices are respected and that they are enabled to widen them as much as humanly possible. The central goal of the HD concept is to put people – their needs, their aspirations, their choices – at the centre of the development effort.

8. Health, education and employment are the three essential constituent elements of human development. But the concept is not necessarily limited to them: “Other choices highly valued by many people, range from political, economic and social freedom to opportunities for being creative and productive and enjoying self-respect and guaranteed human rights...”⁵

9. Around the world in countries of the South as of the North, the emphasis is now shifting, slowly but surely, from economic growth to human development. The former is not an end in itself but rather the means to achieve the latter. The message is clear: “Policy-makers – often mesmerised by the quantity of growth – should instead remain acutely conscious of its quality.”⁶ The message also points to some simple, practical questions: What should one think of an individual who is rich but unhappy and unfulfilled? Or of a society which is powerful, but most of whose members are frustrated? Or of a State which vigorously pursues economic growth but does not have as vigorous a social policy? These are some of the questions which inevitably arise in the context of SHD. The answers to them must be sought in the light of the specificities of the State and its citizens.

10. There are four basic principles which govern the implementation of the concept of human development:

- i. equity which means equitable access to opportunities;
- ii. sustainability which calls for solidarity with future generations;

- iii. productivity which involves investment in human resources and a macro-economic environment that enables individuals to reach their maximum potential; and
- iv. empowerment which enables people to reach a level of development allowing them to exercise choice based on free will.”⁷

These principles are best applied when, in a democracy, the State and the civil society nurture each other. In BiH, strengthening of civil society, notably through support to local non-governmental organisations (NGOs), is of primary importance. Likewise, the approach of NGOs to national development should be grass roots community based so that the principles of equity, sustainability and empowerment are fully upheld.

BIH IN THE HD CONTEXT

11. Like most other ex-socialist countries, BiH stands at a crossroads between the struggle to satisfy the ‘basic needs’ of people and the desire to ensure growth and development from a macro-economic perspective. Chartering a middle path is not easy. Transition from war to peace and from conflict to peaceful co-existence is itself a colossal challenge which calls for will, tenacity and single-mindedness, none of which is in abundant supply under current circumstances. Reconstruction and rehabilitation are not as difficult, however, as the transition from socialism to democracy, from a centrally controlled economy to a free market and to re-building the social fabric and moral foundations of a war-torn society. On this path, there are few signposts and fewer experienced guides to lead the way.

12. In terms of human development, BiH is a *sui generis* case. Firstly, a number of factors militate against the elaboration and implementation of a cohesive and comprehensive national policy. Foremost among them is the fact that all the components of the human development paradigm are Entity responsibilities. Secondly, BiH has an exceptionally complex system of governance. It is a country which, in terms of its population, is smaller than an average medium-sized city but has more prime ministers, ministers and “power centres” than most major countries. Consequently, policy and decision-making processes as well as their implementation are unduly cumbersome. Thirdly, war has radically changed the demographic map of the country – characterised by massive internal displacement of populations, a huge number of refugees abroad whose return is hampered by a host of obstacles, a continuing “brain drain” caused by war and by economic and political conditions at the end of it. All these factors are not conducive to a favourable climate for healthy human

4 For more details see: *Global Human Development Report*, 1990 of the United Nations Development Programme as well as the 1998 Report which brings the SHD concept closer to human rights, collective well-being, equity and sustainability.

5 *Ibid.*, introduction.

6 See: *Global Human Development Report*, 1996, UNDP.

7 HDR, 1990, UNDP, *op. cit.*, Introduction.

development. Finally, like most other ex-socialist countries, BiH is following the macro-economic approach, sustained by foreign bilateral and multilateral aid and nurtured by conventional growth-centred wisdom. Infrastructure has priority over human resources. Economic policy has the upper hand on social policy. The long-term interests of the country are suffering at the hands of short-term benefits and material goods are claiming more support than human beings.

13. During the period under review in this Report, BiH was, by and large, dependent on an international stabilisation force for its internal and external security; on foreign aid for its economic stability; on foreign support for its political stability; and on a foreign supervisory body to ensure fair and free elections. Peace had been successfully imposed from the outside but had yet to be consolidated from within. While the country has struggled to re-define its identity, its people brooded over the past while searching for a better future. Trying to forgive, they were determined not to forget. The horrors they had lived through made the process of catharsis a challenging ordeal. In an environment which was a mixture of hope and hopelessness, 'human development' inevitably suffered. It should have been a priority. Regrettably, it was not.

ROLE OF THE INTERNATIONAL COMMUNITY AND ORGANISATIONS

14. The international community played a decisive role in the survival of Bosnia and Herzegovina. It is a country with a long history and a long memory. It is hosting the largest number of foreigners per capita. The people of BiH view the foreigners with a mixture of gratitude and resentment. Gratitude because without foreign help, their survival and well-being would be in jeopardy; resentment because of the dependency syndrome and the awareness that foreign help and support is neither viable nor desirable in the long run. This is a healthy attitude because it encourages self-reliance, restores self-confidence and facilitates the designing of appropriate exit strategies for aid agencies.

15. It is often said that international organisations arrive on the scene too late and stay too long. Be that as it may, their role is vital. During the war, their contribution was significant. After the war, their effort to build peace should be just as significant. The transition from emergency aid to development is seldom easy or smooth. Sometimes competing mandates join hands with bureaucratic competition and at other times, international and national bureaucracies clash and co-operation is replaced by competition. In BiH, these phenomena have been present as much as in other similar situations. The UNDP has a special role to play in containing their negative impact on the international efforts, not only because of the nature of its mandate but also because its representative is at the same time the resident co-ordinator of the UN system.

16. In BiH, the regional organisations are playing a much more important and decisive role than is usually the case in similar situations elsewhere in the world. It is a multi-dimensional role, ranging from the military and security aspect in the contract of peace-building to political stability and material assistance. This is all the more welcome since it broadens the scope of Chapter VIII of the United Nations Charter relating to Regional Arrangements.

17. In terms of a longer term strategy and sustainable development of BiH, perhaps the most important role is that of non-governmental organisations (NGOs). It relates not only to invigorating civil society and consolidating democracy but also to economic and social development. It is important, however, that a network of local NGOs is vigorously supported and strengthened and it is incumbent upon international NGOs to insure that *local* NGOs are able to take over, continue and improve upon their work. The most effective way to do so is through local capacity-building.

18. *Empowerment* and *enablement* are the two key concepts underlying sustainable development. People, as the focus of all development, must be empowered to make enlightened choices and take appropriate actions. But empowerment loses its significance if people are not enabled to exercise their power in a constructive, cohesive and productive manner. Hence the need for local capacity-building which has been and remains the main concern of the Independent Bureau for Humanitarian Issues (IBHI) and which led IBHI to accept the responsibility to prepare this Report. Human development is the yardstick with which one can determine the pace of progress and the prospects for the future. HD is an exercise in empowerment and enablement and local capacity building is the key to its success. This first HDR of BiH, whatever its limitations, is intended to be the harbinger of future efforts and the catalyst of the present ones.

STRUCTURE OF THIS REPORT

19. The Report is divided into three parts, reflecting three distinct thematic clusters. Part I provides the background information and analyses situations and issues which need to be borne in mind if human development is to be successfully applied in BiH. Without flagging the main features of the political and economic scene, the direction that human development efforts should take and the obstacles that might be encountered cannot be determined. During the period under review, BiH was going through a multi-faceted transition; from war to peace, from emergency aid to development assistance, from a centrally planned economy to free market, and most importantly, from socialism to democracy. These challenges, any one of which could engage the full attention of policy makers, are being faced simultaneously by BiH. This puts the country in a rather unique position. Besides dealing with the

issues of transition, economy and governance, poverty and the colossal problem of social protection were chosen to complete the background. Environment was included as a chapter after much debate because any future-oriented approach must include environment in its own right and not as a part of other themes.

20. Part II, the central part of this Report, deals with the essential components of the concept of human development, i.e. health, education, and employment. These themes will remain a constant in all future HDRs. It is hoped that, in time, with the availability of more up-to-date and reliable data, the substance will considerably improve.

21. Part III is devoted to specific groups of people who together constitute over two-thirds of the population of BiH. They give to the country, at this point in time, a special character which is bound to condition human development efforts in the immediate future. The challenge lies in turning this conditioning into an incentive for ingenuity and innovation. This is particularly important regarding the problem of refugees and internally displaced persons without whose solution, no comprehensive human development efforts at national level can be seriously undertaken. The chapter on women was included because of their special situation in the aftermath of the war and because they constitute the majority of the national population. It does not deal in any detail with gender issues – a relatively unfamiliar subject in the BiH society. It is hoped, however, that flagging the problems of BiH women in this Report would lead to a comprehensive national debate on gender issues. The chapter on older persons, too, owes its inclusion to their special situation and the expectation that it would serve as a curtain raiser for 1999 – The International Year of Older Persons.

22. The choice of subjects covered in this Report was conditioned by the specificities of the current situation in BiH as well as by time constraints, unavailability of adequate data and the need to keep the Report as succinct as possible. Each chapter is followed by a series of conclusions (64 in all), which may be construed, where appropriate, as recommendations for future action.

23. The process of preparation of this Report went through four distinct phases. In the first phase, after agreeing on the contents of the Report, the experts from both Entities were identified for each subject and the task of data collection and field research undertaken. In the second phase, the experts were divided into small Working Groups and started working, individually and collectively, on each chapter. In the third phase, the initial drafts were received in a series of plenary meetings and the final draft compiled. In the fourth phase, a plenary meeting considered the final draft as a whole and after incorporation of comments, the draft was made available to a 'Readers' Group' comprising eminent scholars, politicians and academics other than the orig-

inal experts. While safeguarding the independence of the work, the core group of IBHI/UNDP staff provided assistance and support throughout the process. This is a report written by local experts for the people of BiH to enable them to jointly build a future for their country.

24. Admittedly, this Report has its weaknesses. For instance, Part III should have included a chapter on youth. They are and should be the primary target of human development. They have a vested interest in the future. Like the rest of the population, they too have been the victims of war and remain victims of the situation prevailing in its aftermath. The adverse effects are acutely apparent in the field of education and employment.

25. Perhaps the most important requirement for a report such as this one is the availability of reliable and up-to-date data on a wide range of human and social issues. Several chapters in this Report suffer from the lack of it. It is essential that the government, the international organisations and the donor community make a concerted effort, at the earliest opportunity, to streamline and invigorate the data collection system and statistical services which in their own right, must go through the transition from socialism to democracy, from manipulation to transparency. Time is of the essence since both policy and decision-making processes will continue to suffer without adequate and reliable data.

26. Another weakness of the Report is the absence of the Human Development Index (HDI) for BiH which can also be attributed to the problem of data availability. This Report could have benefited from a longer gestation period. Very little time was allocated to its preparation as compared to the time spent to reach the decision that it should be prepared and the time spent to review its contents.

27. The weaknesses of the Report notwithstanding, it is a matter of deep satisfaction that IBHI should have been associated with its preparation. The UNDP and IBHI intend to ensure high visibility for the first HDR of BiH and promote a nation-wide debate on the subjects covered. We trust it will lead to a better informed public opinion and policy adjustments in addition to helping to better determine national priorities. We hope, above all, that it will promote the well-being of people which, after all, is the cornerstone of the concept of human development.

28. This Report owes its existence to the valuable input of a number of experts from both Entities of BiH. It was gratifying to see them work together in an objective, dispassionate and constructive manner, inspired by the common objective of building a better future for all the people of BiH. The valuable contribution of the Bureau of Statistics of the FBiH and of the RS is deeply appreciated as is the active support and encouragement of the officials, too many to name, of the central as well as Entity governments.

PART I

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- II Peace Process and Governance Trends (p.8)
- III Economic Reconstruction, Transition
and Sustainable Human Development (p.23)
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BiH & HUMAN DEVELOPMENT: BACKGROUND

“...to save succeeding generations from the scourge of war...

to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women...

to promote social progress and better standards of life in larger freedom...

and for these ends

to practice tolerance and live together in peace with one another as good neighbours...”

United Nations Charter, Preamble

INTRODUCTION

This chapter demonstrates that the current problems in Bosnia and Herzegovina are not only a result of the war but also of the accelerated breakdown of the ex-socialist system during the pre-war period. Economic and social transition in BiH is, therefore, a precondition for achieving successful reconstruction in the post-war period. The transition in BiH is three-fold: from war to peace, from great international assistance to sustainable development and from a planned controlled economy and a one-party system to a free market economy and democracy. BiH is, therefore, case specific. By studying the consequences of the war it can be seen that it will be significantly more difficult to solve the social and human consequences than the material ones. Therefore, social reconstruction is of the greatest importance, particularly in the context of human development.

1. HUMAN DEVELOPMENT: PRE-WAR SITUATION

1.1. Before the war (1992-95), Bosnia and Herzegovina (BiH) was, according to all indicators, a relatively developed European country whose 4.4 million inhabitants generated a GDP per capita of approximately 2,400 USD. The infrastructure and capacity of public services, particularly health care, education, social protection and culture, were well developed.

BiH was one of six equal Republics of the SFRY, acquiring legal and financial autonomy after the constitutional reform in 1974 in the fields of social protection, health care, employment, the pension system, etc. In the economic sphere, a constant conflict existed between

the process of decentralisation and centralisation, particularly due to the economic policy measures. In essence, BiH was an economic and social community.

“Liberal socialism”, well developed at the time, facilitated a degree of local self-governance as well as “party-controlled democracy”. The democratic umbrella did not extend, however, to certain fundamental human rights and freedoms such as of thought, speech, association, etc.

On the other hand, the system of self-governance “transferred” a large part of the responsibility for social protection, health care and education onto companies. This obscured the relationship between the economic and business function of companies and their social function, most often at the expense of both.

1.2. In BiH, like in the other ex-Yugoslav republics, the real situation regarding important economic and social development parameters was already evident in the 1980s. An inefficient economy, a vast disharmony between the economic/production capacities and an over-developed infrastructure along with extensive entitlements within the public service and social policy spheres are examples.

People were living beyond the real economic means. The central pillars of human development were fragile. Equality increasingly became an issue of fulfilling the minimum possible existential requirements, sustainability required financial support from abroad, thus placing the concept itself into question and productivity turned out to be much lower than was previously assumed. Furthermore, individuals have lost personal motivation for achievement and creativity due to the

extensive disruption of social values and stability. Once faced, the artificial foundations on which the quality of socio-economic life was based in the earlier socialist period, began to erode in the 1990s.

1.3. Had the Human Development Report for BiH been written in 1991 in accordance with the usual methodology, it would have produced satisfactory results and painted a “rosy” picture. It would probably not have shown the absence of solid economic foundations and efficient mechanisms for sustaining health care and the education system. It would not have demonstrated that the level of the GDP per capita attained was the result of the decade-long financial injections from abroad, as opposed to sustainable growth. It would also not illustrate the internal logic of the increasing social and economic crisis, and the systematic inefficiency that recklessly led to collapse.

Of course, there were positive aspects too. The level of education and the infrastructure of health and social protection were important material foundations for strengthening the basic factors important for human and sustainable development. Most importantly, human resources were abundant and adequately skilled to serve as a powerful lever for new development.

The Human Development Report for BiH 1998 attempts to avoid the other extreme (in comparison with the hypothetical 1991 Report): a “dark” portrayal of the level of human development. In order to accomplish this, it focuses on a critical review of processes within important spheres of economic and social life from 1991 to 1998 and highlights areas of crucial importance for the future. It is an attempt at producing a realistic and dynamic portrayal, instead of just providing a static profile of the situation in a pre-determined timeframe.

This is the special feature of the present Report, since the current situation or future trends cannot be captured without an insight into these processes. Each chapter, therefore, attempts to follow this approach, placing particular emphasis on possibilities for the improvement of human and sustainable development.

1.4. By doing so, three unproven stereotypes about BiH in the 90s are abandoned.

1.4.1. In the context of human development, the country's problems did not arise with the war. They existed already, were increasingly evident, and the war intensified them.

1.4.2. The pace and scale of economic and social reconstruction are insufficient for BiH. An accelerated transition to market economy, consolidation of democracy and the civil society, a comprehensive legal system and adequate implementation mechanisms - these are the prerequisites for ensuring the well-being of the citizens of the new-born State.

1.4.3. The third stereotype, more prevalent among those unfamiliar with the country, relates to the perception that in BiH everything has to begin from zero, and the country is at the starting point of development. In reality, the local human and material potential, capable of producing significant results relatively quickly in new conditions through well-planned policies and initial support, is abundant.

2. CONSEQUENCES OF THE WAR

2.1. The consequences of the war in BiH are vast and incalculable. Reliable data still do not exist about the measurable consequences and no one dares estimate the immeasurable ones.

It is estimated that 258,000 inhabitants of BiH died or are missing, i.e. 5.9% of the pre-war population was eliminated.¹ Other estimates are that the dead and missing, including the increase in mortality rate, number 269,800 inhabitants (out of which 152,900 Bosniacs, 72,350 Serbs, 31,060 Croats and 13,500 of other origins).² It is interesting to note, according to the data of the State Commission for Missing Persons, that 27,371 persons have been declared missing to date. According to International Red Cross data, 19,000 persons are missing.³

During the war, 1995 was the peak year in terms of sheer number of displaced persons when they numbered 1,282,000. The estimated number of displaced persons at the end of 1997 was 866,000 and in 1998, 816,000.⁴

There were 1.2 million refugees from BiH at the end of the war, now it is estimated that 712,555 of the total number of refugees have found permanent solutions abroad and that 611,969 refugees are still without a permanent solution and are potential returnees.⁵ Approximately 50% of the 1991 population of BiH have changed their place of residence.

2.2. The economic impact of the war is estimated at 50 - 60 billion USD, of which 20 billion USD covers production capacity.⁶ Numerous other estimates exist, tak-

1 According to the FBiH Public Health Institute estimates.

2 According to estimates from the unpublished study by D. Ilijas Bošnjović and a group of researchers, *Demographic Changes in Bosnia and Herzegovina from 1991 to 1998*. See in MFB Document no. 1, *Return of Displaced Persons and Refugees as a Condition for the Survival of Bosnia and Herzegovina*, Sarajevo, January 1999.

3 See: Helsinki Committee for Human Rights in BiH, *Report on the Human Rights Situation in BiH, January-December 1998*, Sarajevo, December 1998.

4 See: UNHCR, *The State of the World's Refugees*, Oxford University Press, 1995 and UNHCR, *The Operation of Return 1998...*

5 See: UNHCR, *The State of the World's Refugees Seeking Asylum*, 1995 and UNHCR, *The Population that Concerns UNHCR, 1997 Statistical Overview*, 1998.

6 UNDP, *Reconstruction, Reform and Economic Management in Bosnia and Herzegovina*, Vienna, January 1997.

ing into consideration the GDP lost from 1992 to date, which represents indirect economic losses, the combined total of indirect and direct losses is approximately 100 billion USD.

Indirect effects, such as the destruction of the governance system, the interruption of reconstruction, education and development of technology, as well as the “brain drain”, although immeasurable, are undoubtedly colossal.

Destruction of the society, social ties, tolerance and coexistence, the breakdown of families and small communities and the general collapse of social values and normal life are the most enduring consequences of the war which cannot be mitigated in a short time. It will be much more difficult to reconstruct the social fabric than bridges and roads.

2.3. The “brain drain” is undeniably one of the most severe and specific consequences of the war. In BiH, it has taken various forms:

2.3.1. A large proportion of the refugee population is highly qualified. The situation is worsened by the fact that most of the people have secured a permanent solution abroad and will probably never return. It should be added that the school-age population that left the country and has completed its university education abroad will probably also not return in large numbers.

2.3.2. The proportion of highly qualified people is significantly lower amongst the displaced population. Qualified, displaced persons, although within BiH, generally do not work at all, or if they do they are overqualified for their posts.

2.3.3. In its literal sense, the “brain drain” existed during the war. Intellectuals left through their own arrangements, using their own connections. Without registering as refugees, they stayed on in temporary employment, eventually to settle down in their country of residence. Ironically this process escalated greatly after the advent of peace, i.e. after the General Framework Agreement of Peace (GFAP). It is estimated that the total number of emigrants from BiH between 1996 and 1998 was 42,000, a large proportion being highly qualified people and their families.⁷

Unofficially, it is speculated that tens of thousands of BiH inhabitants are in the process of receiving permission to settle abroad.

The “brain drain” represents a major handicap for the reconstruction efforts in both the social and economic spheres. It is particularly disquieting that the phenomenon is gathering momentum instead of diminishing after the war. Awareness of this national haemorrhage is barely beginning to dawn upon the national policymakers and the well-wishers of the country. Unless the

trend is reversed, it is possible that the “exodus” from the country will be a greater problem than “return”.

2.3.4. If the large problems of the functioning of State institutions, the political instability and the frequent inefficiency of the international community are added to the above-mentioned, the length of the human recovery period will be prolonged.

3. TRIPLE TRANSITION IN THE POST-WAR PERIOD

3.1. The implementation of the GFAP, signed in December 1995, is in essence a transition from war to peace. With strong support of international forces in military, civilian, economic and humanitarian/social fields, this process is making steady progress. It is obvious that this process will take longer than expected and that it would face great risks if the international support were to diminish or disappear. In the context of human development, it is important to understand that BiH is still an “incomplete State”, its institutions at the central as well as Entity level are not fully functional and have not yet stood the test of time. Several important provisions of the GFAP, notably its Annex 7, are yet to be fully implemented. The political factors dominate the socio-economic scene and serious efforts need to be made to set the national priorities right. From the modest perspective of this Report, at least the process of developing basic data needs to be given a jump-start. Without reliable data - a rare commodity in most ex-Socialist countries - a constructive and realistic policy-making process is difficult, if not impossible.

3.2. BiH is one of the biggest beneficiaries of international assistance in various fields. Even though the population of BiH would have had difficulty to survive during the war or normalise life after it without international assistance and support, care must be taken that foreign aid does not nurture dependency syndrome. Smooth and speedy transition from emergency assistance to sustainable development is therefore, in the greatest interest of the country as is local capacity and institution-building.

The key factor in the transition to sustainability of society and its development is the comprehensive change in consciousness and way of thinking of the leaders and the population. In the minds of most people in BiH in the traditional consciousness, it seems that the international community has replaced the State in the role of the new “patron”. During the socialist period it was expected of the all-powerful State to solve all the citizens’ problems, as well as those of companies and local communities. Solutions to problems are expected to come from the international community, while the local energy remains reigned in and the leaders and population passive.

⁷ See: Dr. Ilija Bošnjović, *ibid.*

BiH can exit the “dependency crisis” only through a “radical” change in the way of thinking and in each aspect of its system. This will “awaken” the inhabitants of BiH and make them take responsibility for their futures.

3.3. The transition from centrally planned economy and political monopoly to a free market economy, democracy and civil society is the key link to the future and the two transition processes described above. It is not only that BiH is required to simultaneously cope with the consequences of war and the basic change in the economic and political system. It is also a fact that BiH is a country where the transition itself, both directly and indirectly, has been financially supported from abroad. It is a situation where all important matters relating to national policy and governance are conditioned by foreign advice and where international assistance which helped people to survive continues to need to help them get back on their feet. It is important to shift the emphasis from aid to self-reliance and from dependence to self-sufficiency.

4. SOCIAL RECONSTRUCTION AND HUMAN DEVELOPMENT

4.1. The attention of the international organisations, whose contributions to the normalisation of life in BiH are great, mostly focuses on institutional aspects of the normal functioning of a complex State structure and macro-economic reconstruction of the infrastructure.

A fundamentally important segment is suffering from benign neglect, the necessity for the “social reconstruction” of the country from grass roots up and the necessity for forming and nurturing non-State structures, non-governmental organisations and community based associations. Not only the leaders but also common men and women must change their thought processes and work habits in order to meet the socio-economic challenges facing them. Without a progressive approach and attitude, there will be no future worth looking forward to.

4.2. Support to the development of civil society and its people oriented-components is necessary for rebuilding confidence and tolerance. Aspects include: protecting returnees through a new social milieu and a conciliatory environment, making the protection of human rights a matter of priority at individual and collective levels, and assisting the disabled and deprived through the sol-

idarity of neighbours. Concurrently, without social reconstruction, a favourable environment for economic reconstruction cannot be promoted. The development of economy and good governance are one side of the same coin. The other is social reconstruction and civil society. A coin without two sides is worth nothing. The neglect of human well-being can bring into question all the efforts for consolidation of peace and sustainable development. In this perspective, the concept of human development has a key role to play. Notwithstanding the current problems and hazards, the potential for a successful process of human development exists in the country, waiting to be explored.

5. CONCLUSIONS

5.1. Social reconstruction must be guided by the principle of “sustainable development”. The cornerstone of lasting peace and effective socio-economic and political transition lies with the empowerment of the individual within his society, building the micro and macro-economy and the promotion of non-governmental, local and community organisations as the vehicles for development.

5.2. International and other organisations operating within the sphere of social reconstruction must recognise that it is neither desirable nor appropriate that they should act or be perceived to replace the governmental authority in BiH. The policy and practice of these organisations must be guided by an ethos of “unsung assistance”, strengthening local human, institutional and governmental capacities, designed so as to eventually eliminate the need for international assistance.

5.3. The replacement of foreign staff in international organisations by local personnel must take place at a more rapid pace. Downsizing of the international workforce in a planned and orderly manner should be a key feature of organisational management planning. By the end of 1999, at least half of the employees of international, governmental and non-governmental organisations should be BiH citizens, increasing to 75% in the year 2000 and 90% in the year 2001. These targets can be reached only if the donor community and the employees of foreign personnel take effective measures to support local capacity-building, promote in-house training programmes and gradually delegate authority and responsibility to the local staff, thus ensuring a smooth hand-over.

PEACE PROCESS & GOVERNANCE TRENDS

“Peace is a daily, a weekly, a monthly process, gradually changing opinion, slowly eroding old barriers, quietly building structures.”

John F. Kennedy,
Address to the UN, 1963

INTRODUCTION

This chapter covers the results of the GFAP, particularly the Constitution of Bosnia and Herzegovina (Annex IV), which significantly affects the government structure and institutions, often limiting and even hindering efficient governance. Inefficient government institutions of the State of BiH and conflicts over jurisdiction with the Entities are creating political instability and leading to an uneconomic approach, particularly in the fields of health care and education.

Human rights and fundamental freedoms are still in jeopardy in BiH, particularly those of national minorities, while inter-ethnic relations are showing signs of recovery and strengthening of co-existence. The significance of the beginning of the development process and the strengthening of civil society, particularly the local NGO sector and local self-governance, which deserves greater support from the international community than it has received to date, is highlighted.

1. SPECIFIC ASPECTS OF GOVERNANCE AND THE PEACE PROCESS

1.1. The General Framework Agreement for Peace (GFAP) in Bosnia and Herzegovina (BiH) brought an end to the armed conflict but at the same time precipitated an extremely complicated State structure. The two Entities; the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS), have been afforded a high level of autonomy in exercising State functions. The basic constitutional structure of the country is characterised by a pronounced dominance of the national factor, manifested in the divided territorial constituencies of its three peoples: Bosniacs, Croats and Serbs.

The Constitution of Bosnia and Herzegovina (Annex IV of the GFAP) recognises Bosniacs, Croats and Serbs as the constituent peoples of the country. However, the post-war demographic map of the country and the constitutional provisions relating to the two Entities of the

State have led to a situation wherein large groups of citizens are, in law or in practice, restricted or prevented from the full exercise of their constitutional rights. A consequence of this is the prevention of the realisation of a number of human rights and fundamental freedoms, measured in accordance with international legal standards.

1.2. The functions and jurisdiction of the organs of the State of BiH have a limited scope. Responsibilities within their jurisdiction, as enumerated in Article III of the Constitution, are:

- foreign policy; foreign trade policy; customs policy; monetary policy (as provided in Article VII of the Constitution); financing of the country's institutions and international obligations; immigration, refugee and asylum policy and regulation; international and inter-Entity criminal law enforcement, including relations with Interpol; establishment and operation of common and international communications facilities; regulating inter-Entity transportation and air traffic control.

Bosnia and Herzegovina, at the State level, does not have its own classical judicial system. The role of administer of justice has been granted to the Entities, except for the relatively undefined and limited jurisdiction retained by the central authorities to implement “international and inter-Entity policy and regulate criminal justice regulations”. At the State level, there is also no army or police. Cumulatively, the central authorities of BiH have been deprived of three important tools of the State necessary for maintaining law and order at a national level.

For a more complete insight into the jurisdiction of BiH institutions, one should bear in mind the provision on “additional jurisdiction” (Article 3(5) of the Constitution of BiH), which stipulates that “Bosnia and Herzegovina shall assume responsibility for such other matters as are agreed by the Entities...or are necessary to preserve the sovereignty, territorial integrity, political independence and international personality of

Bosnia and Herzegovina, in accordance with the division of responsibilities between the institutions of Bosnia and Herzegovina.”

This relatively neglected constitutional provision offers an opening for the jurisdictional expansion of the organs of the State of BiH, particularly in those matters of equal pertinence for both Entities. This provision has particular significance in relation to specific issues such as property and the regulation of social relations where there should be no major legislative discrepancies between the two Entities. Moreover, the State of BiH is the responsible subject of international law and is thus bound by international legal instruments.

1.3. The decision-making processes of the organs of the State of BiH are both complex and inefficient. They incorporate a form of veto, which can be employed as a tool to maintain the status quo or to postpone decisions until they are no longer important or out-dated. A similar provision exists in the constitutional system of the FBiH. Furthermore, the decision-making process in the RS is such that minority interests (of Bosniacs and Croats as a constituent people in BiH) can be marginalised or ignored.

Within the new Constitutional framework, the principle of a decision-making hierarchy has almost been set aside. This encroaches upon the effective implementation of the decisions made by the organs of the State of BiH. With the exception of the limited and complex powers of the Constitutional Court of BiH, the implementation of the decisions of the central authorities depends almost entirely on the will of the Entities. This impedes the functioning of BiH's government organs.

The constitutional structures of the government machinery in the two Entities are significantly different. There also exist, in parallel, segments of various different legal systems from the laws in force at the time of ex-Yugoslavia, the laws from the pre-Dayton legal practice and the legislation practices of the RS and the FBiH.

Decentralisation characterises the FBiH, although implementation is somewhat paradoxical in that it is based on the dominant position of the canton and on the unclear and insecure constitutional position of the municipality. In the FBiH, there are four vertical levels for the exercise of authority (municipality, city, cantonal and FBiH levels). A further fifth level of authority may be born through the establishment of a “district”, as is the case with Brčko. Conversely, in the RS, there are only two levels at which authority is exercised (municipality and Entity levels).

Bosnia and Herzegovina is a State with 13 “constitutions”, in which 13 assemblies pass laws, and close to 200 “governments” and “ministries” adopt regulations and pass by-laws. There is reason to fear that as a consequence, this will be a very expensive administration and a very bureaucratic, inefficient system of governance.

1.4. The State and legal system of BiH must in essence remain decentralised. This is not only a consequence of its multinational structure, but also accords with current international trends. However, this decentralisation must not lead to disintegration. Decentralisation is also necessary to lighten the government machinery and streamline governance, not only at central, but also at Entity and canton levels. If the process does not also include the Entities and cantons, strong centres of territorialised authority may emerge and act as centrifugal forces in relation to common tasks of the organs of the State of BiH.

1.5. The present status and treatment of citizens and peoples in BiH is particularly visible through the right to vote.

It is the constitutionally defined right to vote, enjoyed by the citizens of BiH, which best shows all the weaknesses in the treatment of citizens and national groups. In addition to the discriminatory position of national minorities, there is the problem of the ‘passive’ right to vote granted to citizens from the Bosniac, Croat and Serb peoples who are in the category of “Others”, i.e. those who live in the Entity in which their people are not the dominant group. They can be elected to certain state functions only if they move to the territory of the Entity of their own people. If they choose to live in their own homes which happen to be where they are treated as “Others”, their civil right to be elected will be considerably reduced if not completely eliminated.

A specific problem in the electoral system in BiH is that the success achieved so far by the ruling national parties and their candidates is as a result of voter support received from “their own people”. In other words, the electoral system itself is geared to non-dependence on the voters whom belong to a different people than the candidate. Given the “ethnic” structure of the population and the demographic map of the country, a person who does not receive in the elections at least a minimum percentage of “other” votes, should not be considered deserving of a public office.

1.6. It is important at this juncture in the history of BiH that ways and means are identified to overcome the problems and shortcoming mentioned in the preceding paragraphs. Efforts should be made to fully implement each constitutional provision, as well as the letter and spirit of the Constitution of BiH as a whole and to prevent any deviation from it or selective interpretation according to separate interests. Further improvements can also be made through a greater use of the constitutional provision relating to “additional jurisdiction” and the formation of a legal basis for the joint regulation on issues of common interest. Similarly, efforts should be made to fill the constitutional gaps at the Entity and national level, in order to eliminate discrimination against certain groups. In order to ensure the full exercise of fundamental human rights and freedoms by all citizens, much more needs to be done than merely har-

monising the Entity Constitutions with the Constitution of BiH. Progress in this respect can be made only on the basis of the consent of the Entities and of the elected representatives at the State level.

The long-term interests of the country as a whole must prevail over short-term opportunism and political myopia. At the same time there should be recognition by the public and the policy-makers alike that the development of civil society and democracy in BiH is a long-term process. It requires considerable bolstering of social awareness of the need to give up narrow, nationalistic interests and to learn more from politically, economically and culturally advanced countries.

2. HUMAN RIGHTS AND SECURITY ISSUES

2.1. The history of BiH is characterised by a long succession of undemocratic regimes. This did not allow a tradition of human rights to take root. The right to vote was introduced only in 1945; freedom of association did not exist for half a century except through government protected or sponsored associations, which were more akin to co-operative efforts for a specific purpose than for the development of a civil society. Public opinion and media freedom were considered dangerous. In the socialist system, human rights existed on paper but were not backed by any real content or protection mechanisms.

The newly established authorities in BiH, elected on a nationalist wave and without the support of a tradition of human rights protection, tried to give a legal facade to massive human rights violations. Examples include the firing of workers from other “nationalities” was preceded by a regulation on the need to balance the national structure of employees with the national structure of the population; expulsion of people from their homes was legislated for by a law on abandoned property; war criminals, even those charged with the most heinous crimes, were not criminally prosecuted but were proclaimed as patriots. What could not be justified in terms of the law was explained in emotional terms and supported by a selective and negative interpretation of history (“we cannot live with them any longer”, etc.). The consequences of national euphoria were fatal not only for members of “other peoples”; the peoples, themselves, became tragic hostages of their own nationalistic ideas – they shortened their political horizon and slowed down their democratic maturity.

2.2. After a very cruel war, a very complex constellation exists in BiH:

- Peace has been established, but it has not completely satisfied all members of the warring factions so it has to be maintained with the presence of international troops;
- Some contradictory and ambiguous formulae were built into the (Dayton) Constitution of BiH and are being interpreted by the Entity leaderships and

nationalistic, like as it suits them, thus creating an environment of legal insecurity;

- The international community is subscribing to a certain normative illusionism as a substitute for real results in the implementation of the GFAP. It is not enough to have good laws adopted; it is equally important to ensure their full and effective implementation. Many support the adoption of the laws requested knowing in advance that they will not be fully implemented. The international community persists in the belief that social forces willing to implement these laws will one day come into power. However, the present situation could last for a long time and inflict considerable material and psychological damage on society;
- The country is economically enfeebled, and hundreds of thousands of refugees and displaced persons cannot return to their homes because the socio-political and economic environment conducive to return does not exist;
- Few people emerged unaffected by the war, so the population actually consists, by and large, of frustrated, damaged and angry people who do not know to whose account to charge their personal losses. The situation is not favourable for inter-ethnic reconciliation or the promotion of human rights.

2.3. These general conditions are reflected in the social and legal fields in various ways:

2.3.1. A comprehensive legal system of the State of Bosnia and Herzegovina, including effective mechanisms for protecting rights and freedoms, has not yet been developed. Entities still consider freedoms and rights to be their exclusive area, although the most important international documents on human rights are incorporated in the Constitution of BiH, and have both direct applicability within, and greater legal force than, the laws and Constitutions of the Entities.

2.3.2. The Legislative process in the Entities is conditioned by the strong influence of the ruling parties. In the long run, this would lead to loss of trust among citizens in the legal and judicial system if justice is not seen to be done.

2.3.3. Many violations of fundamental human rights and freedoms are attributable to actions or lack of action by the administration. The position of the police is especially sensitive. Under the pretext of professionalisation and freeing the police from ruling parties’ control, the police are being transformed into an untouchable organisation that is more and more difficult to control. This seems to be the trend in the FBiH. On the other hand, in the RS, police reform is going very slowly, and the introduction of a multi-ethnic police force is almost not happening at all. In addition, the police in this Entity are much poorer, less well-equipped and paid and with more recidivism or narrow-minded nationalism.

2.3.4. There is grossly inadequate respect for some of the fundamental human rights which are essential for rapid normalisation of life in the country, e.g. the right to life and property, the right to freedom of religion, the right to freedom of movement and residence, etc. The rights of women and older persons – who constitute the majority of the national population – are considered in separate chapters in this report.

It would be worthwhile here to highlight the right and special situation of children in BiH. During the war children were especially exposed to suffering and hardship. Many were killed and wounded. Their suffering continues to this day since they are the easiest victims of land mines scattered all over the country. Generally speaking, all children during the war were deprived of a normal and happy childhood and many lost several years of education. Their suffering continues because many families are scattered or homeless. The number of orphans has increased as has the number of children with a single parent. In the cities, the number of street children and beggars is visibly increasing. A spirit of frustration, intolerance, exclusivism and selfishness pervades as the young struggle to survive.

Their perception of the future is inevitably coloured by their experience of the past. The education system needs greater support, not only to meet the needs of the children, but also to inculcate in them democratic values, respect for human rights and faith in the future.

3. MULTI-ETHNIC RELATIONS: FROM CONFLICT TO CO-OPERATION AND COEXISTENCE

3.1. In certain quarters it is wrongly believed that intolerance, which was a cause of the war, has always been a feature of socio-political life in BiH territory, and that previously it was curbed through the so-called communist repression. A number of studies have proven the contrary. According to one of them, BiH in the late eighties and early nineties had a higher tolerance index than any other republic of the former Yugoslavia.¹

In order to explain the tragic war that has ravaged the country in recent years, one has to recognise that national frustration and crude national passions must have originated somewhere and developed to the degree necessary for causing conflict. This fact is borne

out by the results of the public opinion survey on the eve of the first free elections in BiH.²

It is now generally recognised that the sources or causes of national frustrations and passions should be sought in at least three directions:

- first, in the appearance of nationalistic concepts and nationalistic elites in the former Yugoslavia;
- second, the influence of those concepts and elites on the media under their control which produced and disseminated negative propaganda and a high level of intolerance towards other national and ethnic groups;
- and third, in territorial aspirations regulating BiH and its neighbours.

Expulsion through the use or threat of force of other national “ethnic” groups increased the level of frustration, intolerance and hatred. The situation was exacerbated by the misuse of the existing and newly-created media network to the maximum.³ A research of the media portrait of BiH carried out in late 1997⁴ showed that three parallel media systems existed in BiH during the entire war, and even after the Dayton Agreement. The media independent of the ruling nationalistic elites had, unfortunately, very limited local influence.

3.2. The nationalistic elites in BiH still resist everything that seeks to promote the reintegration of the State and the society, and establishment of co-operation, coexistence and tolerance as values that are a part of the country’s tradition. A research project carried out in late 1998⁵ reached the conclusion, however, that awareness is growing among the citizens of BiH that the causes of the tragedy are the result of aggressive nationalism of the ruling political structures. Their influence is being gradually but systematically reduced through the implementation of Dayton and the influence of the High Representative as well as regional and international organisations.

At the same time, certain positive trends are increasingly visible. Media coverage outside the control of nationalistic groups has increased considerably. All important daily and weekly newspapers published in FBiH territory can be bought not only in all parts of the FBiH but also in a large part of the RS, and vice versa. These civil society institutions are growing by the day, promoting coexistence and tolerance.

1 The research was carried out by the Consortium of Yugoslav Sociological Institutes on a sample of 13,500 cases from all republics and provinces of the former Yugoslavia. The national tolerance index was calculated on a range from 1 (minimum) to 5 (maximum). The highest tolerance index was reported in BiH (3.88), followed by Vojvodina (3.84), Croatia (3.63), Montenegro (3.45), Serbia (3.28) and Slovenia (2.67), while the lowest national tolerance index was reported in Kosovo (1.70) and Macedonia (2.53).

2 According to the public opinion survey conducted several months before the first elections in 1990, 74 percent of citizens of BiH had a negative opinion about national parties. However, national parties landed convincing victories in the elections.

3 The strength of the media influence in BiH can be illustrated by the fact that in BiH the number of electronic media alone is 297 (See report: *The Human Rights Situation in BiH, Jan.-Dec. 1998*, The Helsinki Committee for human rights protection in BiH, Sarajevo, 1998.)

4 The research was carried out by Dr. Slavo Kukić based on monitoring during several-years of the media situation by the Mediaplan agency from Sarajevo.

5 The research on a sample of 2,814 cases from all parts of Bosnia and Herzegovina was carried out by a research team at the Sarajevo-based Centre for Protection of Minority Rights in Bosnia and Herzegovina.

The reconstruction and revival of economic activities as well as freedom of movement of people throughout the country is becoming evident. Consequently, old friendships and business relations are beginning to re-emerge.

3.3. Improvement in the general socio-political environment is also conducive to the return home of refugees and internally displaced persons. Reportedly, over 50% of them wish to return to their pre-war homes.⁶ Likewise, there is a growing support in favour of constitutional modifications which would make all citizens and peoples of BiH effectively equal. People are also beginning to wonder about the constitutional position regarding the official use of different scripts; only the Cyrillic script is in official use in the RS and only the Latin script is used in the FBiH. There is increasing desire for a constitutional change that will allow free usage of both scripts in the entire territory of BiH. These trends which have the support of the civil society must be further encouraged by the international community whose role in shaping the future of the country remains vital.

3.4. Co-operation, coexistence and tolerance cannot be isolated from what is happening in the neighbouring countries. Democratisation of the neighbourhood and weakening of the nationalistic forces are necessary to sustain positive development processes in BiH. Democratisation and strengthening of civil society are thus a matter of enlightened self-interest for the region.

4. PROTECTION OF MINORITIES

4.1. Bosnia and Herzegovina is historically a multiethnic society. In addition to the three constituent peoples (Bosniacs, Croats and Serbs), it is also inhabited by a large number of minority ethnic groups.⁷ Peace has brought them almost no dividends. Effective protection of the rights of minorities remains a challenge yet to be fully met by the national authorities and the international community. The challenge is all the more daunting if one adds to the traditional minorities, the growing problem of returns of members of the three constituent groups going to areas where a group other than their own constitutes the majority. That is why, instead of the expected considerable number of returns announced when 1998 was proclaimed the year of

return, further displacement of the population was reported towards areas in which their respective national group makes up the majority of the population.

Research carried out in late 1998⁸ showed that this type of displacement in the past six years resulted in very significant upheavals in the national and religious structure of the population. These are even more pronounced in the RS.

Another manifestation of "ethnic" polarisation is the fact that almost 60% of all citizens would not, in principle and under no conditions, vote for a candidate outside their own "ethnic" group.⁹

4.2. All of these facts have not, however, hindered the awareness among the citizens of BiH regarding issues of national equality of members of the three constituent peoples and the position of minority groups. Research shows that the great majority of the country's population (76%), is sensitive to the problem of inequality due to the majority/minority question, particularly with regard to employment, education, holding of public office, etc.

Almost two-thirds of Bosnia and Herzegovina's population is conscious of the fact that human and civil rights of minorities remain threatened.¹⁰ Most people are also of the view that some of these minorities, particularly Albanians, Gypsies, Jews, Macedonians, Montenegrans, Slovaks, Slovenians and Ukrainians are in a considerably worse position today than before the war.

Research at the end of 1998 shows that over 42% of the citizens of BiH believe that the causes of today's threat to minority rights emanates from the extreme nationalistic behaviour of the ruling structures of society.¹¹ A growing number of citizens also believes that the root causes can be traced to certain provisions built into the Constitution of BiH and the Constitutions of the two Entities. For example, the present constitutional solutions reduced the constituency of Bosniacs, Croats and Serbs to the Entity level. This has placed each of the three peoples into a discriminatory position in the Entity in which they are in the minority.¹²

The situation is mirrored in the positions taken by political party organisations. Civil society institutions, including non-governmental organisations and independent intellectuals, do not agree with projects that are

6 According to independent research, 50.28% of refugees and displaced persons from BiH have expressed the wish to return to their pre-war homes. However, this willingness is much higher among residents of the FBiH than those of the RS (only 27.25%). This differs from the official data, particularly those of the RS, which indicate that only 1.5% of displaced persons/residents of the RS wish to return to their homes.

7 In the 1991 census of the population, 21 such groups were identified.

8 Research project entitled "New Minorities", carried out by a research team at the Centre for Protection of Minorities in BiH headed by Prof. Dr. Slavo Kukić.

9 There are considerably more of them in the RS (75%) than in the FBiH (48%).

10 According to a survey carried out in late 1998, 70.3% of the citizens of RS and 59.7% of the citizens of the FBiH share this opinion.

11 It is interesting that critical awareness among the citizens of the RS concerning this source and cause of the threat to the rights of minorities is expressed a little more radically. A total of 47% of RS citizens share the belief that the causes should be sought in the extreme nationalistic behaviour of the ruling structures.

12 This is shown, *inter alia*, by the fact that according to the survey, almost 60% of BiH citizens do not agree with the present constitutional provisions that reduce constituency to Entity level.

against citizenry and the common State. Consequently, the gap between the ruling elites and political structures and the citizen of BiH is bound to widen. This, in turn, will further deepen the awareness of the real causes underlying the present unhealthy situation and thus help create conditions for their eventual removal.

5. LOCAL SELF-RULE AND THE CIVIL SOCIETY

5.1. Bosnia and Herzegovina does not have a history of classical local self-rule, but rather it had self-management at the local level. Local communities (municipalities) had very wide powers despite the fact that BiH was a very centralised country where local autonomy was easily curbed by central authorities. The local self-management in BiH was simulated and the ruling party was the decisive force in the political life of the country. Due to this historical background, the role of local self-rule and non-governmental organisations as the generators and promoters of building civil society in BiH should not be over-looked. Time and tenacious efforts are required to build them into an effective counter-balancing force.

5.2. Bosnia and Herzegovina is a typically hybrid society in which traditional social structures were devastated for decades by rapid urbanisation and industrialisation. Although during the 1970s the balance between urban and rural population stabilised at a ratio of 70:30, it did not mean that BiH had become a modern society. Its modernisation had been carried out using rapid and, in many ways, violent processes accompanied by the massive exodus of an unprepared population from villages to cities. Due to that, BiH has kept its typically rural values and mentality.

In recent years, the tragic armed conflict caused further massive displacements of populations, the social implications of which are yet to be grasped. The most capable and creative segments of all three peoples "relocated" abroad and industrial workers arrived in agricultural areas and peasants fled to industrialised areas.

For decades everything was under State and party control and the development of civil society was well nigh impossible. The emergence of a strong middle class was difficult for the same reason. A thin layer of the middle class existed in cities and it served only to amalgamate an essentially rural society. Bureaucrats simulated the role of the middle class but they too were adversely affected by war and are recuperating very slowly.

5.3. What is common between both Entities is that their municipalities as units of local self-rule have little power, large territory and modest resources. If one bears in mind the power of the central organs to abolish

municipalities through a relatively simple procedure (dismiss their elected bodies and replace them with State commissioners) their vulnerable position becomes clear. Financially, they are completely dependent on allocations from the State or the international community. Politically, they are used as party headquarters to which local municipal leadership is usually subordinate and loyal.

A large number of municipalities in BiH considerably "changed" their pre-war population during the war – in some municipalities only about 10 percent of the people who lived there before still remain (e.g., Bosanski Petrovac, Drvar, Grahovo, Srebrenica etc.). Most municipalities today actually do not represent local communities in the real sense of the word, i.e. in the sense of the existence of direct and primary ties among and with people, organic solidarity and emotional closeness. Some people consider their present habitat as a temporary residence and behave accordingly. Others want to remain permanently in a new environment which does not fully accept them. The vast majority of newcomers have still not settled in their new environment, especially if they came from a large town to a village. It seems that integration in a new environment is easier for those who at the same time experienced certain social promotion, as often happens when moving from village to city.

5.4. During the war, and even more after it, many international organisations installed themselves in BiH; this effectively was the birth of non-governmental organisations and, the beginning of an independent third sector in the country. The associations of citizens which existed before the war were so incorporated into the authoritarian structure of society that they can hardly be considered vanguard of NGOs in the contemporary sense of the word. At present, there are said to be about 1,500 NGOs in BiH and their numbers keep increasing.¹³ The international community is providing support to NGO work because it is believed that they are the foundation for a future civil society in BiH.

One should bear in mind, however, some limiting circumstances. The non-governmental sector in BiH began its operations in the field of humanitarian assistance, and changed the structure of its activities as the situation in the country evolved. According to available data,¹⁴ the most frequent activities that NGOs engage in today are psycho-social support, education, humanitarian aid, human rights, social care for vulnerable groups, economic assistance, civil awareness education, dissemination of information, advocacy and influencing the political system, co-ordination of and services to other NGOs and information dissemination. The target

¹³ Data on the number of NGOs in BiH differs significantly and ranges from 500 to 1,600. It is difficult to establish the exact number because a centralised statistics record does not exist, and registration offices are numerous and dispersed throughout the country.

¹⁴ The following data is taken from: *Research and Analysis of Bosnian-Herzegovinian Non-Governmental Organisations*, prepared in 1997 by Dialogue Development. (See also IBHI, *The Local NGO Sector within Bosnia and Herzegovina - Problems, Analyses and Recommendations*, Discussion paper, Sarajevo, October, 1998)

groups towards which they direct their work are refugees and displaced persons, children/orphans, women, refugees, youth, mentally handicapped, specific ethnic groups, demobilised soldiers/veterans, returnees, the elderly and couples of mixed marriages.

Non-governmental organisations deal with the issue of local communities or of rural/urban development.¹⁵ At the same time, in local communities, there is little feeling of togetherness or identification with the local problems. This alienation from the local environment is present among newcomers as well as the domicile population. For newcomers, the local community is either a temporary shelter or a new home to which they have difficulty to adjust with the true warmth they felt towards their old homes. For the domicile population, the local community is not what it used to be before the war it is full of unfamiliar people holding important positions in the local hierarchy, it has become more rural, it is dirty and much poorer than before. These are sufficient reasons for old-timers to become alienated from their home towns.

5.5. The issue of local self-management thus appears in a considerably different light. The least problem is how to establish a formal structure of the local community – that is a function carried out by elections in a relatively satisfactory manner. A much bigger problem is building a new identity of the local community, which must cumulatively fulfil at least four criteria:

- that it is acceptable to the old population,
- that the newly arrived population can identify with it,
- that it suits the central authorities, and
- that the international community is satisfied with it.

The absence of any one of these conditions inhibits the others. Therefore, building a new structure of the local community becomes a complicated task. The international community has launched a few small projects addressing this problem but there is little awareness of the long-term nature of the task or how slow social processes of this kind can be.

5.6. The most acute issue that conditions all other relations in the local community is that of refugees and displaced persons. It is a complex and multi-layered issue with no easy solutions or quick fixes. It should be noted in this regard that resistance to the full implementation of Annex 7 of the Dayton Agreement does not come only from the political structures. It also has roots in the local communities which are often idealised under the influence of theoretical stereotypes. People forget that the domicile population, even if they did not dirty their own hands, did not emerge from it all with a clear conscience because they did not help their neighbours of different religion and origin. That is why, despite dissatisfaction with the newcomers of their own religion and origin,

they will not support without reserve nor welcome with enthusiasm the return of former neighbours. At the same time, many refugees have managed well in their new environments so they do not want to return to where they once lived, especially not to remote villages. The young have already created strong social ties and will certainly not wish to return to places where often there are no schools and where the social and economic environment has considerably changed. And since parents remain with children, a tacit “coalition of forces” resisting return has been created in the local communities.

5.7. In view of the above, the international community may have to redirect most of its activities from macro-projects and State structures to social and political structures in local communities. There is no official policy in BiH for building a civil society nor is it accepted by the ruling structures as a national development aim. Civil society, if it is mentioned at all, is identified with democracy and the rule of law. There is little or no debate on civil society in intellectual circles in BiH and research on this issue is only at the initial stages. Hence, the intellectuals who have historically played an important role cannot raise the building of civil society as a political issue because they do not fully understand it. The media are paying little attention to the non-governmental sector while local NGOs are still too weak and unskilled to attract media attention.

At present, general insecurity and uncertainty with regard to the future are the basic characteristics of the social and political situation in BiH. The basic conditions for development of civil society are stable and secure social relations, a high level of cohesion within groups and an even higher level of inter-group trust.

These fundamental pre-requisites necessary for the existence of a sustainable civil society are, by and large, absent in BiH. The situation is further exacerbated by the fact that the legal framework in which non-governmental organisations¹⁶ operate is uncertain and anachronistic since there is no unified national legislation and Entity laws significantly differ. In addition, State organs are still suspicious of the third sector and often perceive non-governmental organisations as anti-governmental organisations. The local NGOs themselves face difficulties in playing their role; they are poorly connected with one another and with donors. Assistance from international organisations, which is generally well-intentioned, sometimes has undesirable implications. Examples are the total subordination of local organisations and their transformation into pure implementers and the dominating role of international bodies leading to dependency syndrome among the local organisation. It is often not recognised that the so-called local staff are best acquainted with the problems of their country and are best able to cope with them.

15 IBHI: *The Local NGO Sector within Bosnia and Herzegovina - Problems, Analyses and Recommendations*, Discussion paper, Sarajevo, October, 1998.

16 For further details, see IBHI, *op. cit.*

At the same time, there is totally inadequate support by the international community to local capacity-building which is not only the most cost-effective way to development but also the key to self-sufficiency and sustainability. Nonetheless, the on-going process of development of civil society is a welcome and necessary development which will be difficult to stop. However, if it continues to lack in national and international support, the process will be slow and will face numerous avoidable problems.

6. CONCLUSIONS

6.1. The introduction of a new Constitutional framework as an integral part of the peace agreement presented the young State with a challenge. It has yet to be fully met; above all, a comprehensive and harmonised legal system must be developed. The complex system of governance introduced in the wake of peace corresponded to the reality of the ground situation but not to an easy or smooth transition. Good governance calls for good laws supported by political will and sustained by the specificities of a country's culture, traditions and history. Time and tenacious efforts are required to harmonise law with practice and development assistance with actual short and long term needs.

6.2. It is essential to firmly streamline the decision-making process at the State, Entity, cantonal and municipal levels. Without this, the implementation of policies and regulation of reconstruction and redevelopment processes will remain difficult. The express delineation of authority must be enshrined in law and areas of common concern to State and Entity clearly identified, thus facilitating interaction between agencies and institutions for social, political and economic advancement.

6.3. Harmonisation of the FBiH and the RS Constitutions with the BiH Constitution is essential for

strengthening statehood and interdependence and for promoting harmonious relations between Entities. Legislation fragmented by territorial division is not the way to a better future. The harmonisation of State and Entity legal systems is a first step in ensuring the protection of human rights and a necessary precondition to securing the constituency and protection of minorities.

6.4. The democratic rules of the election system have to be improved in order to affirm the role of the individual citizen, which is currently being quashed to a great extent by the dominant representation of the national collective.

6.5. In the absence of a well-defined system of legal precedent, the process of building legal protection and legislative implementation is not easy. Legislation, which applies in both Entities, must be drafted to define this legal institutional power system.

6.6. The fabric of the legal system of BiH is threatened by stagnation in the implementation of human rights instruments. Programmes for the reform of the legal system and the promulgation of new legislation must be guided by the existing practice and experiences of BiH. At the same time, innovative methods for an effective implementation of laws and regulations should be employed. The first stage in this process must be the production of official texts of relevant instruments into BiH's constituent languages as well as availability of relevant regional and international literature to the public and policy-makers.

6.7. NGOs and local organisations are the engines of socio-economic development and the guardians of human rights as much as they are the backbone of a civil society and a viable democracy. They should be given a central role in the programmes of international organisations and government departments. They should act as a bridge to local capacity-building and to strengthening of local and national institutions.

DECLARATION OF THE PEACE IMPLEMENTATION COUNCIL AT MADRID 1998

“The Madrid Declaration” (16th December 1998) is a declaration of the Peace Implementation Council established to review the implementation of the Dayton Peace Agreement.

- I. Refugee Return:** Recognises the link between return and the rule of law and economic reconstruction. Endorses the role of the Return and Rehabilitation Task Force (RRTF) and the High Representative in the context of return.
- II. Rule of Law:** Seeks to promote an independent and impartial legal system through, *inter alia*, the establishment of “Judicial Training Centres” and UNMIBIH’s “Judicial System Assessment Programme”. Reconfirms the importance of inter-Entity judicial co-operation, police reform and the development of regulatory implementation.
- III. Institutions:** Promotes the strengthening of the institutions of the State of BiH and greater co-ordination between Entity and State institutions of government.
- IV. Self-Sustaining Economy:** Confirms the future decline in international aid and the need for greater flexibility on the part of donors to encourage sustainable economic development. Endorses the establishment of the “Privatisation Monitoring Commission”, the regulation and restructuring of public utilities and the eradication of fraud and corruption in the public sector.
- V. Democratisation:** Gives support to the preparation of an Election Law and the establishment of a “Permanent Election Commission” to regulate the conduct of elections. The OSCE supervisory mandate continues into 1999 and includes a “public outreach programme” to promote the new election law. The importance of a free and pluralistic media is confirmed and support given to the “Media Experts Commission” and the establishment of the “Independent Media Commission”. Civil society is seen as pivotal in the peace process, as an agency of empowerment.
- VI. Bosnia and Herzegovina within Europe:** Refers to BiH as a European nation and supports the promotion of closer relations between the European Union and BiH.
- VII. Military and Security Issues:** In addition to military stability the Council promotes greater progress in confidence and security building measures. The creation of a “BiH Border Service” is endorsed, charged with monitoring border integrity.
- VIII. Brčko:** Subsequent to the Madrid Declaration, on the 5th March 1999 the Brčko Arbitration Tribunal established “The Brčko District of Bosnia and Herzegovina” creating a “condominium” whereby the area is administered by a single unitary government.
- IX. Succession Issues:** Disputes relating to succession should be resolved by consensus or through arbitration.
- X. International Support for Civil Implementation:** Underlines the need for sufficient resources to properly implement the civilian aspects of the Peace Agreement. The OHR is to play a lead role in this context, with the guidance of the Economic Task Force.

ECONOMIC RECONSTRUCTION, TRANSITION & SUSTAINABLE HUMAN DEVELOPMENT

“Just as men cannot now escape taking on collective responsibility for peace, neither can they escape taking on collective responsibility for economic plenty.”

Max Lerner, 1949

INTRODUCTION

This chapter describes the true situation of the BiH economy and the beginning of the rehabilitation process. Particular attention is paid to grey economy and its two-sided character - the positive one that enabled a certain degree of economic activity during and after the war, and the negative one that breaks down the normal functioning and transparency of the economy. Proposals for an efficient and speedy transition from grey to formal economy are presented. The public services economy is faced with the overwhelming consequences of the war; discrepancies between the needs of the population and the lack of local sources require large reforms. An overview of the policy and programme of economic reconstruction and the recovery trends after three years of peace clearly shows the need for accelerating the process of transition to a full market economy through privatisation. One of the greatest challenges to solving many of the internal problems and conflicts is the expedient association with the European Union.

1. POST-WAR SITUATION

GROWTH AND REHABILITATION

1.1. The level of economic activities in Bosnia and Herzegovina (BiH) after the signing of the General

Framework Agreement of Peace (GFAP) was extremely low, particularly when compared to the pre-war situation described in Chapter I. This was an inevitable consequence of war which caused colossal material devastation, loss of life and human suffering.¹ Consequently, the BiH GDP in 1995 was less than 3 billion DM, less than one-fourth of the GDP in 1991.

During the first year after the advent of peace in 1996, GDP in the Federation of Bosnia and Herzegovina (FBiH) began to significantly rise. This was mainly due to the inflow of international aid and credits. The process was slow as in the Republika Srpska (RS) for a number of reforms of a political and economic nature. After the 1997 elections and the establishment of a new government there was a notable increase in the inflow of international aid, an opening to the world, as well as an increase in GDP. The table below shows GDP flows in the RS, FBiH and BiH from 1995 -1998.

While there was an abrupt decrease of GDP by 2/3rds in the BiH during the war, it had risen by 1998 to a little above half the level in 1991. This is not particularly encouraging if one bears in mind that during the three post-Dayton years BiH was the focus of strong international financial support. The last donor conference for BiH under the Priority Reconstruction Programme is to take place in 1999 and it is expected that the level of international support will decrease as will the GDP.

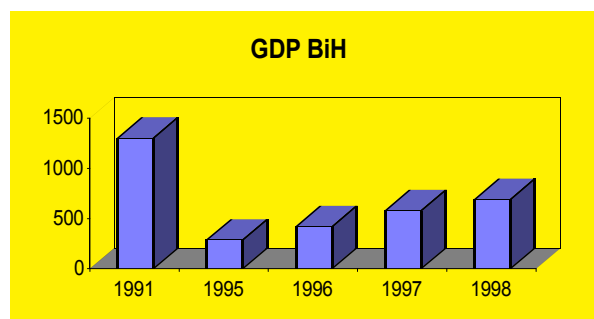
Table 1. GDP Flows in the RS , FBiH and BiH²

| | 1991 | 1995 | 1996 | 1997 | 1998 |
|-----------------------|-------|------|------|------|------|
| GDP RS (billion DM) | | 0,91 | 1,14 | 1,61 | 1,94 |
| GDP FBiH (billion DM) | | 1,96 | 3,05 | 4,19 | 4,96 |
| GDP BiH (billion DM) | 13,05 | 2,87 | 4,19 | 5,80 | 6,90 |

¹ UNDP, Reconstruction, Reform and Economic Management in Bosnia and Herzegovina, Vienna, January, 1997.

² Data taken from Economic Brief for Bosnia and Herzegovina, The World Bank, Resident Mission, November 18, 1998. Data for 1998 are estimates. It should be noted that the GDP data of the Statistics Bureau of the FBiH and the Statistics Bureau of the RS differ from the World Bank data and estimates. (See Diagrams 5-7 in Annex for further information).

Diagram 1. GDP flows in the BiH economy, 1991 and 1995 -1998



The major difference in GDP between FBiH and the RS was recorded in 1996 - 1997. During this period, the GDP in the FBiH was 55.0%, while in the RS it was 25%. During the period 1996 - 1997, however, the flow rate in the FBiH was 37.0% while in the RS it was 42%. Although they seem to be impressive, the GDP flow rates are not satisfactory in the sense that it would be difficult to maintain them due to the BiH economy structure, which is dominated by the basic energy branches that require huge investments in order to re-start full production. As for the RS economy structure, participation of the basic energy branches measured by their share in the GDP is 49% and even higher in FBiH. With the loss of the former Yugoslav market and without opening new markets, the possibilities for re-starting production are very small, with corresponding repercussions for the overall GDP flow rate.

INTER-ENTITY ECONOMIC DIFFERENCES

1.2. The economic situation in the FBiH is, on the whole, more favourable than in the RS. Table 2 shows the differences during the last four years.

The above table shows that in 1995, GDP per capita was 37.02% higher in the FBiH than in the RS. During 1996, which was the first peace implementation year, this difference increased to 70.27%; in 1997, it was 65.13%, and at the end of 1998, 63.64%. This narrowing of the gap reflects a take off in economic activity in the RS after 1997.

Data from Table 2 are graphically presented in Diagram 2. It clearly shows the growing difference between Entity GDPs per capita.

Other indicators, such as employment levels, also show that the economic situation in the FBiH is much better compared to the RS. At the end of 1998, according to official data, there were 407,000 employed persons in FBiH, while 249,000 persons were looking for a job (a ratio of 0.61). In the RS at the end of 1998, there were 202,000 employed persons and 143,000 persons (a ratio of 0.71) were registered at the Employment Bureau. However, in reality, far more people are looking for jobs both in the FBiH and the RS. Supposedly, not all of them are registered with the Employment Bureau because many of them do not expect to find a job nor do they believe that the economy is capable of providing jobs in the near future and, therefore, do not bother registering themselves with the Bureau. Therefore, it is realistic to assume that the real unemployment rate is several percent higher than the official one (for details, see chapter VIII). According to the World Bank estimates, this is particularly so in the RS because its statistical base is significantly weaker.

Wages and salaries are extremely low both in the FBiH and the RS. In June 1996, the average salary in FBiH was about 170 KM. It went up to 260 KM by the end of

Diagram 2. Differences between Entity GDP flows per capita, 1995-98

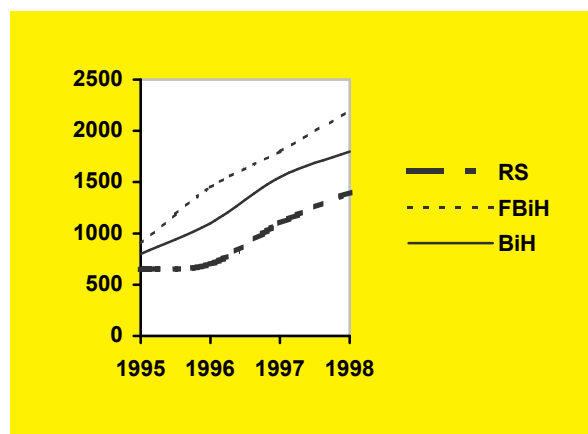


Table 2. Differences in GDP flows per capita, 1995-98³

| | 1995 | 1996 | 1997 | 1998 |
|---------------------------|------|------|------|------|
| RS GDP per capita in DM | 651 | 814 | 1153 | 1389 |
| FBiH GDP per capita in DM | 892 | 1386 | 1904 | 2273 |
| BiH GDP per capita in DM | 798 | 1164 | 1612 | 1917 |

³ Data taken from Economic Brief for Bosnia and Herzegovina, The World Bank, Resident Mission, November 18, 1998. Data for 1998 are estimates. Having in mind the above-mentioned discrepancies between data from the local statistics bureaus and those of the World Bank, it should be added here that the RS GDP per capita for 1997 (according to the Statistics Bureau of the RS) was 1166DM, while the FBiH GDP in 1997 was 1639DM per capita. The Statistics Bureaus of the RS and FBiH do not have estimates for 1998.

June 1997. Average salary growth continued in 1998, with the average salary growing to 299 KM in January and 352 KM in October 1998. In the RS, the average salary is much lower. In November 1996, it was about 70 DM and by the end of June it increased up to 76 DM. This growth continued in 1998 with the average salary increasing from 125 DM in February to 139 DM in August. The average RS salaries are only 40% of those in FBiH in 1998.

1.3. Existing inter-Entity disproportion, inefficient functioning of the institutions of BiH and the normal economic trends that were interrupted by the war are causing the lack of a real economic integration between the economy of the RS and the FBiH. Greater integration of the economies of the Entities into the economies of neighbouring countries could greatly slowdown the economic and social reconstruction of BiH.

FOREIGN TRADE PROSPECTS

1.4. BiH generates a large foreign trade deficit. In the past, BiH used to export approximately 80% of its products to the countries of former Yugoslavia as well as the eastern and western markets. For the industry of BiH, and that of the RS, the loss of the ex-USSR market and that of the eastern countries is very considerable, both from the standpoint of a market for final products and for acquiring materials required for production.

The domestic industry is faced with two problems: 1) reluctance by foreign investors to develop economic co-operation with BiH companies, and 2) the lack of skills of local managers in trading with developed countries. The war interrupted relations with companies from Croatia and Slovenia who used to buy BiH products and re-exported them to foreign markets. This problem is more acute in the RS than in the FBiH.

There is also the major problem of the level of competitiveness on the world market. BiH products are old-fashioned with poor design (except to some extent in furniture) and quality, and therefore are difficult to sell. Only a very small number of new products have been introduced in the last five years so that BiH local companies are unable to compete with their old-fashioned products. The question for them now is: "What to produce and how to sell it?"

Production costs in the BiH are relatively high. Gross salaries (net salary + taxes) represent a huge burden for costs despite the fact that net salary is low in absolute terms (at present, 352 DM per employee in the FBiH and 139 DM per employee in the RS). This is due to high taxes on the one hand and small production volumes on the other.

The situation concerning management is not good either. During the war a large number of experts left the country and the outflow is still continuing, albeit at a slow pace. Most of the managers got their jobs in state companies as political favours. Moreover, the vestiges

of the old socialist system are still present: a number of managers still expect the State to resolve their problems and take no initiatives to overcome problems their companies face.

Low capacity level, huge numbers of "waiting" employees and excessive numbers of employees as compared to the volume of production, are negative factors affecting productivity.

COMPARATIVE ADVANTAGES

1.5. Agriculture and cattle breeding, however, can bring competitive advantage at this stage of BiH development, especially if the target markets are Croatia and Slovenia which lack these products and have to import them now as they did before the war. The BiH economy stands to gain more in Croatia and Slovenia as compared to Yugoslavia. The opportunity should be seized to capture the former Yugoslav market.

Before the war, civil engineering was a major advantage for the BiH economy because of the monetary returns from construction work carried out abroad (Islamic countries of the Middle East as well as ex-USSR). This was a result of developed civil engineering but catching up now after a gap of several years would not be easy.

The textile and footwear industries are in a similar situation. The Former Soviet Union used to be the main market before the war. This market is definitely lost. The industry does not have adequate models and designs so it can survive only by accepting the so-called "hire jobs", i.e., foreign companies provide the models, fabric and market, and local companies undertake the assembly of garments and shoes.

SUPPORT FOR THE RECONSTRUCTION OF THE INDUSTRIAL SECTOR

1.6. Considerable financial support is required for reconstruction of the industrial sector in BiH. It is necessary for three main purposes:

- a) Funds need to be allocated for necessary technical reconstruction as well as replacement of old, damaged equipment of the existing factories in order to prepare them for production.
- b) Funds are also needed for working capital for the existing companies. During the war financial reserves were exhausted so that now companies have no funds to re-start production.
- c) Finally, funds need to be invested in new capacities and skills.

INVESTMENT IN INFRASTRUCTURE

1.7. Investments in infrastructure and utility facilities should be encouraged, e.g., telecommunications which is lagging behind technical standards in developed countries. Progress is being made in the FBiH but the RS con-

ventional telephone system is sub-standard while, unlike the FBiH, there is no mobile telephone system. Electric power supply in the BiH industry is good, and in the next few years BiH will have surplus electric power. No investments are therefore needed for the construction of new facilities for power production. The western part of the RS has minor problems but these are being resolved through improved inter-Entity co-operation.

1.8. The formation of a stable and sustainable financial sector is one of the preconditions for the rehabilitation of the BiH industry. Existing banks are not capable of financing industrial investments. This is a handicap for economic development and for generating employment. BiH banks do not have permanent capital sources sufficient for long-term financing of the economy. Financial reconstruction and privatisation of banks would serve as a valuable incentive for rehabilitation and development of the industrial sector in BiH.

1.9. BiH industry has, at present, a serious problem of inadequate skills at the level of company management. Education and training of management staff are urgently required. The donor community and international governmental and non-governmental organisations could play a useful role in the context of the ongoing local capacity-building activities.

2. GREY ECONOMY

2.1. The grey economy is a dominant feature of economies in transition and under economic stress. Research was carried out in the RS on the scale of grey economy with respect to GDP and economic activities.⁴ No similar research has been done in the FBiH. It seems that the influence of the grey economy is less in the FBiH than in the RS. Different mathematical models were used in the research which showed that the level of grey economy in relation to GDP ranges from 56.3% to 67.5% depending on the model. If work at home is included in the analysis, the percentage of grey economy declines to 36% according to the first or 40.3% according to the second model.

2.2. The grey economy is usually considered a negative phenomenon covering only that part of the economy where people avoid taxes and generate huge profits at the expense of the State and society. Undoubtedly, the grey economy is neither a sound basis for national economic growth nor for development of a stable market serving the interests of the country or the general public. Its impact on both can be extremely great if it is allowed to dominate the major part of economy.

However, grey economy has another aspect which is not altogether negative. In post-conflict societies, recovering from the ravages of war, the grey economy is helpful during the transition to stability when the population is suffering from a low level of economic

activities, large-scale unemployment, low salaries and when the State is unable to provide basic health care, education and social protection. People take things into their hands to make ends meet - in other words, it is an important element of their strategy.

Another positive aspect of grey economy is evident in different forms of initiatives and entrepreneurship that develop because of it. After a long period of strict socialist control, grey economy helps develop a taste for private initiative. Even in today's developed countries some of the highly successful companies began on the basis of grey economy.

Grey economy also introduces greater variety into the market. People convinced themselves of this during the war. If everything had been left to the State, especially during the period of sanctions, a lot of goods would not have been available to consumers. In addition, high competitiveness helps reduce the prices. The level of supply monopolism is lowered by the grey economy.

2.3. The above considerations are neither a justification nor supporting arguments for the maintenance or promotion of the grey economy. Rather, they help understand the perpetuation of the phenomenon. In the post-socialist and post-conflict societies, two approaches for resolving the problem of the grey economy are possible:

- activities to legalise the grey economy;
- activities to eliminate the grey economy.

Each of the two approaches has its own specific mechanism. However, it is possible very often to have one mechanism simultaneously playing both roles and leading towards elimination as well as legalisation of the grey economy and its complete absorption into legal economic activities of society.

2.3.1. There is no shortcut to the elimination of the grey economy, nor should there be harsh measures which cause hardship and generate socio-political unrest. While firm steps should be taken to curb certain activities, (e.g. smuggling of drugs and weapons), the general approach to stabilisation of economic activity and decreasing the role of grey economy should be a gradual one. It should be a phased strategy based on the development of rules and regulations and their smooth implementation on the basis of a simplification of the economic system; adjustment of economic policy and promotion of economic and social environment conducive to legal activities.

2.3.2. An important step towards legalisation of the grey economy would be the reform of sales tax. As in the majority of developed countries, preparations need to be made to introduce value added tax and to eliminate sales tax as the main tax mechanism.

With respect to foreign trade, it is necessary to urgently remove all the current administrative and bureau-

⁴ UNDP, *Analysis of the Grey Economy in Republika Srpska*, March, 1998.

cratic problems, vestiges of the old socialist approach. A few selected individuals, in co-operation with State officials, have a monopoly on import and export of a number of profitable goods. When the foreign currency market is not functional and administrative decisions are considered more important than competitive economic conditions for the purchase of goods, an ideal situation is created for development of grey economy in the area of foreign trade.

The banking system has to create conditions for granting credits to all those who want to start a private business. The BiH banks should be enabled to grant loans and their balance sheets freed from outstanding debts and unreliable credit sources. Efficient management, familiar with modern banking and trading, should replace the symbiosis between bank management and State companies created on the basis of political criteria.

2.3.3. In the Socialist system, employment was considered a lifelong right which became an impediment to efficient use of labour as a factor of production and creativity. Because of this tradition, the private sector hesitates to employ workers officially and prefers to recruit them in the grey economy. Furthermore, faced with rigid legal regulations, private entrepreneurs do not want to employ workers for full-time jobs. Instead, they do not register them in order to avoid taxes and contributions. Few are registered with competent State institutions but they only receive minimum salary and the balance needed for their survival is provided from different hidden sources without payment of taxes and contributions. More favourable conditions coupled with the liberalisation of labour relations would be necessary to eliminate mechanisms that nurture the grey economy.

2.3.4. The most important measures concerning economic policy need be taken in the area of fiscal policy. Burdened with large public expenditures and continuity of extended social rights of population, the FBiH and the RS introduced enormous taxes that encourage grey economy. Taxes and contributions for salaries during the war were almost 140% on net salary, and presently they are about 80%. This means that labour, as a factor of production in both Entities, is very expensive. This is an extremely irrational approach under the current conditions of low production, resulting, on the one hand, in a high rate of unemployment and in illegal work within grey economy on the other. Lower taxes would be the way to make labour cheaper, to eliminate reasons for the existence of grey economy and to increase employment and productivity.

This does not mean that Entities should give up income generation through labour taxation. However, this

income should be generated through citizens' income tax, which has been completely neglected so far. This taxation is hardly included in the budget income at present despite the fact that in developed countries it constitutes the most important part of the budget income.

2.3.5. In the post-war period, government institutions and the formal economy often operate on the brink of grey economy. It is important to develop transparency and clear financial relations.

Great importance must be attached to adequate measures in the area of financial discipline. This, first and foremost, concerns strengthening of mechanisms of control and honest performance of duties by State officials. Fraud in the field of customs can be explained only by corruption and violation of regulations. Likewise, institutions in charge of the collection of taxes must be exempted from the influence of municipal organs. The Entity monitoring bodies should be subject to democratic supervision. All these measures would lead to an overall improvement of the economic situation which, in the final analysis, is the best remedy for the grey economy.

3. PUBLIC SERVICES AND SOCIAL SECURITY EXPENDITURE

3.1. Before the war almost the entire population was socially secure through an extensive system of pension-invalid insurance, child protection, social protection of the most vulnerable groups of the population and the right to free education. At the same time, there was a wide inefficient network of public services institutions. These were spread through the country on the basis of the local interests of some influential groups rather than of the objective needs of the population. The cost increased in the development of the public services was disproportionate to the level of economic development.

3.2. Unlike pre-war conditions with the high level of social security, war and its consequences brought the population into a state of total uncertainty, particularly because of the high rate of unemployment. The needs increased while the means to satisfy them decreased. Public funds are scarce while people either have no income because of unemployment or have income which is hardly sufficient to satisfy basic needs such as food, clothes and housing. Many public service facilities are destroyed or damaged. Above all, one of the consequences of war is scarcity of quality personnel whose skills, experience and knowledge are the guarantee of the quality of service.

Table 3. Public Services Expenditure in BiH - % share in GDP and per capita (PC) in 1990 & 1997⁵

| Public Service | 1990 BiH | | 1997. | | | |
|--------------------------|-------------|--------|-------------------|--------|------|--------|
| | %GDP | PC/USD | RS | | FBiH | |
| | | | %GDP | PC/USD | %GDP | PC/USD |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Education and Science | 6.5 | 156 | 6.4 | 43 | 6.2 | 75 |
| 2. Culture and Arts | 1.4 | 34 | 1.4 | 9 | 3.3 | 38 |
| 3. Health protection | 7.0 | 168 | 10.9 | 72 | 5.7 | 68 |
| 4. Social protection | 0.8 | 22 | 1.4 | 9 | 1.3 | 15 |
| 5. Total: (1-4) | 15.8 | 380 | 20.0 | 133 | 16.5 | 196 |
| 6. Public Administration | 5.7 | 137 | 10.0 ⁶ | 67 | 13.4 | 160 |
| 7. Total: (5+6) | 21.5 | 517 | 30.0 | 200 | 29.9 | 356 |
| 8. Pension insurance | 13.4 | 321 | 8.0 | 53 | 8.1 | 96 |
| 9. All together (7+8) | 34.9 | 838 | 38.0 | 253 | 38.0 | 452 |

Table 3 (continued). Public Services Expenditure (%GDP & PC) in BiH, 1997

| Public service | BiH - 1997. | | | |
|--------------------------|-------------|--------|-------------|-------|
| | %GDP | PC/USD | INDEX 97/90 | |
| | | | 8 / 2 | 9 / 3 |
| 1 | 8 | 9 | 10 | 11 |
| 1. Education and science | 6,2 | 62 | 96,2 | 39,7 |
| 2. Culture and art | 2,8 | 27 | 200,0 | 79,4 |
| 3. Health protection | 7,1 | 70 | 101,4 | 41,7 |
| 4. Social protection | 1,3 | 13 | 144,4 | 59,0 |
| 5. Total: (1 -4) | 17,4 | 172 | 110,1 | 45,3 |
| 6. Public administration | 12,5 | 124 | 219,3 | 90,5 |
| 7. Total: (5+6) | 29,9 | 296 | 139,1 | 57,2 |
| 8. Pension insurance | 8,1 | 80 | 60,4 | 24,9 |
| 9. All together (7 + 8) | 38,0 | 376 | 108,9 | 44,9 |

3.3. In the post-war period, both Entities have kept their policy of extensive rights for the satisfaction of basic needs ranging from education and health care to overall social protection. That has involved high percentage expenditure: higher in the RS by 4.2% points and in FBiH by 0.7% points than in 1990. The percentage increased in all public services except in education and science. Expenditure for public administration increased more than 2.2 times to the detriment of pen-

sions whose participation in domestic product went down from 13.4% in 1990 to 8.1% in 1997. However, since GDP per capita also decreased by 40% as compared to 1990, the absolute amount of resources available for these purposes is extremely low. Except for public administration needs, only one third of the level of these needs could be satisfied as compared to 1990. The public services expenditure (Table 3) includes a part of humanitarian aid. In the RS, the aid funds

5 Source: SA BiH, 84 & 91., Statistical Overview 3/98, Statistics Bureau of the RS data about the results of transactions in economy and public activities during 1997, and according to the balance of accounts for the period from January-June 1998., Development Bank AD, Banjaluka, August, 1998. Guide for the report concerning social development, with additions, Institute for Statistics of BiH, Sarajevo, June 1998, monthly statistics review 3/98, Republic Institute for Statistics of the RS, Banjaluka, 1998.

6 Estimates on the basis of available data.

amounted to 25% of the shown expenditures. This situation is similar in the FBiH. For example, in the case of health care, humanitarian aid contributed was 85.3% during the period 1992-96.⁷ In 1997, the contributions

of international humanitarian aid in the health sector amounted to 50%. (See Table 33 in Annex for further information).

Table 4. Social insurance indicators in BiH and changes from 1990 to 1997⁸

| Description | 1990 BiH | 1997 | | | Index 1997/90 (5/2) |
|--|-------------|-------|-------|-------|---------------------------|
| | | RS | FBiH | BiH | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Health insurance | | | | | |
| • total: insured persons-workers ⁹ | 100,0 | 100,0 | 100,0 | 100,0 | - |
| • active insured persons | 36,7 | 21,5 | 20,8 | 21,1 | 68,0 |
| • retired | 12,0 | 14,2 | 13,3 | 13,7 | 114,2 |
| • unemployed | 4,7 | 12,8 | 12,4 | 12,5 | 266,0 |
| • family members | 46,6 | 51,4 | 53,5 | 52,7 | 113,1 |
| 2. Health insurance expenditures per insured person (USD) | 240 | 44 | 128,0 | 96,0 | 40,0 |
| 3. Pension – invalidity insurance | | | | | |
| • average pension – monthly USD | 221 | 40 | 74 | 60 | 27,1 |
| • number of pensions required to cover monthly food and drink expenses (requirements for a 4 member family) | 0,88 | 8 | 4 | 5,5 | 625,0 |
| 4. Social and invalidity protection | | | | | |
| • number of social protection beneficiaries (per 1000 individuals) | 1,0 | 43,8 | 63,8 | 56,1 | 561,0 |
| • number of invalids and civilian war victims (per 1000 individuals) | - | 26,6 | 13,6 | 18,6 | - |

3.3.1. Changes in the structure of insured persons have given rise to a very difficult situation for the funds for social insurance.¹⁰ Participation of working people, bearers of insurance and taxpayers has decreased almost by half as compared to 1990 (19.8% to 36.7%), while supporting categories (registered unemployed, members of family and retired persons) have grown. The growing negative changes in working insurance are illustrated in Diagram 3.

Taking into consideration the hidden unemployment (workers on hold - 20% of the total number of the employed), the ratio of active and supported persons is 1:6.

3.4. Allocation for health insurance directed through insurance funds amounted annually to 96 USD per insured person. That is only 40% of the amount before the war, and it is provided by charging more from the workers' salary and employers' income than in 1990.¹¹

7 Professor A.Smajkić: *Health, humanitarian aid during war and post-war reconstruction*, ANU BiH and IBHI, Round Table, "New International Humanitarian Order - Humanitarian Practice in BiH", Sarajevo, 19 - 20. December 1996.

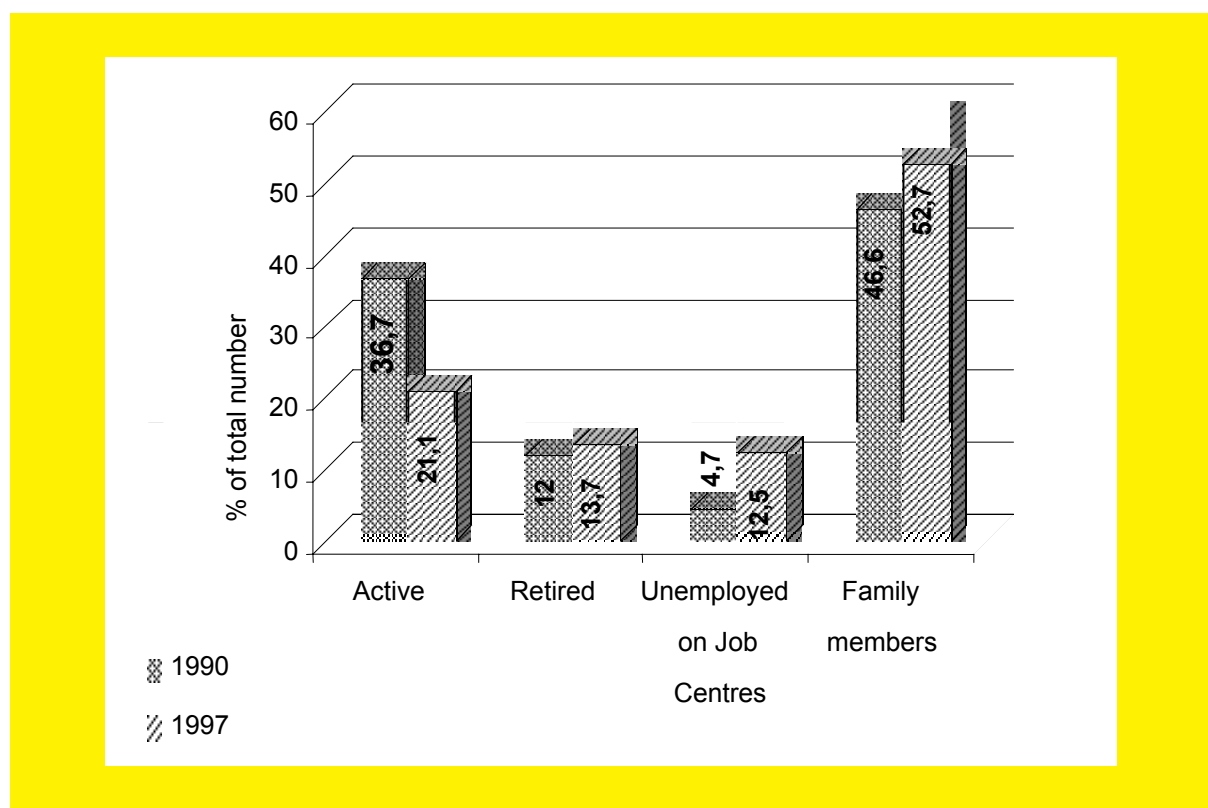
8 Used data from: SA BiH 91, pgs.114-145, 281-283; Monthly statistical overview March 98, Republic Statistic Service RS, Banjaluka; Study, *Transition of the Policy and System of Social Protection*, both parts covering the FBiH and the RS, IBHI, Sarajevo, September 1998; Data of Public Fund for Health Insurance of the RS for 1997.

9 Only the structure of those insured in work related insurance is given because there were no significant changes in this period for farmers' insurance. Participation of farmers in the total number of insured persons was 17.9% in 1990, and 19.1% in 1997.

10 In the RS territory there is one fund in Banjaluka, and in FBiH two funds in Sarajevo and Mostar.

11 For every 100 USD of the net salary, 55 USD go to taxes in RS, and 81 USD in FBiH to satisfy mutual needs, including health and insurance needs.

Diagram 3. Changes in the structure of insured persons (1990 - 1997)



Health insurance conditions impact both the work and financial dealing of the health institutions which, even with considerable humanitarian aid, are managing with losses. Financial deficit of public services was almost regular even before the war because of irrational organisation and development of services which did not correspond to the level of economic development. After the war, that inherited disharmony has become even greater due to the difficult economic situation and destitution of the society.

3.5. The system of public services is somehow functioning, in part thanks to humanitarian aid and the low incomes of workers. Average monthly salary in the RS for 1997 in education and culture was 70 USD while in health and social protection it was 83 USD.

Other forms of social needs (social protection of vulnerable groups, invalids, retirees) present an equally grim picture of the state of social security of citizens in BiH. Nonetheless, both Entities continue trying to maintain equality of its citizens in accordance with their inherited right from the previous period.

3.5.1. The transition to a market economy and problems will further impact the social sphere. The State must foresee these problems and offer appropriate programmes for the alleviation of social tensions by providing a minimum of social protection. This is necessary for attracting foreign capital which is necessary for economic development but which keeps its distance if a country is threatened by serious social discontentment.

3.5.2. Recovery and development of economy is a prerequisite for improvement of the existing situation in the social sphere. Likewise, it is necessary to establish and define a minimum of social standards for the satisfaction of needs, with due regard to the principle of solidarity. Additional needs and services beyond the minimum standard should be satisfied through the market mechanism or personal resources of citizens.

3.5.3. In addition to more rational organisation of public service institutions and greater participation by the private sector as well as the general public, it is desirable to reverse the urban migration. Conditions should be created and incentives provided for the rural populations to stay or return to the countryside so that the pressure on cities to share scarce resources and jobs is alleviated.

4. ECONOMIC RECONSTRUCTION PROGRAMMES AND INTERNATIONAL SUPPORT

4.1. With the advent of peace, the large-scale emergency assistance is being phased out in favour of economic reconstruction and developmental activities. The most active are The World Bank, the European Commission and a great number of bilateral donors including, in particular, US (USAID) as well as other non-governmental organisations. In addition, a number of countries which received BiH refugees are contributing to the reconstruction effort in the context of the return and rehabilitation processes.

Among the international institution, the World Bank has taken the lead role in economic reconstruction of the country. In addition to its own resources, many donors have made available to the World Bank the funds allocated by them for reconstruction of BiH. Soon after the GFAP was signed the World Bank launched a reconstruction program for BiH worth USD 5.1 billion. Of this amount, USD 3.7 billion was intended for the FBiH and USD 1.4 billion for the RS. During the first two years, due to problems with the RS government, almost 95% of the funds made available by the Bank were spent in the FBiH, and only 5% in the RS. This ratio becomes even less favourable for the RS if one adds aid provided by non-governmental organisations and bilateral donors. After the new government took over in the RS in January 1998, the situation changed. According to the current estimates, the RS participation is about 20%, which is better than before, but still far below the projected levels.

The unbalanced distribution of funds resulted in unequal economic development, adding to tension between the two Entities. Lack of resources and consequently slow socio-economic progress is bound to cause frustration among people and the leaders. If peace is to be consolidated, efforts should be made to promote communal harmony and economic interdependence between the community.

4.2. Up to September 1998, projects worth USD 638.8 million¹² (of which USD 249.4 million were allocated by The World Bank, and the rest were funds of other donors entrusted to The World Bank) had been implemented. Apart from the completed projects, an additional 24 projects costing USD 1,738,000 were implemented. Of these, 14 projects were related to the FBiH and the RS, 2 were for the RS and 8 were for the FBiH.

The World Bank allocations represent huge investments in infrastructure. This corresponds to The World Bank concept applied elsewhere in the world - assistance is provided through investments in the infrastructure in order to make the country attractive for investors and to attract private capital for production. There is,

however a lack of funds necessary for restarting economic activities. At the same time, without privatisation, it is not possible for the banks to provide commercial loans in order to support companies.

Apart from The World Bank the contribution of other multinational and bilateral donors has been significant. USAID had allocated USD 524 million by 1998. It was planned to allocate another \$200 million in 1998 in order to implement the planned programmes.

4.3. According to the World Bank, the realisation of the economic reconstruction programme is very successful. Independent analysts are much more cautious concerning the dynamics of the programme. The best part of the programme definitely concerns the criteria for distributing resources that directly support the transition of the BiH economy, i.e. privatisation, the development of small and medium sized companies and sustainable development.

5. RECENT ECONOMIC TRENDS

5.1. According to the available data, the BiH economy is beginning to gather momentum, as shown by higher GDP per capita. However, it is still significantly below the pre-war level when it was USD 2,398 per capita: the current level for the FBiH is about USD 1,200 and USD 850 per capita for the RS.

If GDP per capita level goes up by 10% annually, the FBiH would need another seven years to reach the 1990 level. Thus GDP per capita at the end of 2005 would be about USD 2,340. This growth rate is rather ambitious since the level of international aid in the coming years, as the main source of funds for the BiH economy, will be lower than it was in the first three years after the war. Additionally, the population will increase in the FBiH due to the return of refugees in addition to the natural growth of the population.

As for the RS, on the basis of the present level of USD 850 and assuming an annual growth rate of 10%, the pre-war level will be reached only by the end of 2008. Furthermore, the 10% growth rate is even less probable

Table 5. Data about project implementation as at September 30, 1998

| Contracts | WB funds | Funds administrated by the WB | Total |
|----------------------------|--------------|-------------------------------|---------------|
| Completed | 249,4 | 378,0 | 638,8 |
| Signed | 44,2 | 62,8 | 137,8 |
| in the course of tendering | 18,4 | 50,9 | 148,6 |
| to be tendered | 59,4 | 83,0 | 361,9 |
| empty funding | 0,0 | 0,0 | 269,5 |
| support to budget | 162,0 | 182,0 | 182,0 |
| TOTAL | 533,4 | 756,7 | 1738,6 |

¹² Data based on the World Bank publication, *Bosnia and Herzegovina: Priority Reconstruction Projects - latest report*, October 1998.

in the RS than in the FBiH due to a low level of international financial support.

Direct foreign investments and influx of capital can be the only reliable source of the GDP per capita growth. This is why BiH as a whole has to make greater efforts in order for the country to be more attractive for investments. This involves a clearer picture of the future and a more stable political and economic system.

5.2. Unemployment is one of the biggest problems that the BiH economy is facing at present. Assuming that the rate of employment would increase by 5%, the number of employees in FBiH will increase from 407,000 to 560,000 in a period of seven years which will reduce unemployment to an acceptable level. In the RS with the same level of increase, the number of employees will increase from 202,000 to 310,000 in nine years. However, the growth rate of 5% is possible only with major investments, which are not in sight. It is, therefore, realistic to believe that this rate will not be achieved and that unemployment will remain a major problem in the RS.

5.3. One of the biggest problems of the BiH economy is the high trade deficit, caused by a much higher level of import of goods and services than exports. Reducing this deficit is of crucial importance to the BiH economy, and with required concerted efforts to stimulate exports and attract long term capital to invest in the future productive capacity of BiH.

5.4. All this leads to the conclusion that BiH will be facing serious economic problems in the coming years. The presence of the international community and its financial support seem to have relaxed the State institutions and moved the focus of their interest from economic to political problems. Lack of response to economic problems as well as the passivity of local authorities in this respect might seriously jeopardise peace and stability and impact negatively the implementation of the GFAP.

6. SOCIAL AND ECONOMIC CHALLENGES OF THE POST-WAR TRANSITION

6.1. There is a general consensus that the FBiH and the RS should be developed as a "multi-ethnic" society with a multi-party democracy and a free market economy. However, building a sustainable socio-economic and political system on the basis of this consensus is not an easy task. Unfortunately, there is no consensus on the need to build such a system expeditiously or, indeed, even on the pre-requisites and dynamics of it. However, there are, of course, political, economic and systemic limitations to the moving forward quickly.

6.2. Political limitations are the most obvious. They are related to the political framework within which BiH should function as a whole. The inherent difficulties have not yet been overcome but political tensions have been gradually decreasing. That is a good beginning.

However, it is still not clear to all as to what kind of state BiH is going to be and whether its system of governance will stand the test of time.

BiH and its two Entities do not differ very much from other transition countries that have expressed a readiness to develop political systems based on the principles of western democracy and to enter the European integration process and free market economy. However, political reforms have not been truly accepted. All the political parties support these reforms, but in practice they tend to apply old methods.

Another problem of the transition process is the complexity of macro-economic management in the BiH context. There are numerous problems that the BiH institutions are facing, including in particular, the Council of Ministers at the State level. These institutions have few effective tools to formulate and implement an appropriate economic policy and which cover both Entities.

6.3. There are also several economic-systemic limitations. The most important ones are reflected in the inertia of the self-managing socialist system that is still present in the local economy. There are few laws in force that would pass the test in the developed economic systems. Consequently, the new system in BiH is going to be developed on the basis of changes of law. This will take time and prolong the period of transition.

Once the transition model of privatisation is fully defined in legal terms, it would be necessary to accelerate the process of implementation. However, the international financial support has hitherto been allocated almost entirely to infrastructure and there have been only small investments in economic activities. One of the reasons for this is the existence of State property that international financial institutions do not want to support. Therefore, there is no economic alternative to privatisation. The main problem is that political parties build their political power and influence on the basis of State ownership creating political resistance to privatisation.

The concept of an enterprise must be quickly adjusted to the model existing in the developed market economies. Economic development through State enterprises is a relic of the past. Understandably, the resistance of managers in the State companies is going to be strong since their present position allows them to have the State as a protector.

The fiercest and longest resistance to the proposed can be expected from those not involved in the economic field, unfamiliar with modern economics and still afflicted with old thinking and outdated methods of work and governance. They will be supported by the present social conditions and the impoverished population including a huge number of refugees and displaced persons. Hardly recovered from the trauma of war, nostalgic of the past, fearful of the unknown and appre-

hensive of the future, many BiH citizens, notably the older ones, eye the reforms process with suspicion.

6.4. The role of the State should be limited to the macro-level and to the essential in the economic field. At present, the State is generally directly present in all affairs, e.g. State property of enterprises and their economic activities, its influence on banking credit operations, different licenses, and quotas used to limit trade and investments, etc. This is a consequence of the socialist system which has been officially rejected but, in practice, still exists deep in the concepts and way of thinking not only of citizens but also of the State and Entity administrations.

In view of all the factors mentioned above, it is already evident that the transition period cannot be a short one. This should not lead, however, to pessimism. Greater tenacity and perseverance are called for to implement changes on the basis of a broad public consensus. Only those countries that have previously reached consensus on the character of the political and economic system are successful today.

6.5. Disagreement over the central State and Entity responsibilities will persist for sometime. Entity authorities will expect that sovereignty is kept at the Entity level and that State sovereignty is limited, while central authorities will demand that sovereignty is kept at the central level. This could be a constant source of tension and conflict, jeopardising the consolidation of peace and stability. True stability and peace in BiH as a union of two Entities, may be achieved through association with and eventual membership of the Union and when it is compelled to accept the Union's standards of behaviour. For the sake of peace, the European Union must give a chance to BiH but the latter must first deserve it and know how to use it. To begin with, political and economic reforms must not be delayed and EU criteria must be urgently accepted in all areas. This

calls for vision and far-sightedness on the part of the public and policy-makers alike.

7. CONCLUSIONS

7.1. At the macro-level, the success of the transition to a market economy will dictate the future bi-lateral and regional role to be played by the State of BiH. At the micro-level, economic reform is the most sustainable form of progress for the people. The international community and, in particular, the financial institutions must realise that whilst investment entails risk at this stage, it is essential for economic development which in turn is essential for the consolidation of peace.

7.2. The foundation for the transformation to a free-market economy must be laid with the privatisation of banks and enterprises. The slow pace of privatisation is symptomatic of conceptual as well as practical problems. The eradication of bureaucratic constraints, the development of financial incentives and relief for the privatised business and industrial sector should guide the policy of the State and the Privatisation Monitoring Commission.

7.3. The gradual erosion and eventual dissolution of the grey economy must be accompanied by transparency of financial institutions and the need to safeguard the financial needs of the individual. The regulatory vacuum must be filled. Taxation, particularly income tax and the taxation of small enterprises, must be relaxed and financial and bureaucratic barriers to small business initiatives should be eliminated and replaced by liberal incentives.

7.4. European economic integration must be a guiding force for central and Entity economic policies. This entails long-term economic planning. The existing institutional structures must be adjusted, and new ones formed, in accordance with relevant EU practice and standards.

POVERTY TRENDS & SOCIAL PROTECTION

“The function of the true State is to impose the minimum restrictions and safeguard the maximum liberties of the people, and it never regards the person as a thing.”

Immanuel Kant, 1788

INTRODUCTION

This chapter analyses impoverishment trends before the war, the humanitarian crisis and the appearance of new vulnerable groups such as displaced persons during the war and poverty trends after the war. It has been estimated that 60% of the population of BiH was in a state of poverty in 1998.

The infrastructure of the existing system of social protection provide a good foundation for its transition. It suits the challenges of the extremely difficult social situation as it develops into a market economy and civil society. At the same time, it is necessary to redefine the policies of international assistance by paying more attention to social reconstruction and targeting donations to the support of the transition and development of a sustainable local system of social protection. This would be more efficient and economical than the classical forms of humanitarian assistance.

1. SIGNIFICANT SOCIAL TRENDS IN PRE-WAR BIH

1.1. The impoverishment of Bosnia and Herzegovina's (BiH's) population started on a steady downward path in the second half of the 1980s. This was at a time when the reform of the economic system had begun at the level of the former-Yugoslavia encouraged development of more economic businesses in the “social sector of production” in a contemporary free-market basis. The reforms required that market based companies no longer needed to make contributions for so-called “general social needs”. Furthermore, the network of State supported institutions that had acted as a millstone to economic growth were to be brought into their true economic potential.

While these measures achieved noticeable economic gains for companies, in the field of social security they

caused a major disruption. Two social phenomena developed that had until that time been concealed - namely unemployment of and social exclusion¹ amongst the working-age population.

1.2. At the beginning of the 1990s with the introduction of the pluralistic political system, the process of reform was halted without preparation of a contingency process. The reverberations spread throughout the socio-economic sector.

A number of institutions engaged in the self-managing of public funds (SIZ), until that time the basic organised form of financing of public services were transformed into Public Funds covering, *inter alia*, pension-invalid insurance, health care, education, social and child protection. Many of the beneficiaries of the former system, as well as some of the beneficiaries of the newly-formed public funds, found themselves excluded due to the reduction of and stricter criteria for access to social protection.

Concomitantly, the beneficiaries of financial social benefits (including sick-leave pay, unemployment allowances, basic pensions and other forms of relief) began to suffer because their financial assistance hinged upon a guaranteed personal income with proportions ranging from 30% to 70% which was no longer guaranteed. Moreover, the inability of municipalities and the State to cover the losses of failing companies exacerbated the problem of unemployment and brought about a rapid fall in salaries in many economic branches and in the public sector.

The transferral of the burden of social protection to public funds and the State did not therefore turn out to be financially viable in terms of maintaining levels of coverage with the decline in employment and salaries, contributions to public funds and taxes. This together caused a reduction in available revenue, which fell far

¹ A socially excluded person, in this sense, is a person who is able to work and who receives certain benefits, for instance material benefits during the time of unemployment (as technological surplus) or compensation during the time as a “waiting worker”, which is insufficient to satisfy basic personal and family needs.

below what was necessary for maintaining the basic level of social protection. Consequently within this transition, the shift from social exclusion into a state of relative impoverishment was more evident.

1.3. In 1991, approximately 10% of the population of BiH was socially vulnerable and had certain supplements to their regular income.

Unemployment benefits depended on the duration of investments, and was allocated on the basis of “means testing”. One third of pensioners, in addition to their pensions, were entitled to a protection supplement which helped to maintain “some kind” of basic standard. More than 13,000 invalid pensioners received a supplement for being cared for by someone else or if they had a high degree of invalidity. Pensioners living in Homes for the Elderly were entitled to the difference between the pension and the monthly cost of the home.

The previous social protection system preferred institutionalised protection, exemplified through large dehumanising institutions for orphans, children with physical or mental development problems and old persons living alone. This form of protection was much more expensive than by placing persons in other families. Nevertheless, the latter form of protection was not developed (although a legal foundation for it existed) because it involved the search for and the preparation and education of families that would carry out these tasks with compassion and humanity. The non-governmental sector was not developed nor did it have a legal foundation to operate in the field of social protection, thus there was no competition for the expensive State organised institutional protection system.

Except for these groups of the population that we have put in the excluded category, we did not take into account other categories, such as the elderly and old households living in villages. These groups did not have social insurance and who therefore depend exclusively on family solidarity, which was not always active.

2. THE SOCIAL SITUATION DURING THE WAR

2.1. During the war approximately the entire population became dependent on international humanitarian assistance for their survival. Economic production stopped, except for those companies producing necessary materials for the army and some basic food production. Banking operations came to a halt, private savings became inaccessible and individual family savings were soon exhausted through buying the remaining products, mostly food, at inflated prices. The result was that more than 70% of the population of BiH was in a state of absolute social vulnerability and simply dependent on humanitarian aid for their survival.

2.2. The remaining workforce, within some parts of the economy, utility services, essential health care, social and educational institutions, were paid “in kind”, often in the form of food. Existing financial social benefits, pensions, invalid benefits, permanent social assistance and income from abroad, all ceased to function. With the increasing scarcity of resources it was impossible to compensate these citizens in other ways, thus leaving them to “fend for themselves”. The seriousness and complexity of this situation was aggravated by the magnitude of the number of refugees and displaced persons, particularly those moving from rural to urban areas, the engagement of the working-age population in the military, the huge loss of life and the many military war invalids and civilian war victims.

2.3. During the war the socio-economic infrastructure including social facilities, schools, hospitals, social institutions and in particular, housing was destroyed. It is estimated that more than 70% of all housing units were seriously damaged or destroyed in some towns in the Federation of Bosnia and Herzegovina (FBiH) creating a problem of accommodation for refugees and displaced persons. Living conditions were also severely affected by electricity shortages, failing hygiene and sanitation needs and irregular and insufficient humani-

Table 6. Indicators of social exclusion before the war

| Description | 1991 Census ² | Excluded ³ |
|---------------------------------------|--------------------------|-----------------------|
| Population | 4,377,033 | 426,036 |
| Employed | 976,400 | 105,000 |
| Unemployed in BiH | 308,306 | 103,000 |
| Invalid Pensioners | 128,356 | 58,182 |
| Old-Age Pensioners | 161,965 | 6,295 |
| Family Pensioners | 117,799 | 29,082 |
| Children in Social Institutions | | 2,910 |
| Adults in Social Institutions | | 1,567 |
| Permanent Social Relief Beneficiaries | | 120,000 |

² According to the 1992 BiH Statistical Almanac.

³ People whose salaries/pensions are insufficient and who therefore have a special supplement are considered excluded.

tarian assistance in the form of food, clothing and footwear.

Displaced persons and returning refugees in BiH represent a new vulnerable group that developed during the war. With regard to displaced persons, they have generally not regularised their right to permanent financial social relief, except for minimal humanitarian aid regulated by strict World Food Programme (WFP) criteria. Accommodation conditions in the remaining collective centres, transit centres and the conditions for those people who are temporarily accommodated in other people's apartments are still very bad. These people feel a sense of exclusion and are poor in relation to the socio-economic conditions. Moreover, only 1.95% of displaced persons in the FBiH are officially employed.

3. SOCIAL MARGINALISATION AFTER THE WAR

3.1. Due to a lack of detailed socio-economic statistics, at the Entity level, it is impossible to precisely establish the social situation in BiH. In addition, the statistical bureaus for the two Entities have been unable to pro-

vide many of the necessary indicators, making comparison between important segments extremely difficult. Proposals for a "mini census" of the population have been made on several occasions, but have not yet been put into practice. A census of this nature would be particularly apposite for understanding socio-economic and demographic changes in BiH caused by the war.

3.2. Impoverishment indicators at the end of 1998

3.2.1. The data in Table 7 shows a very unfavourable social situation with a large proportion of the population of BiH being impoverished. It also shows that a considerable number live without financial income and on very meagre levels of humanitarian aid.

Of the total number of people, 58% in the FBiH are in a state of poverty, whilst the figure for the Republika Srpska (RS) is 64%. It is necessary to give this population, using an objective "means" threshold, or by establishing a State/Entity poverty line, certain forms of social protection. These measures should be differentiated in order to prevent excessive dependency, particularly amongst the working-age section of the population.

Table 7. Impoverishment indicators

| Description | 1997/98 | | Exclusion | |
|-------------------------------------|----------------------|----------------------|----------------------|---------------------|
| | FBiH | RS | FBiH | RS |
| Population | 2,250,000 | 1,391,593 | 1,298,840 | 890,168 |
| Employed | 406,829 ⁴ | 202,000 ⁵ | 102,220 ⁶ | 60,148 ⁷ |
| Balance Between Workers/Act. Pop. % | 18.08% | 14.51% | | |
| Unemployed | 248,912 | 142,913 | 248,912 | 142,913 |
| Waiting workers | 70,188 | 45,000 | 70,188 | 45,000 |
| Pensioners | 255,166 ⁸ | 159,200 | 112,520 | 111,440 |
| Social Protection Beneficiaries | 135,000 | 61,082 | 135,000 | |
| Social Protection Institutions | 87 | 66 | | |
| Displaced Persons | 450,000 | 416,000 | 450,000 | 416,000 |
| Refugees – Returnees | 150,000 | 16,525 | 150,000 | 16,525 |
| Invalids and Civilian War Victims | 30,000 | 37,060 | 30,000 | 37,060 |

4 Data for the FBiH, October 1998.

5 Data for the RS, 1997.

6 Workers whose pay is less than 65% of the "consumer basket".

7 Estimates in relation to the FBiH.

8 In October of 1998 in the FBiH 255,166 persons were in receipt of pensions.

An alarmingly large number of the impoverished, 25%, are in the category of employed people, those who earn salaries that only cover up to 65% of the cost of their "consumer basket" of basic needs for a four-member family. The price of this basket of needs in October 1998, in the FBiH, was 477 KM.⁹

According to salary levels for that period, only those employed in financial institutions and public administration were able to cover the cost of the "consumer basket" from their salaries which were 527 and 475 KM respectively. In that same month, the average net salary per employee in the FBiH was 352 KM. Employees in the economic sector earned an average net salary of 323 KM, while employees in non-economic fields earned 415 KM. The average salary growth rate from 1997 to August 1998 was 22.16% in the FBiH, while the growth rate in the RS was 45%. Although the average salary in the RS increased significantly in one year, it was still very low in August 1998 at 139 KM. Comparative statistics for the RS are unavailable and therefore no conclusion can be drawn as to the level of the cost of living which covers the basic "consumer basket".

3.2.2. Unemployment benefits are also an important feature of the social protection situation in BiH. Pursuant to the Law on Contributions of the FBiH, these benefits are very minimal and insufficient to meet even basic needs. A contribution of 3% from the gross salary has been introduced for this purpose (2% paid by the employee and 1% by the employer). Whilst the contribution rate is relatively suitable for this field of social policy, high unemployment and low salaries mean that the amount of funds provided for this purpose is low. Pursuant to the present laws, only those employees who have lost their job when their company goes bankrupt are entitled to unemployment compensation. This does not accord with the general reality and the majority of the unemployed are left with almost no financial income. If we couple with the number of the unemployed with the fact that, according to the 1991 Census, each household had 3.63 members, the problem becomes even more complex.

As a reaction to the problem of unemployment within the FBiH, a set of transitional labour laws were drafted

that have however remained in Parliamentary procedure for quite some time (Law on Labour, Law on Employment Agency and Protection of the Unemployed, Basic and Guild Collective Contracts, etc.). Moreover, within both the FBiH and the RS the rules on minimal social protection in the case of unemployment still have not been established.

"Waiting Workers"¹⁰ are an important category of the impoverished. Currently 115,000 employees in Bosnia-Herzegovina qualify as "waiting workers", with more than 300,000 household members dependent upon them. These workers make up 5.26% of the category of the impoverished and the benefits they receive depend on the financial situation of the employer. In the FBiH such compensation ranges from 30 to 100 KM per month. Assuming that this is the only "employed" person in the family, the amount should be divided by the 3.63 family members, the daily family budget per member amounts to 0.60 KM.

9 Note: An official "poverty threshold" does not exist in BiH; a minimum income that would enable the existence and, consequently, would be a criteria for obtaining financial social assistance. For the purpose of analysis only, this Report uses available criteria (the minimum secured pension, decided by the Government of the FBiH is 134 DM. If the pension received is lower, the Government makes up the difference, 65% of the "consumer basket", which is approximately 76 DM per household member, etc.)

10 "Waiting workers" were regulated by the Law on Labour Relations (1992), which defines such workers as "...a worker for whose work there is temporarily no need due to the decreased scope of work during a state of war ..."

Pensioners are faced with serious difficulties because pensions in BiH are usually paid after a two-month delay. The delay is even longer in the RS. The pension system in BiH is based on the concept of “inter-generation solidarity” and there is still no system of additional or private insurance. In the light of the devastation of the pension fund and the fact that the inter-generation solidarity model is based on “current” monthly contributions, (24% of the gross salary in the FBiH), then the impact upon pensioners is brought into stark focus. Taking into consideration that there are a total of 608,617 insurance-payers currently employed in BiH, and that there are 414,366 pensioners in both Entities, then we can conclude that one employee has to “support” 0.68 pensioners.

According to official data in the FBiH for October 1998, the pensions breakdown was as follows: average pension paid out 158 KM; lowest pension paid out 105 KM; highest pension paid out 548 KM; and guaranteed pension 134 KM.

This analysis shows that, pursuant to the new Law on Pension and Invalid Insurance and the current guaranteed minimum pension, the State should subsidise 29 KM per month for each pensioner who receives the lowest monthly pension of 105 KM, without health insurance contribution. This amounts to 6,000,000 KM for the Pension Fund each month. This calculation does not take account of the obligation on the local community, or the canton as the main bearer of the social protection, to make up the difference of 29 KM per month for each pensioner who receives the lowest pension. There is currently a lacuna in the laws with regard to the definition and implementation procedure for this right. Some cantons in the FBiH and the government of the RS do give subsidies to these pensioners, for instance, to pay for firewood and coal, electricity or some other communal service. However, in the absence of appropriate regulations, the pensioners are deprived of this income and find themselves in a very difficult economic and social situation.

3.2.3. The population regarded as in a state of social need or, in other words, the beneficiaries of social protection in BiH fall within the category of the long-term impoverished. According to the Constitution of the FBiH, the “bearer”¹¹ of social protection is the canton, which should provide the basic rights and obligations determined by a general federal law. Since such a law does not exist yet, cantonal legal regulations are “frozen”, except in the Sarajevo and Una-Sana cantons, which have passed their own laws based on the Law on Social Protection of the former Socialist Republic of Bosnia and Herzegovina (SRBiH). The situation in the field of social protection in the RS is no different.

The beneficiaries of social protection in both Entities encompass two groups minors and adults:

Minors: including those without parental care, those with physical and mental development problems, those whose development is hampered due to family circumstances and those whose upbringing has been neglected.

Adults: including civilian war victims, persons who are materially unprovided for and unable to work, the elderly without family care, disabled persons, the socially deviant and those persons who need social care due to special circumstances.

As a general rule, the “means test” is applied for all of these beneficiaries and the level of social protection is

determined accordingly. Legal regulations in both Entities have also defined the basic forms of social protection which include, *inter alia*, material assistance, employment training, placement in another family or an appropriate institution and health care.

The complexities of the regulation of social protection are exacerbated in the FBiH, where the new law confirms the existing decentralisation. The law establishes the main beneficiaries and basic forms of protection, and allows the direct bearers (or cantons) to expand both the beneficiaries and the forms of protection.

Practice has so far shown that, due to the different economic strengths of the cantons, there are also differences in the level of protection. The biggest social differences among the most vulnerable social categories have been noticed in the FBiH. For instance, 80% of municipalities do not pay support for children placed in other families, but in the Sarajevo Canton, 460 KM monthly is paid per child placed in another family. Particular problems face the institutions for social protection (children’s homes, asylums and homes for the elderly, etc.). In the FBiH only, 690 children and 915 adults are placed in such homes, and in 80% of those cases the municipalities/cantons do not pay for the expenses, representing an average of approximately 550 KM per month per person. In many cases the municipalities/cantons are barely able to cover utility costs. These institutions are reliant upon support from

11 Bearer of social protection means a state subject which under the Constitution is responsible for legally regulating a certain field and providing resources from its budget and other revenue for established social rights. The bearer has the right, in accordance with its potentials, to give protection to a wider scope of beneficiaries and to regulate bigger forms of protection. This depends on the social protection policy and the bearer’s material potentials.

international humanitarian organisations, which may diminish as they phase out.

3.2.4. There are 153 social protection institutions in existence in BiH today, founded by the State. In addition to these, protection institutions were also formed by international humanitarian organisations, which continue to cover all their expenses. The problem facing social protection institutions is inadequate financing. Irrespective of their regional position municipalities/cantons and regions that have proteges, have some degree of responsibility for these institutions. However, as seen in both Entities, since their budgets are unable to cover their expenses almost all of them are bankrupt under the present laws.¹²

3.2.5. Civilian war victims are protected under the laws of BiH, while it was still part of ex-Yugoslavia, brought into effect in the wake of the Second World War. Pursuant to those laws, family members of a household where the main provider has been killed, as well as civilian war victims who have suffered a more than 60% disability, are entitled to social protection. For these categories, social protection services in the municipalities (as the responsible bodies) have made applications in 90% of cases for realising the right to financial benefits, but in 70% of cases they have not been implemented. In the FBiH resources for civilian war victims are to be provided by the cantons, and in the RS by the Government of the RS. The insufficiency of budget resources at all levels prevents the realisation of this established right.

3.2.6. A global perspective of poverty shows that about 60% of BiH's population require some form of social protection in order to be able to live normally. This section of the population has at its disposal an average of 0.60 KM daily, hardly enough to buy bread. They are able to survive at this level of income through an agglomeration of supplementary support including: the high level of solidarity among relatives, financial help from relatives and friends abroad (an average of 50 pfening daily per citizen), international humanitarian organisations' support for a considerable number of "vulnerable" groups (mostly the elderly, handicapped, returnees and the ill) and the municipalities, through the system of exceptional social assistance, are addressing the most threatened cases, all-be-it in an "ad hoc" manner, and to a large extent using "grey economy" resources.

4. FROM FOREIGN AID TO A SUSTAINABLE LOCAL SOCIAL PROTECTION SYSTEM

4.1. The war situation and swift international intervention in the social and humanitarian field "freed" the bearers of protection from having sole responsibility

for social protection issues. Estimates show that as much as 80% of previously governmental activity in social welfare shifted to international and non-governmental organisations. These estimates correspond to the dependence on humanitarian aid in the wartime period and in the period immediately after the war.¹³ It took a long time for international aid to become more institutionalised and for the organs of power to have some influence on its distribution.

Post-war international assistance is shifting from "maintaining social subsistence" to "support for sustainability". The approach of local "development from below", has proven to be flexible and efficient. This model was first applied by NGOs, whose programs initiated the establishment of local non-governmental organisations and community based organisations, transforming their support to the local sector. The involvement of local humanitarian organisations and support for local bodies (municipalities and small enterprises) has begun to transform a dependency culture into a culture of self-help.

It ensues from all of this that it is necessary, first of all, to globally establish the basic social rights, the essential level of centralisation and solidarity and especially to implement those rights on a local level as the basis for sustainability. On the local level, by using local resources such as Centres for Social Work, social protection would become more sustainable and resource specific, without slowing down economic development, as the basis for a solid long-term social protection system.

4.2. In this context, civil society has an important role to play in the fields of social, health care, educational, community infrastructure and economic development, all of which are pivotal to reconstruction and bolstering of social cohesion. In addition to the many services that civil society provides, it also animates large numbers of citizens through the principle of self-help. This alleviates the burden on the State and strengthens citizens individually and as a collective group.

4.3. A further pre-condition to sustainable social protection is the availability of professionally qualified staff. All services including social protection services, Centres for Social Work and other welfare institutions are understaffed, particularly with regard to qualified staff such as social workers, psychologists, pedagogues, etc. The existing staffing structures are completely inadequate. Due to this situation, employees in social services are only able to fulfil their basic obligations providing social protection on a reactive basis. They cannot carry out preventive activities, or apply social, pedagogical, psychological and other professional skills in their services. The development of a

¹² See Supplements on Social Protection Institutions in the Annex (Tables 34 - 38 and Diagrams 8 -10).

¹³ See IBHI study, *Transition of the Policy and System of Social Protection in the Federation of Bosnia-Herzegovina*, 1998 and, *Social Protection System and Policy Transition in the Republika Srpska*, 1998

diverse and effective social protection system which will serve to enhance social cohesion and redevelopment hinges upon the attraction and training of a welfare workforce.¹⁴

5. CONCLUSIONS

5.1. Poverty is a significant social destabilisation factor and a central concern of human development. The absence of a system of social policy within BiH and the fragmented practice of assistance in this sector aggravate social tensions and inequalities and act as a barrier to strengthening community social relations.

5.2. The local system of social protection must secure local co-operation networks between Centres for Social Work and NGOs. International assistance must adapt a long-termist view, moving away from aid dependency to

financial support for the transition of the local system of social protection and eventual self-reliance, particularly relating to the integration of social and health protection.

5.3. The harmonisation of legal regulations in the Entities and the promulgation of a regulation for social policy must take place. These laws should stand upon the platform of philanthropy and seek to stimulate volunteerism, for example in the field of the care of the elderly. Appropriate regulations should be made and incentives provided as in other Western countries to encourage local philanthropy and to organise the training of volunteers in the field of social protection.

5.4. The deficit in qualified human resources in this field must be addressed through incentives for the return of qualified persons and the training of new personnel.

14 See Table 38: Survey of Social Security Staff.

ENVIRONMENT

“The long fight to save environment represents democracy at its best. It requires citizens to practice the hardest of virtues: self-restraint.”

Edwin W. Teale, 1953

INTRODUCTION

The environment in BiH has been both negatively and positively affected by the war. Land mines and other ordnance, deforestation, uncontrolled waste disposal, inter alia, have led to environmental destruction on one hand. The cessation of large industry, on the other hand, has played a major role in a degree of recovery of the ecosystem and a decrease in land and air pollution. Legal regulation of environmental issues, as well as the jurisdiction and co-operation of administrative structures in this field that would have consequences for the entire country, is unresolved. BiH is now at a point where its development strategies must involve natural resource management. Legal regulations and incentives must be developed to promote environmental protection and provide a social environment conducive to favourable human development. A Local Agenda 21 for BiH would be able to provide a framework for all actors involved in the process of sustainable environmental development.

1. ENVIRONMENTAL PROTECTION AND DEVELOPMENT

1.1. Before the war Bosnia and Herzegovina (BiH) was one of the most polluted regions in Europe with major concentrations in metallurgy and chemical industry - which are major producers of direct pollutants. In addition, most of BiH's industry depended on energy produced by coal, which is a great pollutant. Another unfavourable factor was the very low quality of raw materials used for the production of metals. According to estimates made in 1989, BiH accounted for 20% of the total surface area of ex-Yugoslavia, 18% of its population and 12% of its GDP, but contributed 32% of air pollution, enormous aquatic pollution and land devastation.

1.2. Notwithstanding all the negative effects of the war, positive environmental changes occurred in BiH due to the closure of industry. Nature revitalised the rivers and

a large area of land. The River Bosna and its tributaries became not much more than waste canals, but today are in a higher ecological category; moving from category IV to category III (denotes the return of living organisms). Agricultural land in the industrial zones that was polluted by heavy metals, sulphur from smoke emissions, acid rain from industry and thermal-energy plants is cultivable today.

1.3. BiH has never had a comprehensive environmental protection programme covering all relevant aspects: protection of the atmosphere and global changes; protection of waters; protection of land; waste collecting, selecting, processing, applying and disposal of waste (particularly hazardous waste); researching the correlation between environmental pollution and the health of humans, animals and plants; social aspects of environmental protection and protection of its cultural and natural heritage.

The comprehensive environment protection programme developed by the Republic of Slovenia could become a model for the ecological re-structuring of BiH. This, however, would not be easy since BiH has an economic structure characterised by several unfavourable elements:

- High concentration of heavy industry such as chemical industry in the Tuzla economic region and metallurgy in the Zenica region;
- high energy consumption per unit of production from thermal-energy plants that use coals containing 2.5% - 7% sulphur;
- direct and indirect pollution of all three ecosystems (air, water and land), from production and energy plants;
- land devastation through exploitation of coal, minerals and ores as well as disposal of ore deposits, and other industrial, communal and sanitary wastes;

A careful and selective approach that takes fully into account all environmental aspects is required for recon-

struction projects if the existing BiH economic and industrial capacity is to be revitalised.

When locating new projects and developing corresponding infrastructure, attention should be given both to spatial economy and ecological requirements corresponding to international standards. It must be ensured that all programmes and projects for which financial support of the international community and the World Bank is sought contain aspects of environmental protection. The government should allocate the necessary financial and human resources for this purpose.

2. LEGAL ASPECT OF ENVIRONMENTAL PROTECTION

2.1. BiH has inherited all the legal obligations and responsibilities resulting from international conventions signed by ex-Yugoslavia and all the relevant laws adopted in that context. The post-war Constitution of BiH, however, does not adequately address the problem of ecology and environmental protection. Environmental protection lies within the jurisdiction of the Entities and, in the case of the Federation of Bosnia and Herzegovina (FBiH), a part of the responsibility lies with the cantons and municipalities.

Regulations that apply to environmental protection are encompassed in the Law for Environmental Planning and by laws which concern individual components of the environment (air, water, noise, waste and ionised radiation). Individual relevant regulations are to be found within other laws, such as the taxation law, the law on free zones and the law on traffic safety. This second group of laws is more significant because they unite development and environmental protection, while the first group of laws has a more constricted and relatively limited scope.

Even though the Law on Environmental Planning applies to all components of the environment, it is primarily concerned with protection of air. Protection of water, on the other hand, is regulated through another set of regulations and is the responsibility of a different ministry. Protection of water is well developed and mechanisms exist for implementing regulations. The general principle is that water use and allowed levels of contamination and pollution are regulated. With waters, stimuli exist which support technological change that enhances a more rational use of water and a decrease in pollution levels.

2.2. On the basis of the previous Law on Environmental Planning, two new laws were prepared in December 1997 and passed by the FBiH. BiH cannot join the Council of Europe through its Entities as agreement at the State level was required. The Regional Centre for Environmental Protection (REC) for Central and Eastern Europe mediated the signing of a joint document for both Entities concerning co-operation in the production of and agreement on legal regulations in the

field of environmental protection. According to this, all three laws: the Law on Environmental Planning, the Law on Environmental Protection and the Law on the Protection of Nature will be brought into harmony with the standards of the European Union. With the enforcement of these laws, the current 76 regulations are no longer valid.

The approach is based on the concept that environmental protection is secured through the adoption of improved and preventative measures. However guidance regarding the developmental aspect is missing in this approach. Preventative measures assume that the process of accepting new constructions and plants that can pollute the environment has to include the provision of evidence that any environmental pollution will not exceed allowed levels of pollution and contamination.

Two basic problems will continue to condition the existing and future laws in BiH. The first is at the Entity level where implementation is not possible without a joint agreement about concrete projects. Examples of this are the individual rivers that flow across Entity borders at different places (Bosna, Drina, Vrbas, etc.). The second is the fact that the Law on Construction, Reconstruction and Rehabilitation is often ignored.

3. PRINCIPAL NATURAL AND ECONOMIC RESOURCES

3.1. BiH is rich in mineral raw materials. It has important reserves of coal, iron, lead and zinc ore, bauxite, manganese ore, salt and both mineral and thermal water. As raw material for energy, coal makes up 75% of the total energy potential of BiH.

Metallic mineral raw materials have been registered in a large number of sites. Lead and zinc ore reserves are concentrated in three regions (Borovica-Varež-evljanovići, Olova and Srebrenica) that contain different types of ores. A number of sites contain red bauxite in areas such as Bosanska Krupa, Jajce, Mostar, Srebrenica and Vlasenica.

BiH's natural resources brought about the development of basic economy and it typically developed its industry close to the sources of the needed raw-materials, e.g. building opening iron factories as well as other basic industries and thermo-electric plants in the vicinity of coal mines. However logical this may have been from an economic perspective, the fact that these natural resources and the economic and technological aspects of production were never ecologically evaluated has resulted in high levels of concentrated pollution in the ecosystem. The basic character of the pre-war Bosnian economy was that it required large amounts of energy per unit of production and this has had an impact on the pollution of the living environment. The natural balance has been disrupted and now it has to be brought to ecologically acceptable levels.

BiH has a very high energy potential. The facilities for the production of energy cater not only for the needs of the BiH industry, but also for the industry in ex-Yugoslavian countries, particularly Croatia and Slovenia. If the demand for energy decreases in the future, a new energy strategy for BiH will have to be developed. If so, it must take into consideration the following ecological principles:

- Imperatives of environmental protection: i) decreasing pollution caused by products of incomplete combustion at a local level such as small fireplaces and vehicles; ii) decreasing pollution caused by acidic substances that have an impact on cross-border air pollution over large areas; and iii) decreasing air pollution caused by CO₂ (which intensifies the greenhouse effect by depleting the ozone layer);
- Safety demands: i) working practices when using energy consuming products; ii) safety in energy supply (achieved through the energy supply system, quality and flexibility of energy conservation, and transfer and distribution mechanisms); iii) rational energy consumption; and iv) excessive use of gas and the unjustified extension of the gas network has to be discouraged;
- Economic efficiency: i) in the field of energy transformation (supply); and ii) the field of energy consumption (demand).

3.2. The topographical, geological, climatic and other conditions have created a diversified hydrographical and hydrological profile of BiH. The total length of the watercourse in BiH measures approximately 9,000 km, of which 930 km are a part of the borderlines. With the closure of mines and other industries during the war, the rivers Bosnia, Spreča and Vrbas have to a large extent been revitalised. The rivers Neretva and Una, particularly their upper courses, have become extremely clean and, with a little treatment, could be significant sources of drinking water.

The hydrographical profile of the BiH territory is diverse; great variations exist in the density of the river network, number of sources, lakes and other hydrographical characteristics, with two basic basin regions towards which all the rivers in BiH gravitate. The general characteristic of the rivers and their tributaries is that their heaviest flow occurs during the spring, while the auxiliary maximum appears halfway through autumn. They are characterised by an accentuated swell in their upper courses. Since they flow through chalky terrain, their waters are saturated with minerals and are very hard.

One of the important characteristics of the rivers in BiH is their hydro-energy potential, which is under-utilised. The potential for tourism particularly evident in the courses of the largest rivers is also significant. The natural lakes are found in the mountainous regions; most of the artificial lakes provide hydro-energy.

On average, 1,200 m³ of water flow every second from the total territory of BiH. Of this 700 m³ of water flow every second towards the river Sava (58%), and approximately 500 m³ of water flow every second towards the Adriatic Sea (42%).

It should be noted that the general understanding of aquatic resources has changed significantly, particularly due to the fact that for approximately 74% of the territory of BiH, the amount of flow of one km² of the basin reaches approximately 50% of the amount of the Adriatic

Sea basin. This means that 22% of the amount of water available to each person in the Adriatic basin is available to each person in the BiH region. This is important for spatial planning since it provides an accurate orientation of the arrangement of waters on the territory of BiH, and it corrects the erroneous view that there is little water in Herzegovina. BiH is practically surrounded by inter-State water courses that create or cross the borders of neighbouring States. These joint hydrological resources require adequate planning and agreement between the neighbouring States for shared use.

3.3. Sarajevo has partially solved the problems of industrial, communal and sewage waste waters. Unfortunately, treatment plants, like the "Natron" factory in Maglaj, were damaged during the war. The problems of treatment of waste water in the Zenica iron factory and the aluminium factory in Mostar are only partially solved. The Republika Srpska (RS), although containing less large water polluters than the FBiH, is also in dire need of solutions for the treatment of waste waters.

3.4. The water industry as an economic activity has held an official position of public interest. Its development, however, did not parallel the general development within BiH. It was only in the 1980s that an intensive approach was taken to form larger, multifunctional systems within the water industry. These were intended to solve problems concerning issues of water supply, irrigation, sailing, the use of water energy, regulation of the water flow regime, protection of aquatic systems, etc.

3.5. Approximately 50% of the territory of BiH is made up of agricultural land. This land represents the foundation of agricultural production. However presently only 25% is arable, amounting to only 0.36ha of cultivable land per person. The exception of limited land in the river valleys and karst fields will cause a further deterioration in arable land from Posavina to the mountainous part of Bosnia and Herzegovina. With the present level of cultivable land at a critical level barely

meeting basic living needs, the further loss of land would be disastrous. At the same time, it is necessary to prevent further devastation due to land erosion. Inter-Entity, inter-cantonal and inter-municipality co-operation and planning is mandatory for effective and sustainable solutions.

4. WASTE AND RECYCLING

4.1. One of the greatest ecological problems both during and after the war is the management of waste mate-

rials. Before the war, the problem stemmed from quarry deposits, as well as industrial and communal depots, whose locations, projects and production methods did not take into account environmental considerations. The war represented both a human, and in a number of ways, an environmental catastrophe.

In the post-war period, various international organisations, in particular those concerned with the military component of the implementation of peace, are a significant source of pollution.

It is estimated that there are 2 million landmines and 3 million other ordnance in approximately 16 thousand minefields in the territory of BiH. Until these areas are cleared, which according to estimates will take 10 to 12 years, they cannot safely be used, thus depriving BiH of land which could be used for food production, forestry, tourism, recreation and other activities. The removal of landmines should be a reconstruction priority.

According to International Red Cross data, the number of people wounded by unexploded mines and other ordnance between 1992 - 1997 was 1,489. Children and teenagers up to 18 years of age make up 16.5% of this number.

A second problem relates to the disposal of medicines that have expired. During the period from 1992 to 1997, 35,000 tonnes of medicine were imported as humanitarian aid into BiH. It is estimated that 80% - 90% of this had expired and it is still present throughout both Entities, and mainly in Mostar (FBiH) and Prijedor (RS). The only appropriate way of destroying the medicines is incineration. Furnaces for such purposes are unavailable in BiH, and the price of incineration abroad is between 2,000 and 50,000 DEM per tonne.

The third problem is the removal of hazardous chemical and nuclear wastes, which according to a number of ecological organisations, were deposited in western Bosnia in the vicinity of Bosansko Grahovo. These areas were left unprotected during the war and it is essential that they are tested for hazardous materials.

4.2. Projects are being implemented for the treatment of waste products in cement and construction plants in Tuzla and Zenica, as well as in plants that will be activated with the re-institution of industry. Treatment projects such as these should be applied throughout BiH with revitalisation of existing plants and the initiation of new ones.

4.3. The basic international instrument dealing with the issue of waste materials is the Basel Convention of 1989 on Transboundary Movements of Hazardous Wastes and their Disposal. The main aims of the Basel Convention are:

- to decrease, to the lowest possible level, cross-border trafficking in hazardous waste materials and other types of waste materials and to ensure that waste materials are treated without posing a threat to the environment;
- to treat and deposit hazardous waste materials as close as possible to their place of origin, without posing a threat to the environment;

- to decrease, to the lowest possible level, the formation of hazardous and other waste materials.

European Union regulations concerning waste materials include the treatment and packaging of waste. Member States are obliged to annually increase their use of waste materials reaching between 50% and 60% of the total packaging waste by June 2001. State legislation transfers the responsibility for packaging waste to the "producers". Simultaneously, as these goals are achieved, a system of economic incentives and deterrents has been developed to promote the reuse or recycling of packaging.

With the formation of an environmental body (made up of four representatives from both Entities) at the State level in mid-1998, Bosnia and Herzegovina has laid the foundation for entry into the international system for environmental protection. This involves the incorporation and implementation of the text and spirit of the Basel Convention, as well as accepting particular EU regulations. While recycling waste materials is often uneconomical, the protection of the environment has implications for the future generations. The central BiH authorities must improve the system of financial incentives for the development of "environmentally friendly" activities. Furthermore, regulations in the field of waste materials should be premised upon the principle of producer responsibility and liability.

Companies that deal with the collection of waste materials and the production of secondary raw materials export the greatest proportion of their raw materials to Western European countries. These companies complain that there is no interest in secondary raw materials within local industry. Whilst this is basically true, it is not so much a consequence of the production in work due to the war, as it is due to a lack of incentives and regulations. If responsibility for waste was to lie with

the producers and was supported by economic incentives, the producers themselves would invest in recycling or ecologically sound disposal programmes.

At the level of the State, a system should be developed for the organised management of waste materials. This could include a registration and monitoring regime and the strict control of importation and dumping of waste. Moreover, a key factor in this form of environmental protection is to educate the population as to the benefits of reusing and recycling waste materials.

5. SUSTAINABLE ENVIRONMENTAL PROTECTION AND LOCAL AGENDA 21

5.1. Local Agenda 21 (LA-21) is a framework for local environmental development stemming from the Rio Summit. This framework should be adopted and implemented as a part of the reconstruction and redevelopment process within BiH. Lessons can be learnt from the European experience of "LA-21", which has shown that the education of the population is the most important factor for implementation at the city, municipality and village levels. NGOs, particularly those with ecological knowledge, can contribute significantly to this education process. With this in mind:

- Local authorities must facilitate the active participation of individuals and groups in the process of problem and solution identification as part of "LA-21".
- The "LA-21" process should be flexible and adjusted to the specific organisational system, the relationship between rural and urban areas and the specific needs of these areas.
- Entity, cantonal and municipal authorities must innovate and develop an institutional and financial system by which to stimulate the implementation of "LA-21".
- "LA-21" must utilise and build upon local conditions and resources whilst remaining cognisant of other legal requirements at the local level including, for example, the allocation of property rights, plans for economic development and health care systems.
- Pilot projects can be very critical elements in the implementation of "LA-21".

5.2. "Agenda 21" seeks to demonstrate how this programme can be achieved. The basic principle is that "sustainable development" requires the co-ordinated activities of all sectors of society, including local government, businesses, women, youth, trade unions, agricultural workers, scientists, experts and non-governmental organisations.

The role of local authorities is emphasised within the implementation of "Agenda 21". It is recommended that discussions are initiated in order to raise awareness of environmental issues and to develop a joint plan

affecting production, spending, and everyday living in order to achieve sustainable economic development. In this regard, "LA-21" can be developed consistently with local needs and references having implications for the national and global environment.

5.3. The goal of "LA-21" is to provide a strategy and concrete decisions for the development of industry and urban areas in harmony with the environment and cultural traditions. A strategy of this kind should be employed in the context of the redevelopment of industry within BiH. Comprehensive research and analysis should be conducted accordingly.

More attention should also be paid to the education and specialisation of qualified workers in the field of environmental protection. The concentration of available equipment and qualified labour is also very important. With this aim, joint teams and interdisciplinary centres should be formed at universities and similar institutions.

Where agricultural production is concerned "LA-21" must focus upon rural settlements with large farms; production chains that could yield final products can especially be formed in these areas. Moreover, primary agricultural production should be organised through the use of organic compounds and energy sources.

6. CONCLUSIONS

6.1. The war brought positive and negative environmental changes. The challenge facing BiH is to capitalise upon and protect the positive environmental effects and develop an integrated approach to environmental protection within the process of reconstruction and redevelopment. This requires the co-operation and support of the international community.

6.2. A "Local Agenda 21" should be developed and implemented with the full participation of the local communities and authorities and with the support of NGOs working in the field of ecology.

6.3. Urgent attention must be given to the examination and eradication of potentially hazardous environmental threats, including land mines and waste materials. A registry of polluters must be created.

6.4. An information campaign must be initiated at the national level, providing education on issues such as recycling and seeking to attract new qualified personnel in the field of environmental protection. The practical role of the municipalities in this context should be strengthened, increasing the number of local refuse and recycling sites.

6.5. As an issue which permeates all boundaries, environmental protection must take place in both Entities. A forum upon which to develop mutual protection activities would greatly assist in this co-ordination process.

PART II

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HEALTH CARE

"A sound mind in a sound body is a short but full description of a happy state in this world."

John Locke, 1693

INTRODUCTION

Changes in demographic structure and health conditions brought on by the war have raised the need for new reforms within the health care system BiH. Certain infectious diseases, such as scabies and tuberculosis, have increased in incidence or reappeared as a direct result of conditions arising during the wartime period. The major consequences, however, are the increase in disability and post-traumatic stress disorder.

Health care funding was drastically diminished during the war and after the war. Each Entity adopted a different funding system. Disparities in human and material resources also exist within health care treatment offered in urban and in rural areas. It is essential that these organisational and funding issues are tackled within future health care reforms and that the territorial distribution of health units becomes more even. One of the major reforms aiming to make health care more accessible to people in BiH is within primary health care, which will aim to introduce the family doctor approach.

1. BASIC STATUS AND TRENDS, 1991-1998

After being recognised by the international community in September 1992, Bosnia and Herzegovina (BiH)

became a member of The World Health Organisation (WHO). While it was a part of ex-Yugoslavia, significant results had been achieved in the development of health care, particularly with regard to endemic disease and health situation of BiH, before, during and after the war is derived from a variety of sources - public, private and NGOs. The data, therefore, should be treated with some caution. (See Table 39 in Annex for BiH health profile).

1.1. Demographic characteristics of the population

Table 8 shows demographic characteristics of the BiH population in 1991 and 1997.

When comparing the number of inhabitants of BiH, according to the 1991 census, with an estimation of the number of inhabitants in 1997, it can be seen that the population has been reduced by 2.2%. In 1991, the BiH population was bordering on the stationary-regressive type. The base of the demographic pyramid was slightly narrowed, showing a reduction in the percentage of young people (0-19) and a progressive increase of people over 65. Over a period of 26 years (1971 - 97) the population over 65 years of age increased from 4.6% to 7.8%, while the younger population decreased from 42.7% to 34.7% as seen in Table 9.

Table 8. Demographic characteristics of the population

| Social and health indicators | 1991 | 1997 |
|------------------------------|------------------------|------------------------|
| Population | 4,377,033 | 3,599,736 |
| Area | 51,197 km ² | 51,197 km ² |
| Population Density | 85/km ² | 65/km ² |
| Urban population | 40% | 80% |
| Displaced people | - | 866,000 |
| Returnees | - | 216,525 |
| Biological type | Stationary-regressive | Regressive |
| Capital | Sarajevo | Sarajevo |
| Birth rate | 16.9‰ | 12.9‰ |
| Mortality | 6.8‰ | 7.6‰ |
| General fertility rates | 64.2‰ | 59.8‰ |
| Infant mortality rates | 14.8‰ | 12.9‰ |

* Source: Public Health Institute FBiH, and the Health Protection Institute of the RS.

Table 9. Age structure of the population in BiH 1971, 1981, 1991 and 1997

| Year | 0-19 | 20-64 | over 65 |
|------|-------|-------|---------|
| 1971 | 42.7% | 57.3% | 4.6% |
| 1981 | 38.0% | 62.0% | 6.1% |
| 1991 | 31.7% | 68.3% | 6.5% |
| 1997 | 34.1% | 58.1% | 7.8% |

* Source: Public Health Institute FBiH

The demographic structure and trends were strongly and deeply influenced by the war and in comparison with the 1991 census, the population was reduced by 5.9% while 24% were displaced.

Since 1991, natural growth of the population has stagnated. Present estimates, as compared to 1991, show an increase in the rate of population aged over 65 while changes in the younger age groups are insignificant. Women of fertile age (15-49) make up 25% of the population which is almost the same as in 1991.

Birth rate

The birth rate in BiH in 1991 was 16.9%, which is almost a favourable level. In 1997, the birth rate in BiH was 12.9%. For the same year, the birth rate in the Federation of Bosnia and Herzegovina (FBiH) was 15.0%. There are significant differences in birth rates for particular cantons. The figure for the Republika Srpska (RS) is 9.6%.

General mortality

In 1991, the general mortality rate in BiH was 6.8%, and in 1997 it was 7.6%. In 1997, this rate for the FBiH was 7.4% and in the RS, 8.2%.

Life expectancy

According to data available in 1989, life expectancy was 69.2 years for men and 74.6 years for women. According to UNICEF data for 1997, average life expectancy was 73 years.¹

General fertility

In 1997, the general fertility rate was 59.8%, which was 7% less in comparison to 1991 when it was 64.1%.

1.2. Health status of population

Infant mortality

From 1955-1991, infant mortality rates showed a significant decline - from 143.1% (1955) to 14.5% (1991). Just before the war, the infant mortality rate was on level with that of European countries with a low infant mortality

rate, (compared to that of Central and Eastern European countries which was 17.5%, while the European average rate was 9.3%). Infant mortality data within different socio-economic groups are not published separately. The infant mortality rate for BiH in 1997 was 12.9%, (13.9% for the FBiH and 10.4% for the RS).

It should be noted that infant mortality data for the period of war should be treated with caution. Large variations in the reports were already noticed in 1996 and quality data may not be available until 1998. (See Table 40 and Diagram 11 in Annex for further information).

Maternal mortality

Maternal mortality rate, as the indicator of maternal care, was 21.6 deaths per 100,000 inhabitants in 1991. Data on maternal mortality for the period after the war were not updated, but experts' assessments indicate that maternal mortality has increased.

Causes of death

In BiH, before the war, the leading causes of death closely followed European trends; the diseases of the circulatory system, including a number of diseases such as hypertension and ischaemic heart disease were the leading causes of death. The same trend existed in BiH. Cancer was the second significant cause of death. Injuries and poisoning were in fourth place, while respiratory diseases and chronic lung diseases were in fifth place.

The health status of the population during the war and in the post-war period has been estimated using data from regular health service reports and systematic check-ups of displaced persons and refugees. The hospital reporting service based on hospital reporting forms does not function yet, and data about deaths, which municipalities should be providing the statistics agencies with, are still unavailable. The consequences of disorganised health statistics, inadequate reporting due to the war and inappropriately trained staff have affected the data for 1997.

1 UNICEF, *Women and Children Situation Analysis 1997*, Sarajevo, 1998.

Table 10. Leading causes of death in BiH (1990)

| Cause of death | % |
|--|-------|
| Circulatory diseases | 31.1 |
| Cancer | 13.8 |
| Symptoms, signs and undefined conditions | 13.3 |
| Injuries and poisoning | 7.9 |
| Respiratory diseases | 7.0 |
| Other causes of death | 26.9 |
| Total | 100.0 |

* Source: Public Health Institute FBiH

According to the assessment of the Public Health Institute of FBiH, the leading diseases in 1997 were acute upper respiratory infections with an incidence rate of 26,422 per 100,000 inhabitants. In second place was hypertension with an incidence rate of 5,604 per 100,000 and, in third place was acute bronchitis and bronchiolitis with an incidence rate of 5,275 per 100,000 inhabitants. Cystitis was fourth with a rate of 2,583 per 100,000 inhabitants, and anaemia caused by iron deficiency was fifth, with 2,197 cases per 100,000 inhabitants. Among the ten leading diseases are also two chronic diseases: hypertension (II) and anaemia caused by iron deficiency (V). Mental, stress related disorders also have high incidence rates. (See Tables 41 and 43 in Annex).

If causes of death from 1997 are compared with those of 1990, it can be concluded that the situation has not changed. According to the processed data, circulatory diseases are among the leading causes of death in BiH, with malignant neoplasms in second place. In 1997, the incidence rate of deaths caused by circulatory diseases was 45.93% of the total mortality rate (FBiH 43.0%, RS 48.9%). The incidence rate of deaths caused by malignant neoplasms (cancer) was 14.12% (FBiH 15.4%, RS 12.84%). (See Table 44 in Annex).

Morbidity and infectious and parasitic diseases

The monitoring of morbidity is very important for the evaluation of the health status of the population. It has not changed significantly since 1991. It is important to emphasise that, viral hepatitis A, viral meningitis and scarlatine are not present at all among the ten leading communicable diseases, while measles, rubella and infectious mononucleosis are. Significant increases of morbidity due to measles and rubella is due to the lack of immunisation during the war and low vaccination coverage of the population.

Table 11. Ten leading infectious and parasitic diseases in BiH (1991 and 1997)

| Disease | 1991 | | | 1997 | | |
|------------------|------|-----------------|------------------------|------|-----------------|------------------------|
| | Rank | Number of Cases | Rate per 100,000 cases | Rank | Number of Cases | Rate per 100,000 cases |
| Influenza | 1 | 25,074 | 897 | 1 | 23,731 | 1,075 |
| Varicellae | 2 | 11,421 | 409 | 3 | 5,410 | 245 |
| Enterocolitis | 3 | 3,411 | 122 | 4 | 3,955 | 179 |
| Hepatitis A | 4 | 1,875 | 67 | - | - | - |
| Angina strept. | 5 | 1,624 | 58 | 7 | 2,005 | 91 |
| Scabies | 6 | 1,611 | 58 | 2 | 6,592 | 298 |
| Food poisoning | 7 | 1,338 | 48 | - | - | - |
| Tox. alimentaris | 8 | 1,126 | 40 | 10 | 531 | 24 |
| Parotitis epidem | 9 | 339 | 12 | - | - | - |
| Measles | 10 | 179 | 6 | 5 | 3,937 | 178 |
| Mononucl. inf. | - | - | - | 6 | 2,143 | 97 |
| TB pulm. | - | - | - | 8 | 1,425 | 64 |
| Rubella | - | - | - | 9 | 967 | 44 |

* Source: Public Health Institute FBiH

Bosnia and Herzegovina, together with 46 countries, has introduced a programme of TB surveillance. The increasing incidence rate of tuberculosis is indicative of the social conditions of the population as well as a lack of appropriate treatment. The high incidence rate of 64.0 per 100,000 inhabitants, compared to the European rate of 29.97 per 100,000 inhabitants, indicates that greater efforts need to be made in order to improve the health of the population.

An overview of the incidence of leading communicable diseases in the FBiH and the RS for 1996 and the leading communicable diseases in BiH for the 1993-1997 period is given in Tables 45, 46 and 47 and Diagrams 12 and 13 of the Annex.

Immunisation

Before the war, the program of immunisation covered 80% to 90% of the children. In 1997, a draft of the Act on Compulsory Immunisation was made for the initiation of a programme of expanded immunisation which has been implemented with the support of UNICEF in the whole territory of BiH. The coverage was quite satisfactory, although not as good as in 1996. Efforts should be made to achieve the level of coverage achieved during the previous years.

Physical disability

According to available data, every 173rd citizen has been disabled by the war. The high incidence of amputation cases (5,000), peripheral nerve and spinal marrow lesions (750), traumatic brain injuries (2,180), peripheral nerve lesions (3,000), and fractures (10,150) as well as other injuries were registered as consequences of the war. Disabled people are mostly the young in their most productive years.

Mental health

Mental health disorders are, in most cases, a direct result of the war, especially among the most vulnerable groups such as displaced people, children and young persons, elderly and demobilised soldiers. Estimates show that about 15% of the population suffer from psychological trauma, in particular post-traumatic stress disorder.

Mental disease mortality is evident in some parts of BiH. The most common diseases are neurotic disorders

associated with stress (615 cases). The instinct to survive, sharpened by war, is quashed by lethargy and listlessness. The solidarity within communities generated by common problems and hazards during the war is replaced by egoism. Unemployment, disturbed family structures and uncertainty about the future are the causes of general depression, particularly among older persons. Accurate data about violence, including domestic violence, the increasing number of murders and suicides as possible consequences of mental disorders, are still unavailable.

2. HEALTH CARE AND HEALTH INSURANCE FUNDING

2.1. A State Fund for health care was established in 1990, at the time of ex-Yugoslavia, as part of a health system reform and health care funding reform. The resources were mainly from compulsory contributions by employees (gross salaries), employers, pensions and other personal incomes, as well as budgets of municipalities and BiH. In 1990, USD 245 per capita, or 7% of the GDP, was allocated for health care through different insurance methods.

In spite of the high level of health care funding, the financial situation in the health sector remained unsatisfactory because of a mismatch between available, but legally limited resources for health care, established rights and the scope of the population's health needs. This difficult situation has been further exacerbated by the critical decline of the economy and increasingly irregular health care contributions from employees.

War had vast negative effects on the financial situation in the health sector. During the war, only USD 5 per capita was available from local health care funding, while donations from international sources amounted to some USD 100. Legal acts regulating the health insurance system as part of the social security of citizens should be approved by the Entities.

In FBiH, at the end of 1996, funding was transferred to the cantonal authorities, except for the activities in the field of public health, quality control of medicines and blood transfusion, which remained the responsibility of

Table 12. Immunisation coverage in BiH 1991, 1996 and 1997

| Immunisation | Year | Vaccine type | | | |
|---------------|------|--------------|-----------|-------|---------|
| | | BCG | DI-TE-PER | POLIO | MEASLES |
| Vaccination | 1991 | 94% | 94% | 93% | 95% |
| Revaccination | 1991 | 92% | 95% | 96% | 98% |
| Vaccination | 1996 | 97% | 88% | 86% | 88% |
| Revaccination | 1996 | 85% | 83% | 83% | 83% |
| Vaccination | 1997 | 97% | 79% | 80% | 85% |
| Revaccination | 1997 | 87% | 78% | 74% | 79% |

the FBiH. In order to meet the challenge of resolving the consequences of war, each canton, depending on its economic capacity, adopted a number of regulations concerning the funding and delivery of health care. The new law on health insurance was adopted at the end of November 1997 and was enforced in December of the same year. Its practical implementation has not yet started.

In the RS, a law on health insurance was adopted in June 1993, which was basically the same law as was in force before the war. The organisation of health, centralised with one Fund at the Entity level, has caused

implementation problems. Health care needs and rights are not covered by adequate funding. The financial sources are limited, and the present economic potential does not offer much hope for the near future. A number of changes need to be made in the health care system and health insurance in order to ensure the more effective use of available resources.

2.2. According to the 1997 estimates, out of USD 159 per capita for health protection, USD 70 came from health care funds and the rest came from various sources, including governmental and non-governmental organisations and local and international donations.

Table 13. Survey of health care resources in BiH for 1991 and 1997

| Resource structure | Amount per capita in US \$ | |
|---------------------------------|----------------------------|------------|
| | 1991 | 1997 |
| Health Care Fund | 250 | 63 |
| Resources from other Funds | 15 | 4 |
| Co-payment | 10 | 2 |
| Compulsory contributions | 15 | 4 |
| Budget | 10 | 2 |
| Other resources | 15 | 4 |
| Humanitarian aid | - | 80 |
| Total | 315² | 159 |

3. ORGANISATION OF HEALTH CARE

3.1. Organisation and capacity

Health care is provided through the health care system in FBiH and the RS and is organised at three levels: primary, secondary and tertiary health care.

A health service with a dentist and a pharmacy constitute a Primary Health Care Unit (ambulanta). It is the smallest health facility where primary health care is provided by a general practitioner and two nurses, as well as family doctor teams, for 2,000 -10,000 people.

The Health Centre is organised for the needs of a group of municipalities, as a specialised polyclinic, with or without a general hospital (up to 120 beds for four basic specialisations: internal medicine, surgery, paediatrics and gynaecology), providing primary and specialist health care.

The canton (in the FBiH) or region (in the RS), and municipalities which belong to it, are responsible for the secondary health care in that area. The activities include: general health care, maternal and child health care, school medicine, care of specific and non-specific

ic pulmonary diseases, dentistry, emergency medicine, laboratory, radiological and other diagnostic services. Pharmaceutical activity is closely related to health facilities at all levels, following the development of a health care system network.

Cantonal or regional hospitals (up to 120-800 beds) are established at the canton/region level, providing complex, specialised medical services at a tertiary health care level.

Regional or cantonal public health institutes provide statistical health reports, ensure health education, surveillance and monitoring of the epidemiological situation, suggest and execute (if necessary) anti-epidemic measures, monitor the realisation of compulsory immunisation and other activities related to disease prevention and health promotion and, in particular, take care of vulnerable groups (chronic patients, elderly, disabled, etc.). Their activities also include: quality control of drinking water, surface and waste water and safety control of food and other commodities. This is the responsibility of both cantonal/regional institutes and institutes in the Entities.

2 Health protection expenditure in 1990, shown in Table 13, amounted to 168 USD per capita. The figure 315 USD p.c. (1991) is indicative of the sources. The variation is caused by the different understanding of the term "expenditure" (total resources invested into the operation and development of the health care system, including investment, resources for special purposes, additional income of health institutions, etc.)

In 1991, primary health care was organised in 109 Health Centres providing health care and treatment in 3,609 health clinics (ambulanta) at 2,318 locations.

Two decades ago, the health centres started to develop intensive specialist services, giving less attention to the primary health care. This role of specialists in PHC has been considered an unfavourable trend which has increased the health care costs and inequity between population groups, in the sense that some people (mainly the urban population) received health care and treatment from specialists, while others (the rural population) have only had general practitioners caring for all of their health needs.

In 1996, in the FBiH there were 83 health centres with a very poor network of health care units, in the RS this number was 52. On account of the imbalance and mismatched territorial distribution of health units, there is also a problem of medical staff distribution between health centres and health units between urban and rural areas.

The number of hospital beds per 100,000 inhabitants was reduced from 580 in 1991 to 457.6 in the RS, and 410 in the FBiH in 1996. If this is compared to the European average - 1,020 beds per 100,000 people in 1996 - it is evident that it is less than half of the European average (See Table 48 in the Annex).

3.2. Health staff

In BiH, the total number of health staff in 1996 was reduced by 26.1% as compared to 1991. The largest reductions were in the number of dentists (52.5%) and pharmacists (49.2%). The total number of doctors was reduced by 30%, and the number of health technicians (nurses) by 26%. Estimates show that in 1996 there were 130 doctors, 17 dentists, 10 pharmacists, and 420 nurses per 100,000 people. (Table 14).

The impact of the war on the reduction of the number of doctors was considerable. The present number of doctors per 100,000 people is 147 in the FBiH and 112 in the RS.

In 1991, there were 588 people per doctor in BiH, while in 1997, there were 730 in the FBiH and 994 in the RS.

Out of the total number of doctors, 52% are employed in hospitals (the ratio is almost the same for the FBiH and the RS); 46% in PHC, and 2% in education. The distribution is obviously not satisfactory. Likewise, the number of specialists is large compared to that of general practitioners. There are 5.5 beds per one doctor in hospitals. A significant increase in the number of medical graduates is not expected in the near future. (See Table 49 and Diagram 14 in the Annex for an overview of the survey of health staff in 1996 by Entities, and for the FBiH in 1997.)

4. HEALTH AND THE ENVIRONMENT

4.1. Nutrition and Lifestyle

Before the war, unhealthy, risky lifestyles, associated with chronic diseases, were widespread in BiH: smoking, obesity, reduced physical activity, etc. Tobacco consumers constituted 46% of the total population, which is significantly above the European average of 33%. A study carried out in Sarajevo, in 1990/91, showed that out of a sample of 1,860 non-manual workers in industry, almost 12% of the women and 6% of the men were overweight; 34% of the men and 27% of the women had been regular smokers (more than 20 cigarettes daily), while 18% of the men and 8% of the women consumed alcohol.

The morbidity rates of hypertension, ischaemic heart diseases and diabetes mellitus (see Tables 42 in Annex) were progressively increasing before the war, but these values are still lower compared to the European average. Food consumption in BiH before the war was above the normal standards. Nutrition, in general, was poor during the first years of war, especially in risk groups - children, pregnant women and the elderly. About 80% of the population was dependent on food from humanitarian aid until the end of the war. In the post-war period, the situation improved. However, there are indications that the population has very unhealthy nutritional habits, which is among other things, a reflection of poor socio-economic conditions of life.

4.2. Environment and Public Health

Table 14. Health staff in BiH (1991 and 1996)

| Health worker | 1991 | | 1996 | |
|---------------|--------|-------------|--------|-------------|
| | Total | Per 100,000 | Total | Per 100,000 |
| Doctors | 7,072 | 160 | 4,916 | 130 |
| Dentist | 1,346 | 30 | 639 | 17 |
| Pharmacists | 716 | 16 | 528 | 10 |
| Nurses | 20,357 | 460 | 15,058 | 420 |

* Source: UNICEF, *op. cit.*

Table 15. Nicotine addiction

| | BiH 1990 | FBiH 1996 |
|---|----------|-----------|
| Tobacco production in tons | 6,491 | 4,200 |
| Tobacco production per capita | 1.5 | 1.9 |
| Cigarette production per capita (in pieces) | 1,800 | 2,280 |
| Household expenditures for Tobacco in % | 2.9 | 9 |
| % of smokers | 50.0 | 55.0 |
| Smokers structure: | | |
| Men % | 70.0 | 60.0 |
| Women % | 30.0 | 40.0 |
| Cancer | 4,630 | 7,314 |
| Cardiovascular diseases | 330,616 | 7,314 |

Table 16. Alcoholism

| Population percent | BiH 1990 | FBiH 1996 |
|-------------------------------------|----------|-----------|
| Pure alcohol consumption per capita | 3.5 | 0.5 |
| No signs of addiction | 63.3 | 70.0 |
| Suspected addiction | 31.1 | 27.0 |
| Alcohol addiction | 5.6 | 3.0 |
| Alcoholism (no. of cases) | 400,000 | n/a |

* Source: Public Health Institute FBiH, RS data not available

During the war, displacement of the people and their concentration in those parts of the country which were considered safe resulted in major problems in the supply and functioning of the most vital systems such as water supply and sewage. 45% of water supply facilities were destroyed by the war, while 25% were damaged. The water losses in the system make 30-70% of the total quantity of water. This is a serious problem that requires urgent attention because of costs, water supply reductions and great risks of secondary water pollution on damaged sections.

It is estimated that about 50% of the population is supplied with water which has not been regularly controlled, while 32% of the urban population has been supplied with regularly controlled and safe drinking water. The data varies for the territory of BiH. Unfortunately, there are no accurate data because of inadequate sanitary control of water in rural areas. Data for detection and measurement of industrial air pollution does not exist in BiH.

A serious problem exists concerning the disposal of medicaments that have expired. According to the WHO assessment, about 5,000 tons of waste come from medical institutions, which is a hazard for the environment. It is necessary to legally regulate the conditions for medical waste disposal and destruction, and to ensure technical and financial resources for this purpose.

Another important risk factor is ionising radiation sources, lightning rods and fire alarms which are

uncontrolled. The registration of ionising radiation sources is under way.

Road traffic accidents have been increasing due to the damaged roads, their slow reconstruction, the large number of vehicles, and unsatisfactory traffic behaviour. The care and treatment of those injured in traffic accidents require sophisticated and expensive medical technology. In 1991, the number of injured in traffic accidents was 243.45 per 100,000 inhabitants. Estimates show that these rates were 487.5 in 1996, increasing to 731.25 per 100,000 inhabitants in 1997.

5. INTERNATIONAL CO-OPERATION AND ASSISTANCE IN THE HEALTH SECTOR

5.1. During the war, the health care sector was supported through various sources of international assistance. Aid was focused on the development of provisional war hospitals and health services with the aim to protect and provide necessary care and treatment to the population.

35-50% of the infrastructure in the health sector was damaged or destroyed during the war; 35% of hospital capacities was completely destroyed; while a shortage of essential drugs and sanitary material is still present.

After the war, the main efforts have been focused on the prevention of further aggravation of the health of the population. Therefore, urgent assistance has been provided to the health care sector (mainly through direct purchase of needed equipment, medicines and servic-

es). In 1997, additional assistance was obtained to initiate the physical and functional rehabilitation of health care delivery. It is estimated that about USD 172 million were received from a number of donors and governments (Austria, Canada, Croatia, Finland, Germany, Italy, Japan, Netherlands, Qatar, Saudi Arabia, Spain, Sweden, Switzerland, USA as well as the EU, EC and World Bank) which significantly improved the situation in the field.³

5.2. In order to set the priorities and to prevent uncoordinated and unsustainable investments, the Ministries of Health of both Entities were asked to make, with the assistance from international organisations, lists of priority investments which would provide a reasonable and cost-effective framework for the assistance received. These priorities are:

1. Victims of the war rehabilitation programme (first phase completed in the FBiH);
2. Basic hospital services programme, including a reform of the whole sector in the FBiH and the RS (implementation started in March 1997);
3. Basic health programme, focusing on primary health care and public health.

6. HEALTH CARE REFORM - TOWARDS A SUSTAINABLE, INTEGRATED, SOCIAL AND HEALTH SYSTEM

6.1. The main weaknesses in the health care system are:

- i) Mismatch in basic provisions of laws on health care and health insurance at the Entity level;
- ii) Unbalanced development of health facilities network in urban and rural areas resulting in the unavailability of health care to some groups of the population;
- iii) Building of expensive health institutions with very sophisticated medical technology in big cities (health centres, hospitals), mismatched with the economic potential of the country, increasing health care costs, and reducing cost-effectiveness;
- iv) Unbalanced territorial distribution of health professionals, particularly doctors, reflecting an unacceptable trend in health care delivery;
- v) Hospital care favoured instead of primary health care;
- vi) Health centres as leaders of PHC have developed intensive specialist services while neglecting the role of general practitioners;
- vii) Fragmentation of the health care system and insufficient linking of particular health care levels;
- viii) Inadequate co-ordination and planning of health personnel resulted in over-production of particular

professions, hyper-specialisation and an increased rate of unemployed professionals;

A vigorous process of health care transformation and reform is called for to mitigate the effects of the war. It should fully take into account the social, economic and demographic changes that have occurred in BiH during recent years.

7. CONCLUSIONS

7.1. As a central feature of human development, the reform of the health system within BiH must be founded upon the twin pillars of structural and organisational reform and funding and management reform. The devastation caused by the war has presented a challenge and an opportunity to develop a health system based upon more rational and equitable territorial distribution. The modernisation of the health care information system is a pre-condition to these reforms.

7.2. An integrated approach to the health care and social protection reform is important, particularly through the support of primary health protection and the affirmation of the family doctor approach.

7.3. Rehabilitation programmes for those who have suffered physical and psychological trauma during the war should be afforded a primary status. These programmes must also address the problem and effects of the trauma caused, for example, by domestic violence.

7.4. Immunisation programmes must be expanded in scope and in substance. The finalisation and implementation of the draft Law on Compulsory Immunisation must be accelerated.

7.5. The social security system should be expanded so as to encompass basic health insurance needs, thus promoting greater equality of access to health care.

7.6. There should be a national education programme of health promotion designed in accordance with the philosophy of "illness prevention" and the need to modernise existing health care practices.

7.7. A dual campaign must be launched for both the promotion of return of qualified health personnel and the promotion of new health sector qualifications. Financial and other forms of incentives should reflect the demand for new personnel in health care.

7.8. In the light of the fact that BiH is a member of WHO, development policies must accord with the policy of the WHO Regional Office for Europe and the goals set by the paper "Health for all by 2000".

3 Source: IBHI, *UN Systems and Programmes in BiH in 1998*, Sarajevo, 1998.

EDUCATION

“Education makes a greater difference between man and man than nature has made between man and brute.”

John Adams, 1776

INTRODUCTION

The pre-war education system within BiH was such as to rival many neighbouring European countries. Participation at all levels was correspondingly high. The transformation of this educational system had commenced before the war, reflecting tenets of decentralisation and a widening of the ideologies underlying the curricula. The war dramatically interrupted this process; it attacked the solidarity of the family, as the basic stable foundation for education, both in the sense of its physical security and displacement and it led to the destruction of educational facilities. The result was a decline in participation and an unevenness of schooling throughout the country. In the aftermath of the war BiH faces disparate Entity-education systems and a serious depletion of resources. An injection of finances alone cannot however resolve this crisis, the solution to which requires a new approach to the educational structure and organisation.

1. PRE-WAR STATE OF EDUCATION

1.1. As in other ex-socialist countries the education system in Bosnia and Herzegovina (BiH) has been undergoing a major transformation process for some time. Certain legal changes in education were made in BiH in 1990 when the strictly centralised education system was abandoned.¹ This brought about changes in the academic curricula. The war then introduced more pronounced national differentiation. During the first years of the war at least three systems or sub-systems of education could be differentiated. From the time of the sig-

nature of the GFAP, two (sub)systems of education officially exist in BiH: one in the Federation of Bosnia and Herzegovina (FBiH) and the other in the Republika Srpska (RS). This situation inevitably influences the overall education policy, management of the education system, financing, structure and standards in education, and also certainly the aims and content of education.²

Before the war education in BiH had reached, beyond doubt, the education level in medium-developed countries and, in some respects, even the developed European countries.

This can primarily be seen from the number of children attending compulsory primary school (at the end of the 1980s between 96% and 98%). The number of female pupils mostly ranged from 49-51% of the total, depending on the demographic situation of the area, while the number of pupils who continued their education in secondary schools was about 80% before the war.

1.2. In the 1990/91 school year, primary school education in BiH was being provided in 2,202 primary schools with a total of 532,468 pupils, of whom 260,926 (49%) were girls. During the same school year, 23,664 teachers were employed in the education field, of whom 13,618 were female teachers (57%).

At the same time, education in secondary schools was being provided in 237 schools. These were regularly attended by 166,060 pupils, 81,389 (49%) of whom were female pupils. At this level of education, there were 9,120 teachers including 4,112 (45%) female teachers. By 1991/2 the number of secondary schools

¹ For more information, see: A. Jabučar: *Collection of Regulations in the Field of Education*, 1997.

² The education situation in BiH, presented here is based primarily on the following sources:

- Statistics Bureau of FBiH in Sarajevo and the published “Statistical Bulletins” no: 261, 267, 269,
- Federal Ministry of Education, Science, Culture and Sports and its official “Information” on elementary schools, high schools and universities, adopted in June of 1998,
- a publication issued by the Federal Ministry of Education, Science, Culture and Sports entitled: “Development and Perspectives of Educating Teachers in Bosnia-Herzegovina”, by Srebren Dizdar, Sarajevo, June 1998,
- material made by the Sarajevo office of the Council of Europe, as well as UNICEF publications in Sarajevo,
- material by the Institution of the Ombudsmen of the FBiH, Department for the Rights of the Child,
- the Statistics Bureau of the RS.

For further information see Supplements on Education in Annex (Tables 50-59 and Diagrams 15-18).

had risen marginally to 241, serving approximately 166,909 pupils. Over 50% of this figure were concentrated in Banjaluka, Sarajevo and Tuzla.

In relation to its population, BiH had a high participation of young people studying at advanced schools and universities. This included high participation amongst the female population. In the 1990/91 school year, there were 37,541 students studying at 45 advanced schools and faculties and, of that figure, there were 17,667 or 47% female students. Among the 30,744 full-time students, the number of full-time female students was 15,727, i.e. 51%. That same year there were 2,907 fully-employed teachers and support staff (1,463 teachers) teaching at advanced schools and faculties.

Looking at the whole picture, around 736,069 pupils and students were educated in the 1990/91 school year in some 2,484 school institutions, with around 35,691 teachers and teaching associates. The education system thus encompassed about 800,000 participants which, according to calculations amounted to 34% of the total BiH population at that time.

Despite such impressive participation of one third of the population in education, there was always a certain percentage of illiteracy among the older generations. This was on the decline, but not at a satisfactory rate: in 1971, 23.2% of the population was illiterate, in 1981: 14.5%, and in 1991: 9.9%.

1.3. In addition to the survey of the situation in primary school education in the 1990/91 school year, it is interesting to see how the situation changed at the same level of education between the last pre-war year and the first post-war year, i.e. from 1991 to 1996.

War affected primary school education in BiH as a whole. From 2,202 in 1990/91, the number of schools in 1995/96 fell to 1,555, a decrease of 30%. However, this data does not reflect the real state of school capacity, i.e. the level of their devastation, because many schools reorganised themselves and began to work in non-school facilities. Nonetheless, the number of pupils

decreased from 532,468 to 378,819, a decrease of approximately 30%. It is noticeable that the participation of female teachers increased in primary school education, although a characteristic of primary school education is a greater involvement of female teachers. At higher levels of education, this decreases in favour of the male population.

2. POST-WAR STATE OF EDUCATION

2.1. Several factors have influenced education in BiH from 1990 until today. They are primarily the following: the abandonment of the pronounced centralist and unified education system and an attempt to lessen the dominance of one ideology and one philosophy; war devastation and the destruction of education facilities; the division of the country into regions (under the respective control of three armed forces) and later into the FBiH and the RS each with different education systems; differences in education management, from strong decentralisation to reinforced centralisation and indoctrination within individual decentralised units; unequal pedagogical standards and unequal development of education systems in individual communities (before the war); staffing and material problems in education during and after the war and the evaluation of education as an important segment in the further development of society.

The present situation in the field of education may be viewed using the following indicators: legal regulations in the field of education; education management; financing of education; rate of attendance of school-age children in compulsory eight-grade schools; percentage of pupils by the level of education in relation to the total population; structure of the education system and literacy of the population.

2.2. A very serious problem in the field of education, science, culture and physical education is that unified legal regulations do not exist in BiH. Essential legal changes took place in 1990 with the aim of harmonising the education system and the new social needs and

Table 17. Situation in primary school education (1990/91/92 & 1995/96) in BiH

| Year | Schools | Classes | Pupils | Female Pupils | Teachers | Female Teachers |
|---------|---------|---------|---------|----------------|----------|-----------------|
| 1990/91 | 2,202 | 19,280 | 532,468 | 252,425 47% | 23,664 | 13,618 57% |
| 1991/92 | 2,195 | 19,533 | 537,256 | 260,794 48% | 23,468 | 13,818 59% |
| 1995/96 | 1,555 | 13,902 | 378,819 | 184,635 49% | 16,907 | 10,541 62% |

Source: The table was compiled using data from the 1993/98 Statistical Almanac, Statistics Bureau of FBiH.

Table 18. Situation in primary school education from 1992/93 to 1998/99 (FBiH & RS)

| Year | Schools | Classes | Pupils | Female Pupils % | | Teachers | Female Teachers % | |
|-----------------|--------------|---------------|----------------|-----------------|-----|---------------|-------------------|-----|
| 1992/93 FBiH | 510 | 8,197 | 232,612 | 105,983 | 46% | 9,179 | 5,621 | 61% |
| 1993/94 FBiH | 662 | 8,065 | 224,479 | 108,082 | 48% | 8,822 | 5,792 | 66% |
| 1994/95 FBiH | 830 | 8,461 | 236,933 | 114,423 | 48% | 10,026 | 6,403 | 64% |
| 1995/96 FBiH | 898 | 8,982 | 252,332 | 122,655 | 48% | 10,821 | 6,889 | 64% |
| RS | 657 | 4,920 | 126,487 | 61,980 | 49% | 6,086 | --- | --- |
| BiH | 1,555 | 13,902 | 378,819 | 184,635 | | 16,907 | --- | --- |
| 1996/97 FBiH | 943 | 9,572 | 259,882 | 126,240 | 49% | 11,830 | 7,597 | 64% |
| RS | 734 | 5,414 | 130,517 | 63,770 | 49% | 6,879 | --- | --- |
| BiH | 1,677 | 14,986 | 390,399 | 190,010 | | 18,709 | --- | --- |
| 1997/98 FBiH | 951 | 9,956 | 266,918 | 129,681 | | 12,382 | 7,782 | 63% |
| RS | 737 | 5,414 | 127,736 | 62,329 | | 6,842 | --- | --- |
| BiH | 1,688 | 15,370 | 394,654 | 192,010 | | 19,224 | --- | --- |

Source: The table was compiled according to the data from the 1993/1998 Statistical Almanac, Statistical Bulletin no. 269, Statistics Bureau of FBiH and the Statistics Bureau of the RS.

Table 19. Situation in full-time secondary school education (1989/90/91/92 - 1995/96)

| Year | Schools | Classes | Pupils | Female Pupils | | Teachers | Female Teachers | |
|-----------------|------------|--------------|----------------|---------------|------------|--------------|-----------------|------------|
| 1989/90 BiH | 241 | 5,567 | 165,807 | 82,280 | 50% | 22,939 | 13,520 | 59% |
| 1990/91 BiH | 238 | 5,486 | 160,903 | 80,865 | 50% | 23,664 | 13,618 | 58% |
| 1991/92 BiH | 237 | 5,369 | 166,060 | 81,389 | 49% | 23,468 | 13,818 | 59% |
| 1995/96* BiH | 251 | 4,461 | 126,650 | 58,794 | 47% | 8,353 | 3,663 | 54% |
| FBiH | 171 | 2,885 | 81,264 | 36,947 | | 5,666 | 2,484 | |
| RS | 80 | 1,576 | 45,386 | 21,847 | | 2,687 | 1,179 | |

Source: The table was compiled using data from the 1993-1998 Statistical Almanac, Statistics Bureau of FBiH and the Statistics Bureau of the RS.

* Total figures from both statistics bureaus.

Table 20. Situation in university education from 1990/91/92 & 1997/98 in BiH

| Year | Schools Faculties | Students Total Full-Time and Part-Time | Students Only Full-Time | Female Students % of Full-Time | Teachers Total |
|----------------|----------------------|--|----------------------------|--------------------------------------|-------------------|
| 1990/91 | 45 | 37,541 | 30,744 | 15,727 51% | 1,463 |
| 1991/92 | 46 | 37,976 | 32,995 | 16,244 49% | 1,576 |
| 1997/98 BiH | 84 | 45,074 | 34,603 | --- | 2,238 |
| FBiH | 55 | 34,477 | 25,381 | 13,555 | 1,556 |
| RS | 29 | 10,597 | 9,222 | --- | 682 |

Source: The table was compiled on the basis of figures from the 1993-1998 Statistical Almanac and the Statistics Bureau of the RS.

changes arising after the multi-party elections. Today efforts are being made to harmonise the present laws relating to education in the FBiH with the Constitution of the FBiH, since they were passed before changes were made to the legal and state organisation and the Constitutional order. Certain modifications and amendments to this legislation were made in 1993 and 1994.

During 1993 new laws pertaining to primary and secondary school education were adopted in the RS, while the regulation concerning university education was adopted in 1994. During 1998 the process for the reform of the educational system was initiated.

Despite significant legal changes, the education system retained the structure from the previous system: primary - compulsory school which lasts eight years, secondary school which lasts three to four years, and advanced schools and faculties. In addition to the State systems, several private schools have been opened in the FBiH. No private schools however exist in the RS.

2.3. Education management varies significantly between the FBiH and the RS. Education management in the FBiH is regulated by appropriate provisions at four levels: Federation level, cantonal level, municipality level and school level. All responsibilities in the field of education have been transferred to the level of the cantons. Cantonal ministries are responsible for defining education policy and making regulations in this field. It is also stipulated that each canton may transfer some of its responsibilities, including management responsibilities, to the level of the federation or the level of the municipality. Where the population of a municipality is not the majority population of the canton, the cantonal authorities are obliged to transfer a part of their management function to the municipalities. This is in order to ensure equality and protect the national and cultural specifics of the constituent peoples in the FBiH.

Municipalities generally make decisions concerning the establishment of institutions in the field of education and teaching, although there is a tendency to pass this responsibility on to the cantons. In schools, management is carried out directly through management committees which consist of representatives of the social community, school and parents. Management committees decide on all vital issues related to the functioning of the educational institutions. It is important to note that the passage of new regulations, sub-legal acts and other measures is underway at all levels in order to further regulate education management.

In the RS, the model of education management is based on the central role of the authorities at the Entity level. The Ministry of Education defines the policy and laws in the field of education and the RS government decides on the formation of new educational institutions. Management in schools is the responsibility of School Boards, made up of founding representatives and parents. The School Boards nominate candidates for directorship, one of whom is then appointed by the RS Ministry of Education.

2.4. The work of primary schools in FBiH is financed from cantonal budgets, except for schools founded by private, legal or physical persons. Parents and humanitarian organisations or other legal persons participate in financing those schools, and a smaller part of their resources comes from cantonal budgets. Finance from the budgets provides salaries and minimum funds for material costs (including office supplies, cleaning supplies, food and employee transportation).

In reality schools receive limited resources for classes and are not receiving any resources for maintaining facilities, equipment, modernisation and the introduction of new teaching techniques. Moreover, whilst many school facilities have been reconstructed from donations, their number is now decreasing. Most

resources are set aside for the work of primary schools and employees. However, generally speaking, the amount of available resources enables only essential activities to be conducted.

In FBiH (Central Bosnia, Una-Sana, Bosansko Podrinje, Tuzla-Podrinje, Zenica-Doboj, Sarajevo and Herzegovina-Neretva) a total of 252,658,287 KM was planned in the seven cantons' budgets for education in 1997. There is no data available for the Posavina Canton, Western Herzegovina Canton and Herceg-Bosna Canton.

For the RS, available information indicates that 254,666,740 dinars, or 84,039,695 DEM, were set aside for education. In the RS, educational institutions are financed (salaries and material expenses) from the budget of the Ministry of Education. Only secondary education is financed from the municipality budget, while the salaries are financed from the Ministry's budget. Educational materials, building repairs and other logistical materials are financed solely through donations.

The total financial resources in BiH during 1997 (represented by FBiH cantonal budgets for 1997 without data for the Posavina, Western Herzegovina and Herceg-Bosna Cantons, plus resources planned in the Republika Srpska) amounted to: DEM 336,724,982. Estimates of resources required for 1997 were much larger.

2.5. In the FBiH territory classes in the 1997/98 school year were held in 973 eight-grade and four-grade pri-

mary schools, of which 22 are specialised primary schools. A total of 372 primary schools were registered as legal bodies, while the rest are treated as associated regional schools.

In the RS, according to the available information, there are 735 schools, although it is not clear whether these schools are only legal bodies or also facilities where classes are held.

According to the Statistics Bureau of the FBiH, at the beginning of the 1997/98 school year 267,821 pupils attended primary school in the FBiH, of whom 131,708 were enrolled in grades I-IV and 136,113 were enrolled in grades V-VIII. A total of 819 pupils attended special primary schools. According to data from the Statistics Bureau of the RS³, there were 127,736 primary school pupils, of whom 62,329 (49%) enrolled in the school year 1997/98.

General attendance of children of primary school age cannot be calculated because a large number of children of primary school age have been displaced from their homes due to the war, and a considerable number of children were killed as victims of war.

One should also bear in mind that the number of returnee pupils is increasing all the time. According to estimates, so far around 18,033 primary school pupils have returned to different parts of the FBiH and their number is constantly changing.

Table 21. Primary school attendance in 1997/98 in relation to the total population

| | Schools | Pupils | Teachers | Population %* |
|------|---------|---------|----------|--------------------|
| BiH | 1,688 | 394,654 | 19,224 | 3, 600,143 11% |
| FBiH | 951 | 266,918 | 12,382 | 2, 208,143* 12% |
| RS | 737 | 127,736 | 6,842 | 1, 392,000* 9% |

Source: The table was compiled using estimates and indicators of the Statistics Bureau of FBiH and Statistics Bureau of the RS.

* The percentage of pupils in education in relation to the total population. The size of the population is an estimate from the end of 1997.

Table 22. Indicators of the situation in full-time secondary school education for 1995/96/97/98 at the end of the school year and the situation after enrolment in the 1998/99 school year

| Year | Schools | Pupils | Female Pupils | Teachers | Female Teachers |
|-----------|---------|---------|---------------|----------|-----------------|
| 1995/96* | | | | | |
| FBiH | 171 | 81,264 | 36,947 45% | 5,666 | 2,484 44% |
| RS | 80 | 45,386 | 21,847 48% | 2,687 | 1,179 44% |
| BiH Total | 251 | 126,650 | 58,794 | 8,353 | 3,663 |
| 1996/97 | | | | | |
| FBiH | 183 | 88,554 | 41,264 47% | 6,010 | 2,623 44% |
| RS | 96 | 49,604 | 24,362 49% | 2,784 | 1,289 46% |
| BiH Total | 279 | 138,158 | 65,626 | 8,794 | 3,912 |
| 1997/98 | | | | | |
| FBiH | 207 | 97,371 | 46,483 48% | 6,532 | 2,934 45% |
| RS | 98 | 50,852 | 25,547 50% | 2,679 | 1,215 45% |
| BiH Total | 305 | 148,223 | 72,030 | 9,211 | 4,149 |
| 1998/99 | | | | | |
| FBiH | 207 | 106,932 | 51,406 48% | 7,000 | 3,172 45% |
| RS | 98 | 53,340 | 26,455 50% | 2,738 | 1,262 46% |
| BiH Total | 305 | 160,272 | 77,861 | 9,738 | 4,434 |

Table 23. Advanced school and university education (FBiH & RS - 1990/91 & 1997/98)

| | Schools and Faculties | Students Total % f | Teachers Total % f |
|-------------------|-----------------------|------------------------|----------------------|
| 1990/91 BiH | 45 | 37,541 19,874 (53%) | 1,463 --- --- |
| 1997/98 Total BiH | 84 | 34,662 17,757 (51%) | 2,156 1,279 (59%) |
| 1997/98 FBiH | 55 | 25,381 13,055 (51%) | 1,556 ----- |
| 1997/98 RS | 29 | 9,281 ----- | 600 ----- |

Source: The table was compiled using figures from the 1993-98 Statistical Almanac and the Statistics Bureau of the RS.

2.6. Out of the total FBiH population at the end of 1997, 601,133 people fall into the age bracket of 8 to 24 years of age. Data for the RS is unavailable.

A person who completed at least three grades of primary school or a person who did not attend school but who is able to read and write a short composition about everyday life is considered to be literate.

Table 24. Illiteracy in relation to the census of the population:

| | 1971 | 1981 | 1991 |
|----------------------------------|------|------|------|
| % of Population Age 10 and Above | 23.2 | 14.5 | 9.9 |
| Men | 10.5 | 5.5 | 3.4 |
| Women | 35.1 | 23.3 | 16.4 |

Source: The table was compiled using estimates from the Statistics Bureau of FBiH.

According to estimates, in mid-1998 7% of the BiH population over 10 years old was illiterate.

2.7. During the 1997/98 school year, a total of 556,096 pupils and students were in full-time education at all levels (primary schools, secondary schools, advanced schools and faculties).

In relation to the total population present in BiH in 1997, which is 3,600,143, 15% participated in full-time education as pupils and students. Primary school education covered 11% of the total population, secondary school education 3% of the total population, and only 1% of the total population was at the advanced school and faculty level.

3. CONCLUSIONS

3.1. In the post-war transitional phase, the movement towards a comprehensive education system for all has been impeded by displacement, the division of management and curricula between the Entities and the basic lack of resources and facilities. Development in the field of education has significant long and short-term implications. In the short-term, it represents one feature of the return to a normal pattern of daily life. In the long-term, it is a pre-condition to increased employment, economic development and the provision of essential expertise to carry forwards and consolidate the peace and redevelopment process, particularly with a decline in international assistance and support. With this in mind, in addition to the need for greater resources, the restructuring of the education system should be guided by the need for a broad curricula and harmonisation within the further transformation and democratisation of the system.

3.2. A decrease in the quality of education has been noted, particularly in the shift from the lower to the higher level of education. An important cause, together

with the consequences of the war (lack of equipment, inadequate financial resources and a lack of qualified teaching staff), is the involvement of political and national interests in education, which has a negative impact on the formation of a value system for the young.

The educational curricula for both Entities must be in accordance with international standards and free from ideological political and cultural constraints. The education system has an important pedagogical function and must be recognised as the most effective opportunity to develop cultural tolerance, peace and the basic tenets of a free and open civil society and respect for fundamental rights and freedoms.

3.3. Resource allocation and development should extend beyond reconstruction of educational facilities to the modernisation of equipment and the maintenance of existing facilities. Modernisation of equipment and teaching methodologies, as well as adequately qualified teachers, will assist in promoting those skills which are essential to the sustainability of the process of transition, reconstruction and longer-term development.

3.4. Education management systems must aim to affirm the role of local management through bodies such as school boards. Authorities and school boards must seek to eliminate the discrimination or harassment of children in schools and ensure non-discrimination in recruitment of teachers. Parents should be responsible and equal partners of schools, with the right to choose the type of education and educational institution for their children.

3.5. In order to transform education and raise its quality, it is necessary to change the pupil - teacher relations by placing the pupil in the centre of the educational activity and by supporting the formation of independent and creative individuals.

EMPLOYMENT

"A man willing to work, and unable to find work, is perhaps the saddest sight that fortune's inequality exhibits."

Thomas Carlyle, 1839

INTRODUCTION

This chapter's detailed overview and critical analysis of the employment situation demonstrate that the realistic unemployment rate in BiH is 36.21%. This is significantly greater than the official calculated rate of unemployment. Attention should be paid to the foundations of new policies for creating new employment. Conditions for this are privatisation, the restructuring of existing companies, and resolving the fiscal federalism problem, movement in this direction will be crucial in attracting foreign capital.

1. EMPLOYMENT / UNEMPLOYMENT - 1991

1.1. Although hidden unemployment was a persistent problem in ex-Yugoslavia, the number of employed persons in Bosnia and Herzegovina (BiH) continued to grow in the period from 1982-89. That situation changed in 1990-1991 because of a number of reforms and the introduction of a stable currency that included a

restrictive monetary policy, which led to a sharp reduction in the industrial labour force. Table 25 shows the total number of employed persons in BiH excluding those employed in the army and police from 1982-1991.

The employment situation in BiH from 1982-89 is illustrated in the comparison of average rates of growth of employment and average rates of growth of real GDP. Average rate of growth of real GDP was 0.77% while the rate of growth of employment during the same period was 2.60%. This negative trend in employment stopped in 1989 with the reform of the economic system, which included changes in the monetary system based on the introduction of a new currency connected to DM. The direct consequence of this restrictive monetary policy and modified working environment in the period 1990-91 was a sudden growth in unemployment. In fact, it represented the elimination of "artificial" employment created between 1982-1989. Out of the total number of employed persons in 1989, 10.03% were without a job by the end of 1991 (108,900 workers).

Table 25. Employment in Bosnia and Herzegovina (1982-1991)

| No. | YEAR | NUMBER OF EMPLOYED PERSONS IN BiH | NUMBER OF PERSONS EMPLOYED IN INDUSTRY | NUMBER OF PERSONS EMPLOYED IN PUBLIC SECTOR |
|--|------|-----------------------------------|--|---|
| 1. | 1982 | 906,600 | 764,800 | 141,800 |
| 2. | 1984 | 971,200 | 825,000 | 146,200 |
| 3. | 1987 | 1,076,100 | 919,000 | 157,100 |
| 4. | 1989 | 1,085,300 | 927,900 | 157,400 |
| 5. | 1990 | 1,054,200 | 898,800 | 155,400 |
| 6. | 1991 | 976,400 | 828,100 | 148,300 |
| Average rate of growth of employment 1982-89 | | 2.60% | | |
| Rate of growth of employment 1991/1989 | | -10.03% | | |

Source: Statistics Almanac FBiH 1992, p. 56, Sarajevo, May 1994

The following tables show the breakdown of unemployment figures by population qualifications and various governmental figures at the start of the 1990s.

The rate of unemployment in BiH in 1992 is compared to the rate of unemployment in other countries in transition in Table 28. The high rate of unemployment in BiH shows that the process of adaptation was less favourable in comparison to most other countries in transition, including the more developed parts of ex-Yugoslavia.

2. EMPLOYMENT / UNEMPLOYMENT - 1998

2.1. The production sector, which accounts for a high proportion of the labour force, is in a very difficult situation because of the lack of a normal capital market as well as medium and long-term credits. The situation is somewhat alleviated by the mid-term credit lines from USAID and the World Bank for medium and small industries. These credit lines, however, are insufficient

for the reconstruction and need a period of time longer than three years, or a half-year to a yearlong grace period. This observation is necessary for understanding the existing situation of unemployment and employment in BiH. The efforts hitherto made in creating conditions for a sustainable development represent only a small step towards the realisation of that aim.

Caution should be used when interpreting the data presented in Table 29. It is possible to mistake the numbers for a certain degree of economic progress. For example, a comparison of data about the number of employed persons in the Federation of Bosnia and Herzegovina (FBiH) in 1997 to 1998 shows an increase of employment by 20%. This increase, however, is not due to higher labour demands. It is due to the fact that 1998's figure began to include army and police personnel (about 38,000 employees), as well as tighter control of the number of employees in the trade, tourism, hotel management and craft fields. During 1996 and 1997, these three fields engaged a great number of workers

Table 26. Unemployment in Bosnia and Herzegovina - situation in 1992

| No. | QUALIFICATIONS | NUMBER OF UNEMPLOYED PERSONS | PERCENTAGE OF the total number of unemployed. (IN %) |
|-----|--------------------------------------|------------------------------|--|
| 1 | Unqualified | 121,161 | 34.32 |
| 2 | Semi-qualified and primary education | 14,327 | 4.06 |
| 3 | Qualified and highly qualified | 113,174 | 32.05 |
| 4 | Secondary education | 90,424 | 25.61 |
| 5 | High education | 5,010 | 1.42 |
| 6 | University degree | 8,957 | 2.54 |
| | TOTAL | 353,053 | 100.00 |

Source: Statistics Bulletin – special edition, Institute for employment BiH, page 8, July 1996.

Table 27. Estimation of the rate of unemployment - narrower and wider categories (1991)

| No. | DESCRIPTION | TOTAL |
|-----|--|-----------|
| 1 | Population according to the 1991 census | 4,377,000 |
| 2 | Working population 20 to 59 age | 2,404,000 |
| 3 | Total working force | 1,882,000 |
| 4 | Official unemployment in BiH | 1,308,000 |
| 5 | Registered unemployment | 353,000 |
| 6 | Registered and unregistered unemployment | 504,000 |
| 7 | Narrower (restricted) rate of unemployment | 18.75 % |
| 8 | Wider rate of unemployment | 26.78 % |

Source: *Bosnia and Herzegovina – From Recovery to Sustainable Growth* – World Bank, Washington, May 1997; Statistics Almanac RBiH for 1992, page 43, Statistics Bureau of BiH, May 1994; Statistics Bulletin, page 6-9, Institute for Employment BiH, July 1996.

Table 28. Rates of unemployment in selected countries in transition (1992)

| No. | COUNTRY | RATE OF UNEMPLOYMENT |
|-----|------------------------|----------------------|
| 1 | Bulgaria | 15.0 |
| 2 | Croatia | 15.3 |
| 3 | Hungary | 10.7 |
| 4 | Macedonia | 18.6 |
| 5 | Poland | 12.9 |
| 6 | Slovakia | 11.3 |
| 7 | Slovenia | 11.6 |
| 8 | Albania | 24.4 |
| 9 | Bosnia and Herzegovina | 18.8 |

Source: World Economic Outlook, page 109, International Monetary Fund, May 1998 (data under the numbers from 1-8); data source for number 9 is the same as the previous table.

Table 29. Employment in Bosnia and Herzegovina (1998)

| No. | Activity | FBiH | RS * | BiH |
|-----|------------------------------|----------------|----------------|----------------|
| 1 | Industry and mining | 120,907 | 61,905 | 182,812 |
| 2 | Agriculture and fishing | 4,678 | 4,973 | 9,651 |
| 3 | Forestry | 5,659 | 1,859 | 7,518 |
| 4 | Waterpower engineering | 588 | 457 | 1,045 |
| 5 | Civil engineering | 22,701 | 6,784 | 29,485 |
| 6 | Transport and communications | 27,465 | 8,650 | 36,115 |
| 7 | Trade | 40,941 | 25,000 ** | 65,941 |
| 8 | Tourism and hotel management | 14,591 | 5,042 | 19,633 |
| 9 | Craft | 19,309 | 5,980 | 25,289 |
| 10 | Housing and public services | 9,170 | 2,647 | 11,817 |
| 11 | Financial and other services | 15,532 | 3,475 | 19,007 |
| 12 | Education and culture | 35,984 | 13,907 | 49,891 |
| 13 | Health and social protection | 27,620 | 12,139 | 39,759 |
| 14 | Public administration | 61,684 | 48,970 | 110,654 |
| | T O T A L | 406,829 | 201,788 | 608,617 |

Source: Statistics about economic and other movements, page 43, Statistics Bureau of FBiH, Sarajevo, December 1998; *Monetary public finances policy in Republika Srpska and impact on social position of the population*, Faculty of Economics Banjaluka, 1997;

* Data for the RS are for the first half of 1997;

** Official data about the number of employed persons in the field of trade in the RS was 13,083, while the figure mentioned here is an estimate based on the number of registered enterprises;

from the grey market. This market, while certainly existing in 1998, was reduced through intensified efforts of the federal authorities to track unregistered employees in these fields. Thus, the growth of officially registered employment in the FBiH in 1998 was 8.7%.

2.2. Data about the number of registered employed persons must be corrected by the number of a specific cate-

gory of “employed but unemployed” persons (unofficial term), otherwise known as “waiting workers” (official term). The term “waiting workers” was introduced as an attempt to show a great number of workers, although their work objectively is not needed and the demand for products or services in their field had fallen off. The number of employed persons in BiH should actually be reduced by the number of “waiting workers”.

Possible employment of “waiting workers” depends on the development of market perspectives of the State companies, and especially on the process of privatisation which should definitely start in 1999. Since the process of privatisation has been undertaken partly for restructuring companies, it is expected that the efforts and activities of future managers will lead to the rationalisation of the number of work places regardless of many delusions related to the possibility of “keeping” working places by having stocks. When calculating the rate of unemployment in BiH, it is important to take into account the number of unemployed persons registered in the Entities’ institutes for employment, which is based on data on officially unemployed persons, as well as the number of unemployed “waiting workers”.

The situation in the Republika Srpska (RS) concerning official data about the number of employed and unemployed persons is similar to the FBiH situation. The RS is also burdened by the problem of formal registration of a great number of demobilised soldiers in companies where they worked before the war. Consequently, the number shown of employed persons is much higher than the real possibilities for employment, which are conditioned by a variety of factors: financial means, finance, work, fixed capital and effective demand. Employment possibilities are especially present in industry and mining, which employed approximately 40% of the pre-war working population. On the other hand, extensive participation in the grey market obfuscates the data about the real number of workers receiving an income for their job. This positive aspect of the grey market does not negate the negative effects that

grey markets have on the structure of fiscal incomes and expenditures that should cover basic social needs. The phenomenon of grey markets is especially present in the fields of trade, tourism, hotel management and craft. Taking into account what is mentioned above, official data regarding the number of registered unemployed persons in the Entities’ statistics bureaus must be examined with caution.

2.3. According to the data of the Statistics Bureau of FBiH (October 1998), there were 70,188 “waiting workers” in the FBiH who were included in the data about employed persons (Table 29). Out of the total number of “waiting workers”, 40% are women. Most of the “waiting workers” belong to the field of industry and mining (46,630 or 66.4%). Whilst there are no official data for the RS, the number of “waiting workers” in Table 31 is estimated at 45,000.¹

2.4. Analysis of the data from the two previous tables indicates that the inclusion of “waiting workers” as unemployed workers is a more accurate assessment of the rate of unemployment. This would mean that the rate of unemployment in BiH in the narrower sense was at the level of 36.2% in 1998. Taking into account the prevailing conditions in BiH, this rate can be considered a significant achievement when compared to the position at the beginning of 1996, and when compared to other western European countries like Spain where the rate of unemployment is approximately 22%. However, the process of transition and the need to increase the productivity of work in the absence of credits for technical restructuring of the economy could

Table 30. Officially registered number of unemployed workers in BiH (1998)

| No. | QUALIFICATIONS | FBiH | RS | BiH |
|-----|--------------------------------|----------------|----------------|----------------|
| 1 | University degree | 2,828 | 1,547 | 4,375 |
| 2 | Higher education | 2,303 | 2,768 | 5,071 |
| 3 | Secondary education | 46,905 | 35,699 | 82,604 |
| 4 | Primary education | 3,077 | 0 | 3,077 |
| 5 | Highly-qualified and qualified | 81,561 | 53,160 | 134,721 |
| 6 | Semi-qualified | 7,558 | 5,206 | 12,764 |
| 7 | Unqualified | 104,680 | 44,533 | 149,213 |
| | TOTAL | 248,912 | 142,913 | 391,825 |
| | - Women | 111,171 | 62,173 | 173,344 |
| | - Men | 137,741 | 80,740 | 218,481 |

Source: *Statistics data about economic and other movements*, page 45, Statistics Bureau of FBiH, Sarajevo, December 1998;

Monthly Statistics Review, No 3, pages 35-36, Statistics Bureau of the RS, Banja Luka, October 1998.

¹ This estimate is based on the study, *Monetary and finances policy in Republika Srpska and impact on social position of the population*, which was made by a research team of the Faculty of Economics in Banjaluka. Since this study, done in 1997, states (p.75) that out of officially published 159,871 employees (without persons employed in the army and the police) in reality there were 90,000 employed persons, Table 31 is based on the assumption that during 1997 and 1998, due to the revival of some capacities, the number of waiting workers was reduced by about 25,000.

Table 31. Estimate of the rate of unemployment in BiH - narrower and wider category (1998)

| NO. | DESCRIPTION | FBiH | RS | BiH |
|-----|---|-----------|-----------|-----------|
| 1 | Population – estimate for the end of 1998. | 2,250,000 | 1,392,000 | 3,642,000 |
| 2 | Working population from 15 to 64 years old – estimate | 1,500,500 | 907,200 | 2,407,700 |
| 3 | Total working force | 872,000 | 528,000 | 1,400,000 |
| 4 | Official employment in BiH | 407,000 | 202,000 | 609,000 |
| 5 | Registered unemployment | 249,000 | 143,000 | 392,000 |
| 6 | Number of waiting workers | 70,000 | 45,000 | 115,000 |
| 7 | Registered and unregistered unemployment | 465,000 | 326,000 | 791,000 |
| 8 | Narrower rate of unemployment | 28.56% | 27.08% | 25.16 % |
| 9 | Rate of unemployment including waiting workers | 36.58% | 35.61% | 36.21% |
| 10 | Wider rate of unemployment | 53.33% | 61.74% | 56.50% |

Source: Estimates about population in the Entities based on preliminary data from the Statistics Bureau of FBiH and the Statistics Bureau of the RS; data source about the number of employed and unemployed is the same as in Tables 29 and 30. The working estimate of the number of inhabitants in the FBiH in 1998 calculated by the Statistics Bureau of the FBiH is 2,250,000. The RS does not have a working estimate, so the number of inhabitants in the RS (1,392,000) corresponds to the number at the end of 1997. There are indications that the number of inhabitants in the RS is lower, since there are 40 – 50,000 refugees from Croatia who have been registered as resident of the RS.

lead to the reduction of the number of workers and a possible increase in unemployment.

The employment situation of BiH and the other countries in transition at the beginning of the privatisation process in 1997-98 is shown in Table 32. It is clear from a comparison of this information with the data in Table 28 that all of the countries have kept a relatively stable rate of unemployment during the period 1992-1997, while BiH due to the war and post-war problems is in a

very difficult position. The country's rate of unemployment is approximately 3.5 times bigger than in Hungary or 2.6 times bigger than in Slovenia.

2.5. Comparison of the data in Table 28 (unemployment in 1992 in selected countries) and data in Table 32 leads to the conclusion that the rate of unemployment in those countries has not grown significantly as a result of the transition. This can be encouraging for BiH. However, since these countries did not suffer war

Table 32. Rate of Unemployment - selected countries in transition (1997)

| No. | COUNTRY | RATE OF UNEMPLOYMENT |
|-----|---------------------------|----------------------|
| 1 | Bulgaria | 14.3 |
| 2 | Croatia * | 16.4 |
| 3 | Czech Republic | 4.0 |
| 4 | Hungary | 10.7 |
| 5 | Macedonia* | 24.9 |
| 6 | Poland | 12.3 |
| 7 | Slovakia | 13.0 |
| 8 | Slovenia | 14.3 |
| 9 | Bosnia and Herzegovina ** | 36.2 |

Source: World Economic Outlook, page 109, International Monetary Fund, May 1998; data and sources for Bosnia and Herzegovina are listed in Table 27.

* Data for 1996

** Data for 1998

destruction, "brain drain", a period of low economic activity as well as technological obsolescence (besides the war destruction), it is impossible to apply the same logic to BiH at the beginning of privatisation.

3. IMPACT OF FISCAL FEDERALISM ON REDUCTION OF UNEMPLOYMENT

3.1. Since the structure of the fiscal regime is different in both of the Entities, the analysis of each system will be made separately. In the FBiH, the cantons are given the responsibility for financing social protection. Thus, the capacity of each canton determines their ability to address issues of social protection and, at the same time, their possibility for cantonal investment of capital as an incentive for the growth of employment. Since the tax on trade dominates the structure of incomes of the cantonal budget (over 50% or 62% excluding contributions for health insurance), it is obvious that the purchasing power of the population has the greatest influence on the size of budget incomes and the possibility for realisation of investments of capital aimed at reducing unemployment. Growth of the purchasing power viewed by cantons generally depends on the presence of international/foreign organisations and the staff and the local population they employ.

In the cantons of the FBiH, there is a significant disparity between the amount of the budget resources, the total population, the number of displaced persons and the number of unemployed persons. This is a direct consequence of the existing structure of fiscal federalism in the FBiH. Lack of a central institution, at least at the level of the FBiH, with sufficient financial resources for initiating employment and opening perspectives for the development of cantons. Limited fiscal capacity in combination with large influxes of displaced persons diminishes the potential faster growth rates, especially when important credit providers for small and middle level business (such as USAID) are not present in some cantons (Una-Sana, Bosnia-Podrinje).

3.2. Compared to the FBiH, fiscal federalism in RS represents the other extreme because the RS Government collects almost all the incomes. The structure of the budget plan for 1997 and 1998 also included World Bank credits. By looking at the structure of the RS budget, it is possible to conclude that incomes that belong to the cantons in the FBiH represent incomes in the RS. A similarity between the FBiH and the RS budgets is that expenses for army and soldier-disability protection represent basic elements (in the FBiH about 65% and in the RS about 45%). Differences between the budgets result from the absence of cantonal governmental structure in the RS. An illustration of this is that the inputs for primary,

secondary and higher education are components of the RS budget, but not of the FBiH budget.

Low average salaries, limited reconstruction resources, and the domination of the grey market have reduced the RS fiscal capacity for assisting refugees and displaced persons, supporting the regular financing of educational institutions, and for important development activities.

General evasion of taxes is also evident, as clearly indicated by the level of revenues in both Entities. The total income of the cantonal and Federal budget excluding contributions for health was 1.56 billions DEM². The budget of the RS for 1997 was about 425 million DEM³. However, this figure represents an amount converted by overvalued exchange rate (3.5 YUD per 1 DEM). When converted by a more realistic exchange rate, the RS budget amounts approximately to 300 million DEM. This suggests that the level of fiscal discipline in the RS is much lower than in the FBiH, having a direct impact on the considerably lower rate of GDP. Out of an estimated 1.392 million RS citizens, 416,000 are refugees or displaced persons; the lack of fiscal discipline will negatively affect solutions to problems associated with repatriation and the encouragement of industry, mining and civil engineering. These problems, in turn, affect the growth of employment and production (GDP).

3.3. The weaknesses of fiscal federalism decrease the efficient role of the State in managing the policies against unemployment and in the protection of the unemployed. What is more important is that these weaknesses decrease the transparency of the fiscal income and create incompatible Entities and, on a smaller scale, cantonal and business environments. This is a great obstacle to the privatisation process and attracting foreign capital, both fundamental and sustainable methods for creating new employment.

4. POSSIBILITIES FOR EMPLOYMENT GROWTH

4.1. The prospects for reducing unemployment in Bosnia and Herzegovina need to recognise that a country in transition has to respect the rules of international monetary institutions, particularly during the process of privatisation. Results in the field of employment growth in the three post-war years show that it was due to: (a) activities relating to reconstruction of infrastructure, (b) repair to housing, and (c) employment by international organisations, which employ a fairly high number of qualified workers. However, since the basic economic and social objective should be to achieve long-term sustainable development, future growth of employment must be based on indigenous measures such as restructuring and integration of BiH companies into the international economy.

2 *Information on public incomes and outcomes of the cantons in the FBiH in the period from 01 Jan-31 Dec 1997*, page 12, Ministry of Finance FBiH, Sarajevo, February 1998.

3 *Monetary and public finances policy in the RS and its impact on social position of the population*, p. 45, Faculty of Economics University of Banjaluka, on the basis of the data provided by the RS Ministry of Finance.

Viewed in this context, the growth of employment should be based on the long-term perspectives in order to avoid instability and uncertainty amongst employees, which could have many negative socio-economic consequences. Thus, restructuring companies, starting with the big companies and following with the dynamic development of small and middle level companies, are a basic requirement for the growth of long-term sustainable employment. The restructuring of companies owned by the State, which employ most of the officially employed persons, can be achieved through the process of privatisation. However, the central requirement for solving the problem of unemployment in the future would be the availability of adequate financial resources for carrying out the process of restructuring, for which privatisation is a prerequisite, and thus, opening new markets and creating new jobs. It is possible to provide financial resources for restructuring in the following three ways: 1) by loans, 2) by foreign direct investments and 3) by issuance of shares. In the current situation, this would involve negotiating with international institutions the conditions for financing, creating incentives for direct foreign investments and issuing company shares to which the companies should comply.

4.2. The first way of financing development is by ensuring the availability of financial resources through loans. For this, the process of privatisation should be completed as soon as possible. Technology and marketing of most of the BiH companies do not satisfy international criteria and standards. Successful restructuring requires much more suitable credit conditions or credits on a longer-term basis so that the process of privatisation can fulfil its purpose and the companies can regularly pay off their debts. Some of the banks whose founders are international financial institutions do not promote an atmosphere for the fast development of small and middle business through loans under conditions corresponding to the current market conditions (e.g. Micro-Enterprise-Bank). In this regard, the Entities (and the cantons in the FBiH) can act as a stimulant and support the development of small and middle business by establishing agencies for credit to small and middle level businesses. This should be done under more acceptable conditions in relation to existing market conditions (current rates of interest for commercial credits are between 2% and 4% per month). Because these agencies would not have great financial resources, part of the future income should be directed towards the enhancement, development and restructuring of companies.

4.3. The second source of financing of long-term development is direct foreign investments. The government departments concerned should contact and encourage enough foreign partners for BiH companies. It should be recognised that privatisation would not automatically lead to a spectacular influx of capital from abroad due to the high level of political risk and local legal and

bureaucratic obstacles. Direct foreign investments will be encouraged when State authorities practice greater discipline and effectiveness in the executive and judicial organs of the government, as well as in the legislative organs, i.e. passing laws, which facilitate foreign investment.

4.4. As for the capital market and the issuance of bonds, shares and market capital, the State must organise institutions that effectively implement relevant laws. In this regard, the Law on Commission for securities, Law on Register of securities and Law on securities were passed in October 1998 in the FBiH. In addition to other laws for the implementation of privatisation, these three laws define rules, procedures and possibilities for the issuance of securities. Similar laws will probably be passed in the RS by which the process of privatisation and trading of securities in the post-privatisation period would be regulated. The importance of vigorous and disciplined implementation of the relevant laws and regulations can hardly be over-emphasised.

5. CONCLUSIONS

5.1. It is estimated that 36.2% of the BiH population is without a job if one excludes the factors that artificially deflate the official unemployment rate. BiH has been weakened by the war, three years of subsequent low economic activity, technical obsolescence and the sapping effects of "brain drain". In addition, the country has to cope with the economic, political and social overhaul of privatisation. Consequently, progress in the creation of new employment opportunities has, thus far, been extremely slow.

5.2. The growth that has occurred in employment in the three post-war years can be largely ascribed to jobs created by international and non-governmental organisations. More substantial employment growth will depend upon the restructuring of major State companies, which requires financial support through direct foreign investment. It should be recognised that due to the level of risk as well as legal and administrative problems, a spectacular influx of capital from abroad is unlikely. The importance of vigorous, disciplined implementation of laws and regulations can hardly be overemphasised. Additionally, investor confidence is directly correlated to the strength of State structures and the cohesion of policy implementation in the municipalities/cantons. Consequently, strenuous efforts are called for to broaden and strengthen co-operation at local and national levels.

5.3. Attention must also be paid to specific segments of the population affected by the war, and policies should be developed to assist and empower these groups. For example, programmes should be developed for displaced persons and returnees with integrated training that encompasses re-integration, training and recycling. These programmes need to be conceptualised so that

the training and restructuring of the work force is in accord with the restructuring of a sustainable economy.

5.4. The development and encouragement of new and flexible forms of employment such as shorter working hours, contract employment, handicraft, self-employment, etc. would also lessen the strain of unemployment on society. This type of employment can be stim-

ulated with measures such as eventual fiscal exemption, the establishment of an employment fund, creation of associations for the unemployed and “Employment Schemes” which encourage self-employment through credits or sub-financing. Advocacy of such policies and discarding old stereotypes related to work would improve the efficiency and mobility of the work force.

PART III

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REFUGEES & DISPLACED PERSONS

“There is no sorrow above the loss of a native land.”

Euripides, 431 B. C.

INTRODUCTION

As a direct consequence of the war, BiH suffered the twin crises of mass displacement and the mass flow of refugees. Their resettlement represents a key facet of the peace process and an imperative to socio-economic development. The sheer scale of the problem and the complexity and focus of the response has caused the process of return to stagnate. Whilst the reconstruction and reallocation of property remains a pre-condition to return, it is but one feature of a total system. To inspire a spirit of return “communities” must first be redeveloped, so as to provide basic health, educational and security needs. The perspective adopted in this regard is long-termist, based upon the principles of community empowerment and enablement, recognising that the stability and sustainability of any community, and thus the country as a whole, rests upon the shoulders of its constituent inhabitants. Moreover, recognition must be given to the individual nature of flight and the attendant psychological barriers to returning home.

1. THE DEMOGRAPHY OF REFUGEES AND DISPLACED PERSONS – 1992-1998

1.1. Peace in Bosnia and Herzegovina (BiH) brought home to the people and the policy makers the realisation of the full human tragedy inflicted by the war. The toll included widespread death and destruction, and almost half the total population had been uprooted. Hundreds of thousands had fled the country while many more had been internally displaced.¹ The return of these people is vital for the future development of BiH. The magnitude of the problem has, however, become a stark testimony to the fact that real peace and reconciliation is not achieved merely by the signature of a peace agreement.

It is axiomatic that the return and rehabilitation of the uprooted is a pre-condition to socio-economic develop-

ment and political stability within BiH. At an individual level, returning home is a stride in the process of normalisation, providing a familiar environment and a sense of security. At a political level, returns are essential in order to ensure true democratic representation and governance sensitive to minorities. At an economic level, returns will provide a stable workforce and give impetus to the redevelopment of agriculture and industry. At an international level, the enormity of the challenge of returns has confirmed the continuing need for foreign aid and forced many international and regional organisations to search for effective approaches to protection and humanitarian assistance.

1.2. The demography of displacement

Recognition of internally displaced persons within BiH took place at the same time as refugees and with equal attention being afforded to both groups. A Law on Displaced Persons and Refugees was enacted in both the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS).² This law sought to define the status of displaced persons, their rights and duties and the duties of those organs responsible for their care. A distinction was drawn between those who had been forced to leave their homes as a result of direct war related activities (“article 3 displaced”)³ and those who fled to other parts of their municipality of residence as a result of the non-existence of safe living conditions.⁴ The former category were considered “displaced persons” proper, whilst the latter group were seen to be in a state of social need. The object and purpose of this legislation was one of practicality - seeking to facilitate the identification of those in greatest need in order to achieve the best allocation of scarce resources. In recognition of the limited purpose and arbitrary nature of this distinction, the laws have subsequently been abolished.

In 1992, approximately 700,000 persons were displaced within the territory of Bosnia and Herzegovina,

¹ In 1995, the total number of refugees and internally displaced persons (IDPs) was estimated at some 2.2 million people, half the population of 4.4 million according to the 1991 census.

² See the Law on Displaced Persons (BiH) 8/94, 13/94 the Law on Displaced Persons and Refugees (the FBiH) 2/95, the Law on Refugees and Displaced Persons (the RS) 26/95.

³ *ibid* article 3.

⁴ *ibid* article 5.

by the end of 1993 this figure had risen to 956,000, by the end of 1994 to 982,000 and 1,370,000 at the conclusion of the war.⁵ UNHCR estimated the total 1995 figure to be 1,282,600. With the division of the Republic of Bosnia and Herzegovina into two Entities, the 1995 displaced population estimate for the FBiH was 590,363, of which 434,641 were article 3 displaced persons.⁷ Displacement generally took place towards urban areas. Almost 50% of the displaced population fled to Tuzla-Podrinje, whilst other major groups moved to Zenica-Doboj (119,768), Central Bosnia (85,544) and Sarajevo Cantons (73,747).⁸

According to the 1996 census of refugees and displaced persons in the RS, the total number of displaced persons is 419,879, amounting to 30.2% of the population.⁹ This displaced population currently reside in 120,298 households, representing 32.3% of the total number of households within the RS. The 1996 census indicates that 45% of these households consist of 3-4 members and 22% of 5 or more members. This is a reflection of the lack of available housing stocks and of the need for economic and social solidarity between friends and relatives, forming joint-households as a survival strategy.

Estimates as to the total number of displaced persons within BiH in 1997/98 vary widely. Data from the Statistics Bureau of FBiH indicates that approximately 385,400 displaced persons are resident in the FBiH, whilst the RS figure remains 419,879, making a total figure for BiH of 805,279.¹⁰ UNHCR figures for August 1997 indicate a total of 950,000 displaced persons within BiH, 426,590 in the RS and 521,146 in the FBiH.¹¹ In 1997 UNHCR estimated the number of displaced persons to be 866,000 and noted a fall to 816,000 in 1998, whilst the Global IDP Survey places this figure at 866,000, 416,000 in the RS and 450,000 in the FBiH.¹² Detailed and regular censuses are required in order to ascertain up-to-date statistics.

The signing of the GFAP did not mark an end to displacement. Shortly after the transfer of authority from UNPROFOR to IFOR,¹³ the two Entities were to have established authority over their respective territories. This facilitated the withdrawal of troops across the inter-Entity boundary lines, the conduct of which led to the displacement of an estimated 80,000 persons.¹⁴ Moreover, the phenomenon of 'temporary protection' has spurred the encouragement of returns from Western Europe. Whilst the number of displaced returnees is currently low, the danger of overzealous repatriation measures is that they will produce new displacements. This is a further antagonism to the system of return, and a cause of additional dislocation and hardship to individuals and families.

The largest number of displaced persons are *inter-Entity* displaced, involving those who left their homes during the war and are now resident within a different Entity. Statistics from the FBiH show that approximately 65.85% of displaced persons within the FBiH

fled or were expelled from what is now the RS.¹⁵ *Intra-Entity* displaced, primarily denote those who were displaced during the Bosnian - Croat conflict in Herzegovina and Central-Bosnia, between April 1992 and the signature of the Washington Accords in March 1993. The distinction between these groups of displaced persons is, however, one of form rather than real substance. The considerations relevant to return are similar for both, although the psychological barriers to *inter-Entity* returns are greater.

The UN Guiding Principles on Internal Displacement (1998) seek to fill the lacunae that currently exist in the system for the protection of the internally displaced.¹⁶ As a consolidation of existing international law and practice, the Principles offer important guidance in terms of definition and practice. Displaced persons are widely defined and include those persons who were forced or otherwise involuntarily fled their homes, yet remained within their national borders. The international legal system for displaced persons remains, however,

5 "Health and Social Consequences of the War in Bosnia and Herzegovina" (1997, 5th ed.) pub. "Svjetlost" Sarajevo and the School of Public Health, Sarajevo University.

6 UNHCR "The State of the Worlds Refugees" pub. Oxford University Press (1995).

7 The first census of displaced persons and refugees was carried out in 1995 in the territory of the FBiH. Independent censuses were carried out for areas controlled by the Army of Bosnia and Herzegovina and HVO and the final results collated. For the purposes of this paper no distinction will be drawn between article 3 and article 5 displaced persons.

8 FBiH 1995 census.

9 The census of refugees and displaced persons was carried out in the RS between the 1st and 8th of March 1996. Population estimate for the RS in 1997 is 1,391,593.

10 The Statistics Bureau of FBiH.

11 UNHCR statistics 21/08/97, UNHCR emphasised that these figures should be adopted cautiously cf. RRTF March 1998 Report at Annex 2.

12 Global IDP Survey pub. Earthscan Ltd. (1998), the data presented by the IDP survey is a consolidation of other sources, primarily the US Committee for Refugees.

13 Transfer took place on 19th March 1996.

14 *op cit* note 12 at pg. 192.

15 Statistics from the FBiH census of 1995.

16 The UN Guiding Principles on Internal Displacement were presented by a Special Rapporteur to the UN Commission on Human Rights in 1998.

underdeveloped, and the lack of consensus on the treatment of displaced persons presents a two-fold analytical problem. The first is a problem of identification, distinguishing displaced persons from other forms of natural migration. This does not present any real difficulty in the context of BiH where displacement was both systematic and en masse. The second, related problem, is one of termination of status. Whilst guidance is given by the 1951 Convention as to cessation of refugee status, the same cannot be said for displaced persons.¹⁷ A clear distinction needs to be drawn between those who are displaced and in a 'transitional state,' and those who are 'resettled' in their current place of domicile. The determination of these categories is dependent upon the ability of the individual to make a free and fully informed choice as to return - itself dependent upon the facilitation of sustainable returns to fully functioning communities.

1.3. The demography of refugees

The situation of refugees from BiH is similar to that of displaced persons. The reasons for flight and the considerations relevant to return are analogous for both groups. By the second half of 1992 the number of refugees from BiH was 700,000; this figure rose to 840,000 by the end of the year and 1,165,000 at the end of 1994.¹⁸ At the conclusion of hostilities 1.2 million citizens of BiH had sought refuge abroad.¹⁹

It is currently estimated that 712,575 of the total number of refugees have found a permanent or other form of durable solution. According to data in selected countries, between 1995 and 1997, 31,320 asylum applications were made, the vast majority to Germany, the Netherlands and Switzerland. Of these, 10,360 were recognised under the 1951 Convention.²⁰ 611,969 refugees remain without a durable solution. Of this number over 88% are resident in three host countries, 40% in the Federal Republic of Yugoslavia, 35% in Germany and 13% in Croatia.²¹ There is little data on the bio-dynamics of these refugees, however there is evidence to suggest that those refugees leaving in the early stages of the war tended to be more urban and better educated.

Due to the rapid increase in the number of refugees fleeing to Western Europe, in the period from 1992, the High Commissioner for Refugees called upon states to offer 'temporary protection' regimes. This was a pragmatic response to a problem which, at the time, was perceived to be of a temporary nature. The rationale

was a balancing exercise - providing protection to those in need, yet avoiding the lengthy applications and complex evidential problems associated with refugee status. In any event, many asylum States would have hesitated to grant this status liberally, given the enormity of the problem and the continuing volatility of the situation. Whilst temporary protection is seen as a short-term measure it should be "solution-oriented," ensuring access to social care, seeking family unification, education and accurate information relevant to return.²² Measures designed to promote or encourage return must remain cognisant of the fact that forced repatriation, particularly to communities not yet reconciled or open to return, can lead to new displacements and the resurrection of animosities.

It is important to note that BiH is also a refugee host country. There are currently 40,000 to 50,000 Croatian refugees of Serbian origin who are resident within the RS. Moreover, the recent escalation in the conflict in Kosovo has led to an increase in the number of persons seeking refuge in BiH.²³

1.4. The bio-social profile of refugees and displaced persons

The profile of refugees and displaced persons shows a consistent pattern in both Entities. Within the RS, of the total number of refugees and displaced persons, approximately 25% are children and those under 18 years of age. Of this number 30,764 are of pre-school age, 48,000 are of primary school age and 20,000 of secondary school age. 59% of persons are between 18 and 60 years old and 18% are 60 or over. The distribution for the FBiH is very similar to that of the RS, with 28% of refugees and displaced persons under the age of 18, 50% of whom are between 7-14 years old, 57% are between 18 and 60 and 15% are 60 and over. Within the RS the number of male and female refugees is almost equal, with 207,517 male and 212,362 female. The gender distribution in each age group is also linear.

According to socio-economic characteristics, of those refugees and displaced persons over the age of 15 currently residing in the RS, 33.3% have reached primary school level and 40.8% are at high school level. Only 7.8% have completed college or university. One inference from these figures is that a greater proportion of those with higher education left the RS. In the light of the fragmentation of education and the lack of educational opportunities, it is unlikely that this educational lacuna will be filled by the natural academic cycle. The

17 See the Convention Relating to the Status of Refugees (1951) article 1C. Section 5 of the Guiding Principles on Internal Displacement provides for voluntary returns, however the provisions are general and, as yet, little consistent precedent exists.

18 *op cit* at note 5 pg. 8.

19 UNHCR "The State of the Worlds Refugees in Search of Solutions" (1995).

20 UNHCR "Populations of Concern to UNHCR - 1997 Statistical Overview" pub. 1998 See particularly Table 32 "Asylum seekers recognised under the 1951 Convention in selected countries by major origin 1995-1997".

21 *ibid.*

22 See generally "Towards the Reformulation of International Refugee Law" Research Report 1992-1997 by the Refugee Law Research Unit, Centre for Refugee Studies, York University, Canada.

23 UNHCR "Asylum Seekers from Kosovo" at <http://www.ric.com.ba> or Repatriation Information Centre, Sarajevo.

restabilisation of educational demographics and, *a fortiori*, the availability of a professional and diverse workforce, hinges upon returns.

The majority of refugees and displaced persons are of working age and this has impacted dramatically upon the availability of qualified professionals and the regeneration of the economy. Additionally, many professionals have been employed by international and other organisations, removing them from the public sector. One stark example of this deficiency can be seen in the field of social protection where, according to a survey of 10 cantons in the FBiH, 79% of staff deficiencies related to professionally qualified staff.²⁴ The International Organisation for Migration has developed a programme for the Return of Qualified Nationals. Between September 1996 and December 1998 approximately 593 returns (113 to the RS and 480 to the FBiH) had taken place under that project. The majority came from Germany, and returned mainly to the educational and industrial sectors. Almost 50% of these returns were to the cantons of Sarajevo, Una-Sana, Tuzla-Podrinje and to Mostar.²⁵

2. THE PROBLEM OF RETURN

2.1. The right to return is a central feature of the Dayton Agreement. The Constitution of Bosnia and Herzegovina confirms the right of refugees and displaced persons to “freely return to their homes of origin”.²⁶ Annex 6 gives direct effect to a substantial corpus of human rights provisions, many of which affect refugees and displaced persons, including, *inter alia*, the European Convention for the Protection of Human Rights and Fundamental Freedoms and the Protocols thereto.²⁷

Annex 7 to the Dayton Agreement provides the basic legal system for the protection and return of refugees and displaced persons within BiH. The “voluntariness” of return is emphasised, alongside the principle of choice of destination.²⁸ The system envisaged extends beyond strict international legal obligations, encompassing the socio-economic needs of returnees and provisions designed to assist in the process of reconciliation. The comprehensive character of Annex 7 is per-

haps a symptom of the fragility of the system of return. A single break or obstruction in the chain of return can cause the system to come to a halt. Moreover, a single challenge to returns may reverberate throughout a displaced persons or refugee community, creating an atmosphere of insecurity and uncertainty.

2.2. The pace of returns

During the first two years after the GFAP approximately 200,000 refugees returned to BiH. Of this figure, 177,114 returned to the FBiH, whilst 16,525 returned to the RS. Most of these returnees came back from Germany, from where 95,000 returned in 1997 alone. Returns to the FBiH centred around urban areas such as Una-Sana, Tuzla-Podrinje and Sarajevo, within the RS returns have predominantly been to areas such as Banja Luka.²⁹

In 1996 a little over 164,000 displaced persons returned to their homes, 102,913 to the FBiH and 61,854 to the RS. According to UNHCR estimates approximately 53,000 displaced persons returned to their homes in 1997, 47,760 in the FBiH and 5,000 in the RS. An estimated 217,000 displaced person returns have thus taken place in 1996-1997, of which 70% were registered in the Sarajevo and Tuzla-Podrinje Cantons.

Despite a projected 200,000 returns for 1997, the actual returns were between 100,000 and 110,000. For 1998, the planned total returns (including refugee and displaced persons) was between 138,000 and 200,000. The actual number of returns was, however, closer to 110,000.³⁰ These projections are based upon the progressive normalisation of relations between countries in the region and the development of measures and incentives to encourage return in Western European countries. Whilst important, these global facets for return pay inadequate attention to the availability of accommodation in both Entities, the underdeveloped socio-economic conditions within local communities and the psychological effect of continuing, albeit sporadic, threats to personal safety.

f the total number of returns, 80% were to the FBiH, wherein 55% of refugee returns were to the Cantons of Sarajevo and Una-Sana. Similarly, displaced persons have tended to return to the FBiH, almost exclusively to

24 Including lawyers, pedagogues, etc. IBHI, “Transition of the Policy and System of Social Protection in the Federation of Bosnia and Herzegovina” Sarajevo 1998.

25 Information on the Return of Qualified Nationals Programme is available at the International Organisation web site <http://www.ion.com.ch>.

26 The General Framework Agreement for Peace in Bosnia and Herzegovina (“GFAP”) Annex 4, article 5, “All refugees and displaced persons have the right freely to return to their homes of origin. They have the right, in accordance with Annex 7 to the General Framework Agreement, to have restored to them property of which they were deprived in the course of hostilities since 1991 and to be compensated for any such property that cannot be restored to them.”

27 GFAP, Annex 6, article 2(2), Article 1 of Protocol 1 to the ECHR has particular significance in the context of property rights, whilst other provisions relevant to returns include: article 8 (respect for private and family life and the home) and article 14 (non-discrimination). Other relevant provisions include the International Covenant on Civil and Political Rights (1966) article 12 (freedom of movement and residence) and article 17 (privacy and home life) and the International Covenant on Economic, Social and Cultural Rights (1966) article 11 (adequate living conditions).

28 GFAP, Annex 7 article 1(1), 1(3) and 1(4).

29 See the FBiH census of 1995 and UNHCR Statistical Package 1997 and *op cit* note 19.

30 See UNHCR and RRTF Report, March 1998 *op cit* note 23 “Organised and Spontaneous Returns 1997-1998”.

the Una-Sana, Sarajevo, Tuzla-Podrinje and Central Bosnia Cantons. More than 50% of returnees have relocated to places other than their place of origin and, despite accounting for almost 50% of the refugee population, only 5% of refugees from the RS have returned (See Table 59 in the Annex).

Minority returns denote the return of members of one ethnic group to areas wherein there is now a different majority group. Minority returnees are often elderly persons or individual family members seeking to reunify with their families. In a way, they represent the greatest challenge to those committed to achieving returns and have led to a concentration of international attention. Projects, such as the UNHCR "Open Cities Initiative," have sought to encourage minority returns through international support for those municipalities showing a commitment.³¹

Despite these measures, minority returns amount to approximately 6% of the total number of returns and are localised and highly specific. In 1997 UNHCR estimates that approximately 10,000 minority returns took place throughout BiH. During 1998 a total of 12,441 registered minority returns have taken place, 10,410 to the FBiH and 2031 to the RS.³² The estimated total minority returns for 1998 was, however, 35,491. Within the FBiH, minority returns are essentially internal movements, particularly to Central Bosnia, Sarajevo and Posavina. With the exception of Sarajevo, the majority of these are Bosniac or Croat returns, involving very few Serbs. In 1997, out of a total of 871 minority returns to the RS, 72% were Bosniac returns, approximately 72% of the total were to the Zones of Separation and 20% to Banja Luka. There has been no significant change in these trends for 1998 (See Table 60 in the Annex).³³

The number of returnees encompassed within repatriation programmes increased between 1996 and 1997 from 30% to 60%. Despite this increase there has been a general decline in the overall number of returns. A threefold inference may be drawn; firstly, that those who are able and willing to return have already done so; secondly, that the relevant conditions for return have not been fully achieved, and; thirdly, that returns

that have taken place have often been spontaneous rather than organised. Indeed, spontaneous returns continue to account for a significant proportion of returns in 1998.³⁴

It follows that attention should be turned to the proper facilitation of returns on a pull or demand driven basis, focussing upon addressing specific socio-economic needs. The following paragraphs represent some of the main considerations in this regard.

2.3. Property rights

Access to their homes is a primary consideration for refugees and displaced persons.³⁵ According to the 1991 census there were 1,325,756 housing units within BiH. During the course of hostilities it is estimated that 60.95% of State owned and 63.5% of private property was destroyed. Within the RS, of the total number of IDP households, 69,666 (53%) live in abandoned houses, the majority of which are owned by persons who left during the war. Of the remaining group 32% live with family or friends, 8% live in socially owned apartments and a small number live in transit centres and other forms of collective accommodation. The lack of available housing remains a barrier to return and has a negative effect on the living environment of displaced persons.

There were three types of property in the former Yugoslavia, private, state and social. Socially owned property was simultaneously individually and collectively owned - all who worked had, in theory, the right to an "occupancy right" in socially owned property. This entailed, *inter alia*, the right to undisturbed and permanent use of an apartment.³⁶ A significant proportion of these properties, from which persons fled or were expelled, have been occupied by members of a different ethnic group.

During the conflict the RBiH and the RS adopted legislation regulating the use of abandoned property.³⁷ This legislation sought to block the return of pre-war owners and occupancy right holders, maintaining the status quo and disregarding the fact that abandonment was a consequence of expulsion or a well-founded fear. The passage of new legislation in the FBiH in April 1998 and the adoption of a new law in the RS has now laid the

31 The currently recognised Open Cities are Konjic (1st July 1997), Busovaca (2nd July 1997), Bihac (21st August 1997), Gorazde Canton (19th November 1997), Kakanj (28th November 1997), Mrkonjic Grad (17th December 1997), Sipovo (12th January 1998), Laktasi (2nd March 1998), Srbac (2nd March 1998), Zenica (11th March 1998), Ilidza (12th June 1998), Zavidovici (24th June 1998), Tuzla (17th July 1998) and Travnik (14th October 1998).

32 UNHCR "Minority Returns from 01/01/98-30/11/98" *op cit* note 23 RIC information site.

33 See UNHCR Statistics Package 01/12/97 Minority Returns 01/01/98 - 30/11/98 at *op cit* note 23.

34 UNHCR *ibid*.

35 See generally, Cox "The Right to Return Home: International Intervention and Ethnic Cleansing in Bosnia and Herzegovina" *The International and Comparative Law Quarterly* (1998) at pg. 599 *et seq* and Simor "Tackling Human Rights Abuses in Bosnia and Herzegovina: The Convention Is Up To It, Are Its Institutions?" *The European Human Rights Law Review* (1997) at pg. 644 *et seq*.

36 On November 25th 1994, the BiH Parliament adopted a new law transforming all socially owned property into State owned property (The Law on the Transformation of Socially Owned Property entered into force on 1st January 1995 RBiH Official Gazette 33/94). A law to the same effect was passed in the RS in 1993 (The Law on the Transformation of Social into State Property, OG 4/93, 29/94, 31/94, 8/96).

37 FBiH The Law on Temporarily Abandoned Real Property Owned by Citizens (11/93), The Law on Abandoned Apartments (as amended) (6/92, 8/92, 16/92, 13/94, 9/95, 3/95). In the RS The Law on the Use of Abandoned Property (as amended) (3/96, 8/96, 21/96) and Amendment to the Law on Using Abandoned Property (8/96).

ground for the redistribution of property rights.³⁸ The legislation is in essence uniform for both Entities and provides a system by which property claims can be filed and allocated.

Whilst achieving uniformity in text, the success of the system hinges upon uniformity in practice. This has not been achieved. Firstly, before the war large family households were extremely common. The fragmentary nature of flight has, however, led many households to break-up. They currently occupy more than one house, creating the problem of “double and multiple occupancy” and further depleting housing resources. Secondly, the lack of any property market and the delay in confirmation of property rights has led to the effective suspension of trade in property. Thirdly, whilst Annex 7 and the Constitution envisage development of compensation fund, in form of monetary compensation or housing bonds, for those who are unable to return to their pre-war homes, no fund has yet been established.³⁹ This is a significant impingement upon the ability of refugees and displaced persons to plan realistically for the future. Finally, and perhaps most importantly, is the problem of implementation. In many areas there is a lack of co-ordination between local authorities, Municipal Repatriation Offices, Ministry for Refugees and Displaced Persons and international and local organisations. Co-ordination of this nature is of particular importance where a significant ‘exchange’ of displaced persons is to take place within a return axis.⁴⁰ Moreover, the legislative system envisages the eviction of illegal or temporary users, subject to provision of alternative temporary accommodation. Such accommodation is generally unavailable and evictions are both sporadic and discriminatory.

2.4. Governance and the return chain

The GFAP envisages the involvement of a number of agencies and authorities in the process of return. Primary responsibility for the protection of refugees and displaced persons is given to UNHCR, called upon to develop a “repatriation plan” in full consultation with the Parties and host States.⁴¹ The Parties are obliged to fully adhere to this plan and to amend existing laws and enact new laws in compliance.

The BiH Government is responsible for immigration, refugee and asylum policies.⁴² Each Entity has however significant autonomy, including the power to enter into agreements with neighbouring states. All functions not expressly granted to the State are given to the Entities and the reality is that the Entities exercise a significant proportion of governmental power. They are therefore the primary reference point and responsible for implementation policies. In addition to local authorities, civil society and local NGOs and CBOs have an important role to play.

The result is a highly complex organisational system, involving a plethora of institutions with disparate mandates. The success of the system depends upon effective co-ordination of activities under a mutual ethos, with uniformity of practice and free access to information. Cantonal and municipal ‘repatriation plans’ would greatly assist in this process.⁴³

2.5. Freedom of movement

Article 1(4) of the Constitution of Bosnia and Herzegovina guarantees the right to freedom of movement. This has particular importance for refugees and displaced persons as it allows access to former homes in order to assess the state of local conditions and is a practical necessity for return. The establishment of a common vehicle registration plate, the development of inter-Entity bus lines⁴⁴ and the dismantling of border checkpoints have greatly assisted in securing freedom of movement and incidents of infringement are rare. The greatest barrier to freedom of movement, particularly between Entities, remains however individual subjective fears. These fears are heightened proportionate to the level of consolidation of ethnic majority communities.

2.6. The right to return to a “community”

The sustainability of returns hinges upon a holistic approach to rebuilding the individual’s environment. Property reconstruction and security are vital, but are not the only incentives for return to a “community”. Annex 7 envisages the development of basic social infrastructures, community confidence-building and there is a developing corpus of international laws securing the rights to “adequate housing”.⁴⁵ In the context of

38 FBiH Law on the Cessation of the Application of the Law on Temporary Abandoned Real Property Owned by Citizens (Private Property, 3rd April 1998), Law on the Cessation of the Application of the Law on Abandoned Apartments (Socially Owned Apartments, 3rd April 1998), Law on Taking Over the Law on Housing Relations (Socially Owned Apartments, 3rd April 1998), Law on the Sale of Apartments with Occupancy Right (Privatisation of Socially Owned Property, 6th December 1997) Law Amending the Law on the Sale of Apartments with an Occupancy Right (3rd March 1998). In the RS the Law on Cessation of Application of the Law on Use of Abandoned Property came into force in December 1998.

39 GFAP Annex 7, article 1 and Chapter 2 article 11. The Commission for Real Property Claims is given powers to set and allocate compensation.

40 For example, in between Bugojno and Prozor-Rama “The Western Gate of Central Bosnia: The Politics of Return in Bugojno and Prozor-Rama” International Crisis Group Report 31st July 1998.

41 GFAP Annex 7 article 1(5).

42 GFAP Annex 4 article 3(1).

43 Such plans were proposed at the Bonn Peace Implementation Conference and have been employed in Central Bosnia and Western Herzegovina Cantons.

44 14 lines had been established by mid-1997.

45 See, for example, ESCR article 11(1), Habitat Conferences 1 & 2 and the UN Committee on Economic, Social and Cultural Rights, General Comment 24, E/C.12/1991/4 pg.114.

BiH, the facets of protection have extended and reaffirmed the need to recognise the subjective nature of flight and return. The perspective must be one of *facilitation* of return rather than *promotion*. The following represent primary considerations in this regard.

2.6.1. Economic Participation: The vast proportion of displaced persons are unemployed and rely upon varying forms of State benefits. Within the FBiH it is estimated that only 1.95% of displaced persons are self-sufficient through their labour. In the RS 39% of displaced persons are unemployed and 43% are in receipt of benefits, only 9% are recorded as being employed.⁴⁶ The consequences of this economic profile are not merely financial instability, but rather, have an important individual psychological effect and act as a barrier to macro and micro-economic development. The impact is two-fold: firstly, the creation of a dependency culture and participation in informal black and grey economies, and secondly, the focus of returns is to urban centres.

Before the war, it was estimated that 40% of the BiH working population was employed in agriculture. Urbanisation had however begun.⁴⁷ The demographics of returns clearly show a concentration in urban rather than rural areas, particularly amongst younger returnees, where they believe the immediate employment prospects to be higher. Moreover, agricultural land has lain fallow for a number of years and, in many cases, remains inaccessible due to mines. The economic decline in rural communities has thus been consolidated. This is unfortunate because it ignores the economic potential of rural communities and the importance of agriculture in the provision of basic needs.

The urbanisation of displacement and returns has falsely accelerated the natural migratory trend and which does not take account of the disjuncture in economic and industrial growth potential. The continuation of this trend will lead to further increases in unemployment and strains on already scarce resources. Concomitantly, the decline in agriculture will continue, rendering rural communities economically stagnant. It will take time for the natural migration pattern to resume. In the meantime, it is important to recognise the role of rural areas in the national economy and to encourage return by providing incentives and by rehabilitating the rural economy.

2.6.2. Security: Security remains a primary factor in the decision of individuals and groups to return. Security should not, however, be viewed as a matter of personal safety, but rather must be seen to encompass social and

legal security. The personal security of returnees is guaranteed, *inter alia*, by article 1(2) of Annex 7 to the Dayton Agreement. Despite this guarantee, returnees have been attacked and threatened and reconstructed properties have been looted and destroyed.⁴⁸ Whilst these incidents are sporadic they can permeate throughout a potential returnee community resurrecting those fears that originally caused their flight.

The existence of mines, particularly in rural areas, has greatly hampered returns. In 1998 approximately 120,000 square metres were cleared, including 102 houses.⁴⁹ The development of comprehensive demining programmes, particularly concentrating upon agricultural land, and the training of more local deminers is essential.

Citizenship rights are essential for the protection of refugees and displaced persons. Under ex-Yugoslavia all citizens possessed Yugoslav citizenship and the internal citizenship of one of the former Republics. Employing the principle of "continuity," incidents of *de jure* statelessness have been reduced, although mixed marriages, which were common before the war, continue to pose psychological as well as practical and legal problems for many refugees. Likewise, many displaced persons are facing bureaucratic problems in the regularisation of their papers, such as identity cards and residency permits. For those outside the Republic of Bosnia and Herzegovina, who now wish to return, there is a potential threat of *de facto* statelessness. Steps have been taken to facilitate naturalisation, although it is important that a uniform approach is adopted throughout both Entities.⁵⁰ Evidential rules must be implemented so as to take account of the speed at which many individuals were forced to leave.

2.6.3. Health and Social Protection: The quality of health and social protection facilities are of significant concern to returnees. As a recent study has indicated, returnees and internally displaced persons are "doubly handicapped."⁵¹ In addition to the socio-economic problems suffered by the population at large, they face the frustration of familial separation and uncertainties as to the future. Returning families with young children require access to education facilities and those suffering from physical and psychological traumas require access to specific forms of health care and other civic resources. According to a recent survey, the elderly are more likely to wish to return to pre-war homes, particularly within rural areas. They may often live in isolation, separated from their families and thus from the normal source of care.⁵² Within BiH, the development

46 FBiH census, RS census 1996.

47 Enciklopedija Jugoslavije, 2nd edition, Off/print relating to the Socialist Republic of Bosnia and Herzegovina at pp.37-39.

48 See for example, ICG Report "Impunity in Drvar" 20th August 1998.

49 UNHCR Reconstruction Programme in Bosnia and Herzegovina - Demining Programme Status 1998 *op cit* note 23 RIC information site.

50 The State Law on Citizenship of Bosnia and Herzegovina came into effect on the 1st of March 1998.

51 *op cit* FBiH study at note 24.

52 See a survey carried out by CRPC and the Danish Refugee Council at RRTF March 1998 Report.

and reinforcement of local social protection represents the most cost-effective and sustainable channel for the protection of returnees and displaced persons. More specifically, the rejuvenation of the Centres for Social Work, in the context of civil society, provides a local framework for addressing social needs on a specific needs driven basis.

2.6.4. Political Participation: Pursuant to the GFAP, citizenship is granted to individuals at State and Entity levels, and political power is distributed on a majority basis. The political representation of minorities and the empowerment of individuals within the electoral process is an important means by which to create a sense of personal security and control, as well as a much needed sense of participation. According to a recent survey, a number of minority returns are motivated by a desire to alter the balance of political power within a community.⁵³ The main force for returns to places of origin remains however the sense of belonging and attachment to the place of one's birth and upbringing.

2.6.5. Gender Awareness: In seeking to promote returns, it should be borne in mind that traditionally women bear the primary responsibility for the maintenance of the home and the family. Despite this role women are often marginalised from property ownership and vocational training. It is estimated that over 30,000 displaced persons within BiH are widow[ers], whilst other women, particularly in multi-ethnic marriages, face other specific social problems. In the system of return it is particularly important to ensure that women are empowered to make basic choices without duress and take an active role in property claims and in the assessment of local conditions for return.

2.6.6. Information Networking: Article 1(4) of Annex 7 envisages the dissemination of accurate and up-to-date information relevant to return. At present, a comprehensive and easily accessible information system does not exist within BiH. Property rights information and information pertaining to local social, civic and health facilities would ensure that refugees and displaced persons can make a fully informed choice as to return and

would facilitate the targeting of resources and the co-ordination of assistance projects.

3. RETURN, RECONCILIATION AND REINTEGRATION

The flight of refugees and displaced persons within Bosnia and Herzegovina took place not merely within the context of war, but rather, as part of a policy that has been labelled "ethnic cleansing." The systematic and gross violations of human rights have left lasting visible and psychological scars for many communities and extremely fragile intra- and inter-community relations. The reconciliation of individuals and communities is a pre-condition to sustainable returns. The search for missing persons, socio-economic development and the education of children and young persons as to minority rights will assist in this process. An important dimension to reconciliation remains, however, the pursuit of justice. At a practical level, the continuing freedom of alleged war criminals, particularly those in positions of authority, is a significant deterrent to normalisation of life and to creating a climate conducive to return. At a more abstract level, impunity for serious crimes permeates the fabric of the rule of law creating an underlying sense of insecurity. With the establishment of the International Criminal Tribunal for the Former Yugoslavia, justice, which must be done and seen to be done, has assumed both a national and international dimension. Where the jurisdiction of the Tribunal does not apply, national courts must however ensure that serious violations of humanitarian law do not go unpunished.

In addition to the reconciliation of returnees, attention should also be given to reconciling remainees. The reality is that a number of displaced persons will not return to their pre-war homes, thus consolidating ethnically homogenous areas. The basic freedom to choose one's residence allows for this isolation of ethnic communities, providing it takes place freely and as a result of a fully informed decision. The redevelopment and reconciliation of these communities, in the context of BiH as a whole, is as important to the termination of displaced status, and stability, as returns.

KOSOVO CRISIS: REFUGEES AND DISPLACED PERSONS WITHIN BIH

According to UNHCR estimates, by April 1999 approximately 32,300 refugees from Kosovo were resident in BiH, mainly from the area of Kosovo and Sandzak. Estimates made by local authorities are somewhat larger at 35,000 refugees in the FBiH and 10,000 in the RS. The unregistered inflow of refugees from the whole of Serbia is all the more accentuated as time passes. The impact of this increase is threefold; firstly, it has heightened demands placed upon already scarce resources, particularly accommodation; secondly, it has deflected international attention and resources to Kosovo and the surrounding region; and, thirdly, for many potential returnees the character of the recent events leading to displacement have reopened unhealed wounds and raised fears and additional psychological barriers to return.

53 *Ibid.*

4. CONCLUSIONS

4.1. The problem of refugees and displaced persons within Bosnia and Herzegovina has challenged international legal theories and the traditional practice of protection. Facing this challenge requires a co-ordinated holistic and long-termist approach. Rebuilding communities cannot be achieved with bricks and mortar alone, but rather, with economic and social development and the encouragement of individual reconciliation.

4.2. In conjunction with the principle of voluntary return, the overall ethos of repatriation should be “pull based.” Proper investigation of socio-economic and political needs by governmental, local and international organisations will, in the long-run, facilitate greater spontaneous and lasting returns.

4.3. The institutional system for return demands a clearly defined authority structure, recognising the interdependency of the return process. Localised municipal or cantonal “repatriation plans” must be elaborated, in accordance with the UNHCR plan, to co-ordinate the practice of repatriation. Civil society and local NGOs have an important role to play in this operational context.

4.4. Employment prospects are a vital incentive to return. Attention should be turned to rapid, yet sustainable, economic development through rural redevelopment and return to villages.

4.5. The distribution of property rights and security of tenure must take place within an accessible, uniform

and co-ordinated system. A more realistic approach to providing compensation must be developed, in conjunction with the initiation of a property market, sensitive to the ethnic and demographic distribution of property. A single system for the practice and implementation of regulations should be developed - providing for appropriate sanctions in cases of breach.

4.6. Effective and accessible health and social protection is a necessary feature of the protection of returnees and displaced persons. Planning should be driven by a review of existing institutions and the identification of the specific needs of returnees.

4.7. A comprehensive, up-to-date and easily accessible information network should be developed. Information on property rights and conditions within local communities are a basic tool for the work of authorities and for the decision-making process of individual refugees and displaced persons as well as groups.

4.8. Accurate, detailed and regularly updated data concerning refugees and displaced persons is essential. Whilst efforts are being made by the BiH authorities, UNHCR and other international and regional organisations, more specific and localised information is required to ensure the proper allocation of scarce resources and to strengthen the twin processes of return and rehabilitation. This information should include places of origin and property right status, age groups, employment situation and qualifications, health and other social needs.

WOMEN

“The division of the sexes is a biological fact, not an event in history.”

Simone de Beauvoir, 1971

INTRODUCTION

A human development strategy is inconceivable without taking into account the status and condition of the majority of the population, just as there is no true democracy without the participation of this majority. The female population constitutes the majority in BiH (ca. 52%) but their realistic social power is symbolic.

In modern approaches to human development, the gender issue has started to occupy a more significant place. This is mostly due to progressive democratic women's movements which led to a critical appraisal of gender¹ approach in the global development debate and in the policies of national and international institutions addressing development.

1. WOMEN AND DEVELOPMENT

Fundamental novelties in official development programmes and reports were institutionalised through the 1995 Beijing platform. They are relevant for the future Bosnia and Herzegovina (BiH) development programmes, since BiH participated in the Beijing conference and in the creation of the platform. The translation of it into reality is yet to be undertaken in BiH.

In Eastern Europe, women are paying a particularly high price during the transition to free market and democracy. They are among the first to be fired and trafficking in women, violence and sexual exploitation have escalated. The role of women in the political structures is in many cases, even more reduced than under the previous socialist régimes. Despite the specificities of the BiH society, the situation of women is substantially similar to women in other transition countries.

In BiH, as in many developing countries, there is a tendency to exclude women from the new social and economic opportunities offered by development programmes, or even worse, to include them in a way which, nonetheless, deprives them of their right to be independent and to have equal access to resources. They remain under pressure to stay close to the stereotype vision of femininity and the traditional domestic role.² It should be noted, in this context, that in the generally impoverished situation of BiH, the female population is poorer. It is equally important to recognise that women's states cannot be measured only through their economic situation, but rather through the level of empowerment and enablement in relation to the social and economic position held by men.

Gender and development (GAD) approach is yet to take hold in BiH although it is increasingly reflected in the current development analyses and seems to have achieved full legitimacy, in terms of its direct relevance to human development through power redistribution in social contacts between sexes.³ In an environment of generally unbalanced division of power, the GAD approach presents an innovation in that it places in full view the measure of men's socio-economic privilege. It also shows the measure of unavailability of the same resources to women, and constraints which prevent them from benefiting, socially and economically, on equal footing with men. Empowerment of women means not only control over body but also the power to choose; the power to participate in the public life; the power over quality of life and lifestyle; financial independence, etc.

The trend which had been noted already in some sociological research of the period before the war and transition in BiH, i.e., that women work because they must

1 “Gender” is an amalgamation of socio-cultural determinants that are related to the sex, i.e. woman and man. Sex/gender is a social construction. In other words the sexual differences between men and women are bio-physiological facts, while most of the properties attributed to them are the result of socio-cultural, economic or historical context within which are articulated expectations associated with the fact that a human being in that society is born a man or a woman. In many societies, this articulation is continuing within a patriarchal or hierarchical pattern of power division between sexes.

2 For further elaboration, see Rogers, Barbara: *The Domestication of Women*, Tavistock Publications, London.

3 Razavi, S. and Muller: (1995) *From WID to GAD: Conceptual shifts in Women and Development Discourse*, Occasional Paper 1, Geneva UNRISD.

contribute to the family finances and help the family to survive, has continued after the advent of peace. During the socialist period, employment had, to a certain extent, played an emancipating role for a limited number of women. During the war, however, women as special targets of inhumanity, faced more hardship than other sections of the population. After the war their position has remained, by and large, unchanged and in many segments has become worse.

1.1. Ordeals of women during war and peace

1.1.1. In the socio-cultural context, the discourse on women's "function for" (nation, society, family) is very common in BiH, while a discourse on self-reliance, economic independence, creativity and social empowerment is almost non-existent. Woman's subordination as the "weaker sex" is considered more or less natural. This trend has been reinforced by the war discourse that presented woman as a "victim". Woman is, above all, the first victim of an economic crisis; the first and most serious victim of poverty and the most frequent victim of sexual abuse and blackmail.

1.1.2. "Raped woman" is a stigma, surrounded by hypocrisy. During the war, women were the preferred object of sexual abuse.⁴ Rape was used as a tool of nationalist policy and genocide. It is a symbolic instrument of fascist strategy, since the rape of the enemy's women was considered as a "socially desirable" act. However, it should be kept in mind that such use of rape was facilitated by the fact of general subordination of woman and her treatment as a "possession". During the war, the number of rapes within the same ethnic or national groups did not decrease. During conflicts and strong social upheavals, violence against women is not replaced by male-female national solidarity nor does abuse of women by men decrease. In fact, during a period of social conflict, war, insecurity and lawlessness, the level of temptation goes up.

1.1.3. In recent analyses of rape and mistreatment of women in BiH during the war, inadequate attention has

been paid to the pre-war situation. Then, too, they were victimised; first by the rapist and then by the degrading investigative and judicial procedures. Although ex-Yugoslavia was not a typical East-European totalitarian society, it was, in all phases of its development, more or less patriarchal, rural and provincial. In its ideological and political discourse, the socialist system did affirm values such as emancipation, equality of rights, equity between sexes and liberation of women and to a certain extent, women did achieve some respect and protection of their rights. However, in times of economic or political crises, women were the first, and in largest numbers, dismissed from their jobs. In employment practice, they were submitted to humiliating gynaecological examinations since they were not allowed to work when pregnant. Night-shifts for women were virtually never abolished, even though ex-Yugoslavia was one of the signatories of the convention on the banning of night-work for women. They were victims of sexual and physical violence and punishment for those offences was often non-existent or symbolic.

1.2. Crisis, conflicts, nation and gender

The relation between gender and nation has come under review in the current social theories.⁵ In the BiH society the terms, national, ethnic, religious became the constituents elements of governance. The intersections between gender, national and religious identities provide useful insights into the evolution of the situation in the country. When the power of guns and the power generated by big business (male) were turned towards flesh and blood, the first manifestation of civil society was the formation of CBOs and NGOs by women's peace groups.⁶

However, the number of women immune to the patriarchal, nationalist, pro-war manipulations was large. Most of them continued to play their role of passive victims. The mass culture has given to women an image, difficult to shake off, of a devoted worker, obe-

4 See Susan Brownmiller: *Making Female Bodies the Battlefield* in A. Stiglmeier (Ed) 1994; Beverly Allen: *Rape Warfare: The Hidden Genocide in Bosnia-Herzegovina and Croatia*, University of Minnesota Press, 1996.

5 For more details, see: Sylvia Walby: *Woman and Nation*, International Journal of Comparative Sociology, vol. XXXII no. 1 / 2 January - April 1992.

Silva Mežnarić: *Gender as an Ethno-Marker: Rape, War and Identity Politics in the Former Yugoslavia*, in *Rape, Identity Politics and Women*, Oxford: Westview Press 1994.

Nira Yval-Devis: *Gender and Nation*. In, *Ethnic and Racial Studies*, Vol. 16 no. 4 October; *Women, Nation, State*, London, Mc Millan Press, 1989 *Identity, Politics and Women's Ethnicity*, Valentine M. Moghadam ed. *Identity, Politics and Women: Cultural Reassertion and Feminism in International Perspective*, Boulder, San Francisco Oxford: Westview Press; *Women, Ethnicity and Empowerment*. In, *Feminism and Psychology* Vol. 4.

Andjelka Milić: *Women and Nationalism in Former Yugoslavia in Gender Politics and Post-Communism* New York, Routledge Vol. 4.

Kumari Jayawardena (Ed): *Feminism and Nationalism in the Third World*, London, Zed Books, 1986.

Valentine Moghadam (Ed): *Gender and National Identity: Women and Politics in Muslim Societies*, London, Zed Books, Oxford University Press, 1994.

Kum-Kum Bahvani: *Towards a Multicultural Europe? "Race", Nation and Identity in 1992 and Beyond*, in the *Feminist Review*, no.45, Autumn, 1992.

6 Rada Ivekovic: *Women, nationalism and War*, Ženske studije, Beograd, 1955; contains an interesting analysis of the use of war and nationalism in former Yugoslavia as arguments for downgrading specific women's interests. After the fall of socialism, some East European feminists, when choosing political targets, were attracted by anticommunist orientations. Others linked up with extreme nationalistic movements. Only few stayed independent. It would seem that BiH feminists emphasised pacifist dimension, through some sort of "historical immunity" against nationalism and offered a significant potential for building bridges towards establishment of a multiethnic society.

dient housewife, dutiful mother, sexual object and pro-creator.⁷

2. GENDER & TRANSITION

2.1. Three years after the Dayton peace agreement (no woman was included in this process), BiH is in the process of socio-economic and political reconstruction and establishment of new legislative frameworks without paying too much attention to the question of gender equity. Implementation of the recommendations of the Fourth World Women Conference (Beijing 1995) has not yet become a political priority. The strategy of sustainable development requires the reduction of disparity between men and women as a key factor particularly if one bears in mind that majority of the BiH population is female (over 52% in 1997).

2.2. Women in the policy-making structures

2.2.1. In BiH, before the war, the participation of women in political life was guaranteed by the system of quota which ensured pre-determined representation but, actually, very limited authority at executive levels and within key decision-making structures. In 1986, women had 24.1% seats in the Parliament of the Socialist Republic of Bosnia and Herzegovina, and 17.3% in municipal assemblies. The political representation of women was significantly reduced after elections in 1990, when the number of seats they kept in the Parliament of SRBiH fell to only 2.29% in the Parliament and to 5% in municipal assemblies.

Post Dayton elections in 1996 and 1997 did not change significantly the situation. The positive action of the Provisional election committee, assisted by the activities of female politicians and NGOs, introduced new rules in 1998. The new rule required that 30% of the first ten candidates on the lists of political parties had to be women. In a way, the quota system was reinstalled which resulted in an increase in female participation in the Parliament. Some political parties went through the formality of presenting women candidates, only to satisfy the election rules. The increased participation of women at the legislative level in the 1998 elections (in the BiH Parliament, female participation rose from 2% in 1996 to 26% in 1998) should still be analysed in the light of their real impact on decision-making. The increased presence, however, can be a good basis for possible inter-party gathering of women in the Parliaments (BiH, FBiH and the RS).

The presence of women is particularly weak in high administrative bodies. For example, the BiH Government formed after elections in 1998, does not include a single woman minister. That indicates that institutional tools and procedures alone cannot ensure

equitable female in the process of democratisation and development of the country. (See Table 61 and Diagrams 19-21 in Annex).

Female representation at municipal levels is symbolic: there is no woman mayor of any town in BiH. There are very few women amongst municipal administrators, for example, Sarajevo Canton consists of nine municipalities and only one woman has the position of administrator in one of them.

2.2.2. Some positive changes are visible, however, in less formal decision-making structures or civil society forums. According to estimates, about 90 NGOs are, in various ways, involved in women's issues: care, protection of women's rights, strengthening women's economic position through income-generation programmes, micro-credit to support small enterprises, etc. The activities of these organisations include advocacy, and strategic networking at local, regional and international level. Very few NGOs in BiH currently have the capacity to undertake effective steps towards strategic gender needs and change of roles in the country. The dialogue and partnership with government has not yet been achieved, any more than serious exchange of information or views about various issues related to the improvement of women's position. Clearly the role of NGOs and women's organisations in promoting greater female participation in the country's social, economic and political development is crucial for the future of the country and deserves to be vigorously supported by the international community.

2.3. Women and economic development

Gender specific data on women's participation in management and decision-making in the economy of BiH is rare. Currently, there are very few women in leadership positions in big companies or enterprises. The number of women members of executive or managing boards of various companies and firms is slightly bigger. They participate in the managing boards mainly as representatives of governing political parties in order to increase their economic and political power.

Over the period 1971-1991, female employment increased from 25.3% to 35.9% of the work force. Just before the war (1991) each third employed person was a woman, and out of a total number of women (about 2,2 million) every sixth was employed. Women constituted 59.85% of those employed in the non-industrial sector, and 31.9% of those in the industrial sector. Out of the total health staff (1991) 73,9% were women. They were 73.7% in banking and finance, 54.1% in administration and 85.34% in education and culture.⁸

The data on current women's participation, particularly in industrial and non-industrial sectors is insufficient,

⁷ See: Getting Representation Right for Women in Development: Accountability, Consent and Articulation of Women Interests, in: Goetz, Anne Marie: Getting Institutional Right for Women in Development, ZED Books, New York & London, 1997.

⁸ Source: data reported at the Conference: *Socio-economic position of rural women*, Zenica, 17-18 October 1997, supported by FAO (report of the FBiH Ministry of Agriculture, Water Supply and Forestry).

but there are indications that women are still a major part of the labour force in health, education and culture. The percentage of women's participation in the non-industrial sector is significantly higher than in the industrial sector, which shows a clear division by sectors regarding the so-called "female jobs".

Research shows that in BiH before the war, 70% of total work in the agriculture sector was done by women, mainly as non-qualified work force. In 1987, 78.5% of the total agricultural production was by women of older age.⁹ However, the socio-economic position of rural women was very difficult. Before the war (1990) only 1.7% of women were owners of land, very few were managers, and only 0.1% signed the co-operative contracts. Today, after tremendous devastation and disintegration of rural areas by the war, there is no sign that women's position could be improved in terms of ownership or management of the land.

Currently, micro-credit programmes are underway. They are one of the key initiatives for economic reconstruction in BiH. USAID Business Finance Programme reports that out of 4,918 credit beneficiaries, 71% were men and only 29% women. Local NGO "Synergia" in their micro-credit project for vulnerable population groups in the RS has had very positive experience with women users of micro-credits. Almost 99% fulfilled their obligations in time, thus proving the viability and success of those projects. In spite of the fact that experience with women users of credit in most of the projects in BiH is extremely positive, availability of credits and business opportunities to them remain difficult.

2.4. Women and unemployment

2.4.1. In BiH, the women's unemployment data and problems related to the loss of employment are not taken as seriously as they are for men. A number of cases prove that men can get employment more easily than women. The general opinion is that some groups should have priority in employment, e.g. demobilised soldiers.

2.4.2 In the private sector too it is evident that the level of women's participation is not satisfactory. Women's self-employment and their role in small businesses is beginning to show some progress, especially in trade and service sectors. Women mainly open small shops or sell things in the streets. They are, however, exposed to strict laws, crime, and disloyal competitiveness which often make them losers. The administrative jobs are more stable and therefore the incentive to quit a job and start a new business is not great. Some international organisations, through micro-credit programmes for strengthening small business and income generating activities targeted to women, are helping in the eco-

nomie and social reconstruction of BiH. But the Government has yet to develop a cohesive strategic plan, which would facilitate integration of women into programmes of economic progress. In the private sector, women are paid less than men for the same job. Many women are caught in the trap of "grey economy" with unregulated work status. Middle aged women without a university degree have more difficulties to find a job. The employers in the private sector practice additional discrimination by excluding women over 45 years of age, which results in a loss of self-confidence and reduces possibilities to develop new skills. In service jobs, a certain discrimination based on physical looks also exists.

2.5. Women and poverty

Generally speaking, in the post-war period, the poor are becoming poorer while the few rich are getting richer. Women are more struck by poverty because they have smaller income (although in theory, same wages are guaranteed for the same job, in practice better jobs and better wages are reserved for men), face greater difficulty to find a job or to get credit and own a very small percentage of land. In addition, the State has begun with a reduction of certain benefits which were used more by women than by men. It is clear that many women lost their homes and husbands. The effects of war are evident in the category of marginal rural "heads of households". The household composition and structure, and actual women headed households, together with displacement of whole families during the war are important aspects of a complex situation and of growing poverty in BiH.

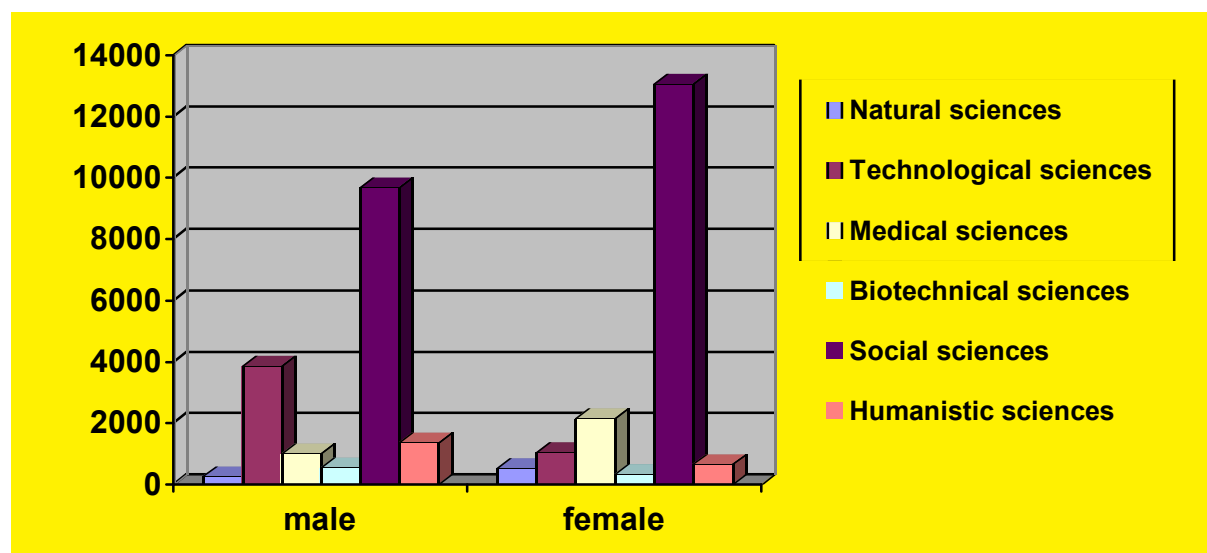
3. WOMEN AND EDUCATION

3.1. The differences in the education level of women in both rural and urban areas as compared to men have been evident in BiH since a long time. Primary education (elementary school) is compulsory, but there is evidence, especially in the under-developed rural areas, that enough effort was not made by the authorities to ensure primary education for girls. Even before the war, it was well known that in some rural areas of BiH (Bihać region, East Herzegovina, East Bosnia) girls were leaving school to work in rural households. In 1991, among the population over 15 years, 50.52% were women, out of which 22.0% were without any education, 22.1% with incomplete primary education, 23.5% had completed primary education and 24.9% secondary education (high school) while 2.2% had completed first university degree, and 2.7% had a bachelor's degree. In the same year, the percentage of women without education in the age group over 15 was 79% for women, and 20.9% for men.¹⁰

9 Collective texts from Conference: *Socio-ekonomski položaj žena na selu*, Zenica 17 & 18 October, 1997.

10 Source: Statistics Bureau of FBiH (same source for Diagram 4).

Diagram 4. Students according to field of education in 1997/98



3.2. During, and after the war, there was a significant brain drain of educated women from BiH. Furthermore, rural and urban populations merged. Taking into account the fact that pre-war education level rates (1991) indicated that almost 67.5% of women over 15 years had only primary education or none at all, the departure of educated and skilled women, and difficulties to continue secondary or university education, one can conclude that the education level of women in BiH is even more unfavourable now than before the war.

The structure of university students in 1991/1992 and 1997/98 indicates that women prefer the so called women's professions, such as social sciences or medicine.

3.3. During and after the war, some NGOs, mainly through community based projects have included a number of women in projects of quick education and training aimed at providing necessary skills to the vulnerable population groups (refugees, displaced persons, war widows, poor women with children), especially in the field of new communication technologies, small enterprises' management, handicrafts, etc. Although comprehensive data are still unavailable, these training courses are, undoubtedly improving and strengthening the role of women in their communities.

The process of transition in BiH, which is currently underway, has introduced changes and uncertainty concerning secondary and university education. The poverty in which more than half of the population lives, is already a factor thwarting the process of education, especially of girls. The number of families which cannot ensure minimal participation (clothes, part of the cost of school-books, materials and equipment) necessary for their children attending the primary school which is compulsory and free, is increasing.

The issue of choice and making male children a priority in secondary and higher education calls for attention and action, particularly in smaller, traditional environments where paternal trends are more evident.

4. WOMEN AND HEALTH

4.1. The present estimates show that in the RS, there are about 350,000 women of reproductive age, and about 575,000 in the FBiH. World Bank estimates shows that total health care funding in 1997 was about 206 million DM and with international support amounted to some 545 million DM¹¹ which is about one third of pre-war health care funding in BiH. Data about women's health funding are unavailable.

During 1991, amongst 17 leading causes of death of women, malignant neoplasms were in the second place (breast cancer and cervical cancer are leading), in the eleventh place were pregnancy and birth complications, and in the fifteenth the prenatal conditions. In 1985, 242,957 women were using contraceptives; currently, there is no comprehensive data on the subject while the number of induced abortions is permanently high and a constant danger to the health of the woman. The quality of health care varies in the whole of BiH. In smaller town and rural areas, specialist interventions in primary health care services (health centres and their units) are rare, resulting in reduced quality of antenatal and pre-natal care, irregular or even inaccessible family planning and prevention services. Large towns have established the network of women's health care services at three levels (primary, specialist-consultancy and hospital). It is estimated that in 1997 about 91% of women delivered a child in hospital.¹²

4.2. The family planning services and preventive care related to early detection of breast and cervical cancer

¹¹ Source: UNICEF, *Women and Children Situation Analysis 1997*. Sarajevo 1998.

¹² *Ibid.*

are still limited. A number of projects supported by various international organisations cannot make up for the absence of an action plan for women's health promotion in BiH. Violence in family and violence endangering women in general is not considered a health problem. Specific data does not exist regarding these issues which are increasingly in evidence these days in BiH. Specific activities on a limited scale have been undertaken with the support of some NGOs (monitoring, SOS telephone, counselling).

5. CONCLUSIONS

5.1. It is necessary to support and institutionally organise governmental responsibility and secure institutional mechanisms for the support of gender integration within key ministries and sectors (finance, social protection, education and the judicial sectors) in both Entities.

5.2. It is particularly important to continue strengthening, through new electoral regulations, the process of female participation in politics and decision-making structures (initiated through the new electoral regulations for the 1998 elections).

5.3. Female participation in economic decision-making structures must be increased. This is crucial for the prevention of negative consequences for women, as a population majority, in the privatisation process.

5.4. Special measures have to be taken in the judicial and administrative fields in order to ensure the prevention of all forms of discrimination and violence.

5.5. Local authorities and international organisations have to secure support for civil society, particularly NGOs that are concerned with women's issues and those of gender equality and that have the potential to articulate, mobilise, advocate and represent the gender issue.

5.6. A dialogue, exchange and flow of information should be supported between the Government and civil society concerning key issues for ensuring gender equality. Systematic efforts should be made to raise gender awareness by educating citizens (civic education) through the media.

5.7. It is important to promote the literacy of women and to include the gender issue into institutionalised and alternative forms of education.

5.8. It is necessary to provide gender disaggregated statistics and gender relevant information as a basis for research and the development of adequate policies.

5.9. BiH authorities should commit themselves to the full involvement of women in the development process, by giving priority to the implementation of Document IV of the World Women Conference (Beijing, 1995), that BiH participated in and whose documents it accepted.

OLDER PERSONS

"We ought not to heap reproaches on old age, knowing that we all hope to reach it."

Diogenes (3rd C. A. D.)

INTRODUCTION

The designation of 1999 as the "Year of Older Persons" by the United Nations has a special significance for BiH where the "normal" demographic change of society has been turned by the war into an unexpected *old age boom*. Due to massive involuntary displacement of populations and the death or flight of many young people, abandonment of the old and forced migration from rural to urban areas, the BiH society has become, by and large, a society of old, sick and tired people. The "normal" process of longevity of life as a result of industrialisation, urbanisation and better health care during recent decades, was replaced during the nineties by the sudden emergence of a large old-age population in dire need of social protection and material assistance. The psychological and social consequences of this phenomenon are yet to be analysed and understood. What is certain, however, is that the country as a whole is unprepared and materially unable to extend adequate social protection to its "senior citizens", many of whom live in a state of deprivation, ill health, or are disabled and abandoned. Their plight calls for special attention by the State as well as the international donor community. The discussion of the problems faced by older persons will, hopefully, serve as the analytical basis for the required development of a national policy. In particular, ways and means should be identified to render the growing segment of BiH population more active and relevant to human development.

1. THE CONCEPT AND PROCESS OF AGEING

1.1. Ageing has been defined as an uninterrupted process of changes in the system and functions of the body, in which the effect of changes on the quality of a person's life is generally not too dependent on social and cultural values within which the process takes place¹. This and similar definitions are based on the biological interpretation of the process of ageing.

Biologists differentiate the *process of ageing* from the *process of the dying of the cells*, whether it is degenerative or not. The process of the dying of the cells takes place from puberty and during the entire life, whilst persons over the age of 65 are considered to be old in the sense of the chronological flow of time in a person's life.² An alternative view is to consider old age as a state of mind: one is old if one considers oneself old. This has important repercussions for the role of older persons in the community and society at large. Whether a person's self perception would lead to a dependency syndrome or simply to a change in activities has an impact upon human development as well as the social protection needs. In general, older persons need to feel needed. They can, with the support of the community, develop roles which can be extremely useful, particularly in a war ravaged society like Bosnia and Herzegovina (BiH) where the number of older persons is increasing as compared to the young who died or fled the country. For example, besides being useful to their own peers in the context of community service, they could, with their skills and experience, play a role in the human development of the young. This can be achieved by linking the third age to the first age within a community for activities such as education, recreation and day care of children during their formative period.

The second half of this century is characterised by findings reached by geneticists who maintain that one should focus on the degeneration of cells because that is what leads to degenerative diseases in old age, which in turn produces the old age image, closely linked with disease. It is important to note this because ageing is also seen in the BiH milieu as a biological process of the dying of the cells in the organism. The social reflection of this view is the prevailing perception that to be old means to be prone to illness.

During the war in BiH, an interesting phenomenon was noted that can be illustrated by the example of a 68-

1 AGES, Effective Response to Ageing in Africa by the year 2000, AGES Workshop Report - African Gerontological Society, Accra, Ghana, 1995.

2 Gosden R. *Cheating Time, Science, Sex and Ageing*. Macmillan: London, 1995.

year-old woman who did not complain of any pain and needed no medication during the war, although before the war she suffered from arthritis, chronic kidney and respiratory organ inflammation, as well as high blood pressure. During the war, she did not smoke or eat much. As soon as the war ended, she returned to smoking and the old diet and, of course, medication.

Therefore, it can be said that chronic illnesses are afflictions for those that suffer from them, while, for older persons, they are a result of ageing.

1.2. A study of the elderly in BiH just before the war, showed that the elderly are not considered a special social category. The perception that the elderly have of themselves and their importance in society is missing. They perceive themselves and are perceived by others as part of a household/community. Unemployment of the elderly turns into helping their children and to finding a job for them, thus ensuring the survival of the household, and with it their own survival. Since the concept of old age did not have market-economic significance for society³, old age was conceived through the issue of "strength".

The common perception is based on the concept of "strength", or rather of "losing strength". Whether it implies only physical or socio-political or both aspects, strength is the notion around which the perception of old age is elaborated in the BiH society. Even in the medical sciences one can come upon the opinion that the process of ageing is nothing but an exhaustion of the organism, the digestion system through which the body receives energy.

The social meaning of old age is reflected, among other things, in old-age roles, manifested by certain stereotypes of behaviour befitting old age. The retirement period in the life of an individual is identified with his/her old age period, involving social vulnerability and illness. Social identification can almost not be achieved without the indicia of poor health, because it has become an integral part of the image of old age in the BiH society, now more than before the war.

According to a WHO study⁴ on the elderly population in the city of Sarajevo, it seems that the elderly do not have chronic illnesses any more than other age groups. The study indicates that general neglect of health (smoking, poor or unbalanced diet) results in chronic illnesses and general exhaustion of the organism. What is not clear in the study is the mental state of the elderly and illnesses generally associated with old age, including dementia, Alzheimer's and osteoporosis.

2 MIGRATORY FLOWS AND CHANGE IN THE AGE STRUCTURE

2.1. Without entering into BiH demography or analysing the types of population migratory flows, it would be useful to outline some fundamental population relocation problems, including demographic trends. These are extremely important for change in the population age structure and, concomitantly, for the establishment of the elderly group to the extent that society becomes a society of the elderly.

BiH has been traditionally characterised by its openness to new inhabitants, and in the framework of the former Yugoslavia, it was a unique blend of ethnic groups as well as numerous different forms of cultures, religions and different ways of communication and lifestyle. It is therefore not surprising that its population increased by 71% in the forty years following World War II. The biggest growth rate was reported between 1948 and 1951 with an average annual rate of 2.12%. It stabilised after that and remained so in the last decade before the war (1980 to 1990) at a level of 1 %.⁵ However, despite a significant decline of population growth, it continued to grow above the average level even though the high fertility rate in competition with negative net migration could not exceed the exceptionally high pre-war (World War II) natural population growth. This also resulted in a very young population of BiH.

2.2. BiH differed from other countries in Western Europe by the type of migration. Migratory flows were mostly concentrated in rural-urban migration of the population, which already then began to create a preponderance of the elderly over all other age groups in BiH villages, while the young population, in contrast, dominated the urban agglomerations. After the failure of economic reforms in the 60s, external migration was stepped up. At that time, there was a lack of labourers in Western Europe, and since the Yugoslav socialism was more flexible and open than other socialist countries, the authorities opened up the borders and started one of the biggest labour force migrations in the region. Germany excelled in employing labourers from the south of Europe, including BiH.

The "gastarbeiters" of the 60s actually continued the tradition of emigration from the country, mainly due to economic underdevelopment. One of the effects of underdevelopment of BiH, despite the presence of immigration, was the lowest internal migration rate compared to all other republics of the former Yugoslavia⁶. After Western Europe closed the labour

3 Vincent J. and Mudrovčić Ž., *Lifestyles and Perceptions of Elderly People and Old Age in Bosnia and Herzegovina*, in: S. Arkez, M. Evandron, *Ageing, Independence and the Life Course*. J.K.P., London, 1993.

4 WHO. *Health of Population in Sarajevo Canton*. WHO, Sarajevo, 1996.

5 Vincent J. and Mudrovčić Ž., *Ageing Populations in the North and South of Europe*. *International Journal of Comparative Sociology*, XXXII (3-4), 1991.

6 Markotić A., *Uloga migracija u demografskom razvitku Bosne i Hercegovine*. *Opredjeljenja* (3), 1985, 126.

force market at the beginning of the 80s, migration from BiH continued, although at a lower rate, to other, more developed republics of the former Yugoslavia, especially to Slovenia.

The migratory population is a young population, with 37.4% being under the age of 20, and 38.1% from 20 to 29 years old. A total of 75.5% migrants were aged 30 and under.⁷

2.3. This migratory flow, along with changes in the population growth rate, was reflected in the age and gender structure of the population, the age structure in particular. The basic trend was a rapid population-ageing trend. In 1948 approximately one half (53.9%) of the population were young people under the age of 19. In 1981 only 38% of the population were aged 19 and under. In the process of change, the youngest population was the fastest to decrease in number, but geographically speaking, this was taking place unevenly in the country. The central parts of the country seem to have continued to have a high rate of the young population, probably even until today, although there is no reliable data to prove it. In the same period the size of the elderly population increased, particularly in parts of the country with big migration of the population. The total growth of the elderly population changed from 4.9% in 1948 to 6.1% in 1981 and has probably continued to grow.

The high participation of the elderly population in the total population in agricultural areas of the country is not a consequence of post-industrial growth. It is more a result of industrial development of a socialist type, in which emigration of the labour force dominated. Secondly, agricultural production was neglected in favour of hasty industrialisation and the size of the rural population decreased. With these social premises, the process of ageing would probably have taken place at an even faster rate in the 90s if it had not been for the war, whose consequences will be the same in regard to the growth of the elderly population, but with the drastic price of destruction of the country and loss of many lives.

2.4. The other result of the migratory flow before the war is to be found in the process of the changing gender structure of the population. The gender ratio is always disturbed if the migration is principally male. That is what happened with the migration of the labour force: what remained of agricultural forces became predominantly female. If one adds to this the demographic process of different tempo and quality of female ageing where women live longer than men, then it is not surprising that they outnumber the men in BiH society. A result of the war is the imbalance of female-male population and there is a trend of more female

involvement in social activities in contrast with the past. There was up to 2/3 of the elderly female population before the war in the north of the country (Bosanska Dubica and Odžak). Other western localities with a high proportion of elderly women are Bihać, Bosanski Brod, Bosanski Novi, Bosanski Šamac, Derventa, Oračje and Prijedor. In these areas of the country, a high proportion of elderly women (59% to 65% percent of the total elderly population) is reported. In some parts of Herzegovina, the proportion of elderly females is up to 71% of the total elderly population (Čapljina, Ćitluk and Ljubuški). In towns like Ličtica, Mostar, Neum, Stolac and Trebinje it is reported to be between 59% and 65%.

3. SOCIAL WELFARE AND PROTECTION OF OLDER PERSONS

3.1. Before the war, social welfare and the protection of the elderly were mainly the concern of the family. The demographic loss of the young and middle-aged generations caused by the war, through death, disability and displacement, has resulted in the disintegration of the old traditional system. The post-war period is characterised, *inter alia*, by drastic changes in the family structure and lifestyle. Psychologically and sociologically, the extended family system has more or less collapsed.

The war disturbed the inter-generation connection so much that the BiH society almost overnight adopted the Western European models of welfare and protection for the elderly. These models, both the institutional (homes for the elderly, geriatric centres) and the non-institutional (home assistance, neighbourly care, spouse care) are yet to prove their value and sustainability. They were introduced into BiH by the international community, first as a part of assistance programmes for the war-devastated social infrastructure, and then partly as support to the development and rehabilitation programmes. In any event, they require sizeable external financial support which may not be available in the long-run and which, even at present, addresses only a fraction of the overall problem.

In the framework of the socialist model of the modern nuclear (urban) family⁸, 'traditional' values of caring for the elderly prevail to a limited extent only because of a lack of material resources, particularly housing space, due to which generations still live together. Cohabitation of parents and children in the urban areas may be viewed as a form of alternative social welfare for the elderly, but it can also be a form of alternative care for children while their parents are at work. Although the system of institutionalised care for chil-

7 Sparavalo J., Deagrarizacija - osnov socijalne i prostorne pokretljivosti stanovništva BiH u periodu poslije II Svjetskog rata, in: *Migracije i Bosna i Hercegovina*. Institute for History and Institute for the Study of National Relations, Sarajevo, 1990.

8 Milić A. et. al., Domaćinstvo, porodica i brak u Jugoslaviji. Institute for Social Research, Faculty of Philosophy of Belgrade, Belgrade, 1981.

dren was more developed and materially better provided for than for the elderly in the former Yugoslavia, there were not enough kindergartens, nursery schools, daily care centres. Therefore, grandfather and grandmother care was an excellent substitute for this shortage. In the post-war period, generational differences in lifestyle and values, often lead to conflict that is overcome only because of the mutual interest of both generations in the cohabitation household.

3.2. During the Socialist period, the social protection system covered the welfare of older persons institutionally through "Homes for the Elderly". Since this is a very expensive form of care, and since it is traditionally not suitable for the BiH society, it would not be a desirable solution at the level of the state welfare system. Even the wealthy Western countries can hardly afford Old Age Homes for all their old people. With the arrival of humanitarian and development organisations, as well as governmental and non-governmental organisations in BiH, the capacities of homes for the elderly increased. Several Refugee Centres were transformed, with the financial support of humanitarian organisations (UNHCR, ECHO), into Homes for the Elderly, but all of them, more or less, have problems in fulfilling their task.

Before the war, there was also alternative care for the most socially vulnerable elderly, i.e. those who did not have a family. Professional teams from homes for the elderly usually took care of them, but their work mostly consisted of home assistance, whilst health care was provided through institutions for health protection. All other forms of alternative welfare (such as rehabilitation programmes, palliative care for the terminally ill, or various programmes of mental health care) were unknown in BiH before the war. The term "hospice" is almost unknown in BiH. Dying in most cases took place at home and was, therefore, a part of the culture with fundamental value specific in all its characteristics and significance for society.

3.3. Since 1993, there are several hundred non-governmental organisations and associations in BiH, of which at least 28, in one way or the other, are involved in work with elderly people.⁹ Assistance for elderly can be classified in five broad categories of NGOs: food and non-food items, psycho-social support, medical assistance and rehabilitation, and in selected cases, complete welfare of elderly people (social, health, hygiene and home assistance). It is estimated that up to 15,000 elderly people are covered by the on-going welfare programmes of non-governmental organisations operating in the country.¹⁰

In addition, the Office of the UN High Commissioner for Refugees is implementing seven programmes of home assistance for the elderly by engaging seven local

NGOs, covering some 12,000 people from the elderly population. The International Federation of the Red Cross and Red Crescent also helps the elderly through its home assistance programmes, and has 12,500 beneficiaries distributed evenly throughout the country. It is estimated that through various organisations, approximately 35,000 elderly people are covered by the home assistance programs. Notwithstanding the absence of reliable and precise figures, it is clear that the problem of social protection of the elderly stems from the lack of available means. A large number of the elderly are still in the so-called Reception Centres. Although the UNHCR has planned in its programme for 1999 the closure of Reception Centres, it does not mean that the problems of the elderly in those centres will automatically disappear. The biggest problem is housing, and it is the most difficult to solve.

Alternative welfare for the elderly is at a turning point. NGOs brought in such a diversity with regard to the character and standard of services that the need inevitably arose to integrate various approaches into a system acceptable to various actors. International humanitarian organisations are slowly phasing out their programmes. However, before withdrawing from the country, they want to leave a working, sustainable mechanism to continue. This means local capacity-building which, in the past, was somewhat neglected. Maximum advantage should be taken of the opportunity to receive assistance and support for developing self-reliance.

3.4. An association of pensioners exists in BiH. It is the only institution which, in a way, protects the rights of the elderly retired persons. However, it covers only the pensioners in urban areas in terms of their pensions and compensations. Most of the rural population that did not have a chance to acquire any form of pension rights, does not fall into the group of older persons covered by the association. Besides, the pensioners' association never broadened its field of interest to include, for example, the development of any other programme of representation of elderly pensioners in the society at large.

In the altered conditions in society, pensioners' homes, for example, although inherited from the previous system are not becoming places where pensioners can help themselves in different ways. Some homes have been annexed by municipal authorities and have been given the function of collecting resources for these authorities. It is a pity that pensioners were unable to organise themselves to defend their right to their homes and to turn them into the necessary living area or financial sources of protection of the standard of living.

4. DEMISE

4.1. One may say that dying in the BiH society today has acquired the characteristics of what is called in the

⁹ ICVA; CIP, working documents.

¹⁰ Mudrovčić Ž., The Assessment of Social Safety Net in Bosnia and Herzegovina. UNHCR Community Services, Sarajevo 1998.

West the “loneliness of dying”¹¹. In numerous interviews with the elderly, this is confirmed over and over. Previously, people died mostly at home within their family, but now the family having disintegrated, people die where they happen to be at the time of death. Death in the family meant not just the immediate family: it was a neighbourhood and community event. It is the same today in practice if an old person dies within the family, but since the elderly are in welfare institutions (homes and reception centres) or are increasingly left to themselves, dying for them becomes an institutional event or more often “lonely death.”

4.2. The causes of death today in BiH may be explained, despite the lack of enough reliable data, through psychosocial concept of depression. Connected to the idea of dying is the fact that dying used to be conceived rather as an inevitable end due to exhaustion of the organism or due to terminal illness. The contemporary phenomenon of lonely death on the other hand, involves serious alienation of the elderly both from their peers and from young people, children and grandchildren in particular. During the war it was the only public gathering event. Modern aversion to death is leading to children becoming alienated from their parents because the biological death of their parents reminds them of their own death. This aspect is now increasingly visible in BiH society due to drastic psycho-social changes during the war and after it.

A widespread direct experience of death by almost the whole of BiH population during the war has transformed the conventional wisdom regarding death. At the same time, due to resurgence of religious beliefs, a by-product of the atrocities of war, the concept of death is increasingly a more acceptable and less frightening one, while the will to survive has been sharpened by the hardship endured during the long and tragic years of war.

5. CONCLUSIONS

5.1. It would be desirable that during 1999, “The International Year of Older Persons”, the government of BiH and both Entities should elaborate, and begin to implement, policies and programmes covering the problems and the potential of older persons. The “senior citizens”, an important segment of the total population, should be treated as an asset rather than a liability.

5.2. Efforts should be made to enhance awareness of policy-makers and the general public of the rights of older persons, as elaborated in various international documents by all who work with older persons and by older persons themselves. Concrete measures should be taken to ensure respect of these rights by the public and private sectors.

5.3. It is necessary to change the approach to ageing and older persons, enabling the latter to undertake basic social and employment activities, specific forms of education, etc. They should be encouraged to be active in identifying and solving themselves their problems and should be educated to become an important factor in the elaboration and implementation of a coherent national social policy.

5.4. The government as well as the donor community should encourage the formation of NGOs by and for older persons, to organise and co-ordinate their activities, to defend their interests and promote their welfare.

5.5. In seeking to provide social protection and to find solutions to various problems facing older persons, it is important to promote and strengthen the link between public services (Centres for Social Work), Old Age Homes, The Pensioner Homes, Geriatric Institutions), and the international and national NGOs as well as the private sector. The creation of a network of activities, based on common public, non-governmental and private sectors, will enlarge existing, and mobilise new, sources for meeting the needs of older persons.

5.6. It is particularly important to develop volunteerism and philanthropy through NGOs and inter-generational solidarity. This ethos, and the concomitant principle of communal solidarity, should be based on activities at the local level and through NGOs, thus providing a new dimension to solving the problems of older persons and making them active and productive members of society.

5.7. It is necessary to develop a strong network encompassing all organisations that deal with older persons. This would provide a forum for a mutual exchange of information and programme co-ordination and help develop relations with other networks at regional and international level.

11 Elias N. *Loneliness of Dying*. Sage, London, 1985.

ANNEX