Welfare in the Mediterranean Countries

BOSNIA HERZEGOVINA

Raffaele Paudice
The views expressed do not imply the expression of any opinion whatsoever on the part of the United Nations and of Italian Department for Public Administration, Formez and the Campania Ragion Administration
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CHAPTER I: THE ADMINISTRATIVE SYSTEM.

1.1 Aims of the report
This Report, “Public Administration and administrative Reform in Bosnia and Herzegovina: the Health Care System”, offers a transversal vision of the total reform process of the Country and tries to identify the priorities for its completion, with the necessary innovations. It will show the trend of such reforms, the impact and the repercussions of the innovations introduced, the current situation and the possible future lines of development.

Without doubt, the public administration can be a development factor in Bosnia and Herzegovina, to assure the stability required by the international observatories; at the same time it can activate those mechanisms that can pledge a dignified social life to the citizens.

In the first chapter, the reasons behind the reform will be described; in particular:
- The legislative references that have allowed the reform process to start.
- The reform areas.
- The main finance plans activated in Bosnia and Herzegovina

In the second chapter there will be a specific analysis of the main innovations in the health care system.

1.2 The administrative order in Bosnia and Herzegovina: the central State and the two Entities.
It is important to analyze the particular administrative order of the country in order to identify the institutional levels charged with the reforms. Moreover, the peace process intersects and is rendered more complex by the parallel political, economic and social transformations of the typical structures of “real Socialism” of ex-Yugoslavia. The peace accord reached in Dayton (Ohio) on 21 November 1995, and signed in Paris on 14 December, ended the civil war in Bosnia. The Dayton Agreement retained Bosnia and Herzegovina's international boundaries and created a joint multi-ethnic and democratic government. This national government was charged with conducting foreign, diplomatic, and fiscal policy. Also recognized was a second tier of government comprised of two entities roughly equal in size: the Bosnian/Croat Federation of Bosnia and Herzegovina (FBiH) with 51% of the territory, and the Bosnian Serb-led Republic Srpska (RS). The Federation and RS governments were charged with

1 Cfr. art.3 of the General Framework Agreement.
overseeing most government functions. The Office of the High Representative (OHR) was established to oversee the implementation of the civilian aspects of the agreement. In 1995-96, a NATO-led international peacekeeping force (IFOR) of 60,000 troops served in Bosnia to implement and monitor the military aspects of the agreement. IFOR was succeeded by a smaller, NATO-led Stabilization Force (SFOR) whose mission is to deter renewed hostilities. SFOR remains in place although troop levels are being reduced.

One of the fundamental obstacles to the transformation of the Bosnia and Herzegovina (BiH) from protectorate to an independent State, is that it has been constituted only by the Dayton agreements. In fact, this is merely an armistice that sanctions constitutionally what was established by the warring parties. All the demands and formulas proposed by the international Community (summarised in the 18 points of the road for the EU), press for the existence of a strong BiH State and a consequent transfer of power from the Entities to the central State.

The Constitution does not regulate administrative decentralization and it delegates implementation to each Entity. Such autonomy has determined an heterogeneous development of the administrative system, often defined as an Asymmetric Administrative System:

A) The administrative order of the RS appears strongly centralized and it is lacking in intermediate bodies between administration centres and local Agencies. They are subdivided simply into Municipalities.

B) On the other hand, the Federation of Bosnia and Herzegovina has a marked decentralized system, which also includes intermediate administrative bodies. There are four levels of government in the FBiH: Entity, Cantons (10), Municipality (approximately 70) and Cities.

C) Besides the two Entities, there is an autonomous district under UN supervision: the city of Brcko. Created on 8 March 2000 as an Arbitration solution, the District of Brcko is an independent administrative and political body, able to make laws independently.

The current institutional order has complicated the dialectic between State and Entity, and such confrontation is often resolved in an administrative do-nothing policy and strong resistance to innovative politics, for fear of changing constituted balances. In fact, the main obstacle to the innovation process is posed by the local nationalist ruling classes; in many cases they have no interest in real reform of the economic system. With a kind of ethnic parasitism, this class gains short term advantage in political power and economic
advantages deriving from the country’s divided situation, and it has an interest in perpetuating these divisions.

1.3 Reasons to continue on the course of administrative reform.
The reasons for further administrative reforms in Bosnia and Herzegovina are multiple. In fact, beyond being an important objective in terms of internal politics, the reforms are at the same time important for the state’s foreign policy, shaping itself as an indispensable prerequisite to future European integration. Technically, until the end of June 2004, Bosnia and Herzegovina must adopt 46 provisions, 44 laws and found 25 new state institutions, all crucial for starting the process of European integration and stabilization. Failure will mean Bosnia remains isolated. At the moment, Bosnia and Herzegovina is the only country in the region apart from Serbia and Montenegro that has still not implemented the Stabilization and Association Agreement (SAA). An examination of the recently published progress report reveals that the most greatest obstacles to the reforms and the development of the country is Bosnia itself. In other words, up until now, the reforms have been implemented in spite of the Bosnian authorities and in spite of the complex internal structure of the Country. An analysis of the administrative order of Bosnia and Herzegovina, reveals some critical features:

- Elevated complexity of the administrative structure and, consequently, of decisional processes
- Institutional asymmetry and local lack of coordination among State, Entities and Institutions.
- Preponderance and hypertrophy of the peripheral levels of Government on the central level.

These problems appear difficult to overcome if the Constitutional charter of the Bosnia and Herzegovina is not modified. A reopening of Dayton is desired by the international Community and from the EU in particular. Finally, it is an absolute necessity that Bosnia and Herzegovina invests in training. Young staff, in charge of managing changes and innovations can help to:

a) overcome internal resistance in the P.A..
b) use funds without waste.
c) create the conditions for a real integration of the ethnic groups.

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1.4 Programmes and finance for administrative innovation.

To make a summary of the programmed actions aimed at reform in Bosnia and Herzegovina, it is useful to show the implemented innovation programs:

- Regional European Union programme EC CARDS: it identifies four priority areas of fund employment: a) Promoting integrated management of the frontiers; b) Supporting democratic stabilization; c) Increasing the functions of the State institutions; d) Strengthening of regional infrastructures and of the environmental development.

- National CARDS programme: it pursues in a specific way the development of the P.A., and administrative abilities development in particular (Es. CAFAO).

- Phare Program.

- OBNOVA Program.

- Foreign aid programme, promoted by the Department for International development (DFID): it works in a specifically towards the reduction of poverty.

- Actions of the USAID organization: three programmes currently under way pursue “Economic Reorganization”, “Democracy, Conflict and Humanitarian Aid” and the “Return of Minorities”.

- Local Democracy Agencies Plan: indicates to local democracy Agencies the instruments available to the municipalities, the regions and the ONG Balkan Area development.

- CAP Programme: tries to promote the development of democratic institutions, through the pursuit of administrative efficacy and effectiveness.

- MIFI Plan: promotes effective management of finances and the material resources of the municipalities.

- RMAP Program elaborated by the ONU through its development programme (UNDP), in collaboration with Office of High Commissioner for Human Rights (OHCHR): the programme aims to supply information about the state, in the sector of human rights protection and development.

- Aid programme for management and the coordination of development resources, elaborated by ONU: it intends to increase planning ability and to identify priorities.

- CSSC Plan, by ONU: dealing with the reform of the Civil Service and to its progressive modernization. It calls for the institution of a college for staff training and technical support for the reforms.

3 The European Commission for fiscal and customs assistance office (CAFAO), supports and develops the abilities of the institutions in the control and management of taxes, operating through the management of customs data and elaborating statistics on the commercial sector in the BiH.
Table 1 shows the resources allocated by several programs, from 1991 to 2003. It is necessary to focus on the progressive decrease in funding.

TABLE 1: Programmes and funding between 1991 and 2003, expressed in millions of Euro.

<table>
<thead>
<tr>
<th>1991-2003 EC assistance to Bosnia and Herzegovina</th>
<th>(Allocation in millions of Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOSNIA AND HERZEGOVINA</td>
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<tr>
<td>Phare, OBNOVA and CARDS</td>
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</tr>
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<td>0.21</td>
<td>0.65</td>
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<tr>
<td>ECHO (humanitarian assistance)</td>
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<td>495.26</td>
<td>145.03</td>
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<tr>
<td>Specific actions</td>
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<td>70.00</td>
<td>65.40</td>
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<tr>
<td>Democracy &amp; Human Rights</td>
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<td>0.70</td>
<td>4.80</td>
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<td>Balance of payments support</td>
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<td></td>
<td></td>
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<td>Total EC assistance</td>
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<td>495.47</td>
<td>216.38</td>
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</tbody>
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CHAPTER II: RELATIONSHIP BETWEEN THE ADMINISTRATION AND CITIZENS – THE HEALTH SYSTEM IN BOSNIA AND HERZEGOVINA.

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2.1 A social reform on paper.

The general social situation in Bosnia and Herzegovina is difficult and the standard of living is decidedly far from the existing level before the war. The high rate of unemployment (approximately 40%), linked to stalled production caused by the ongoing privatization process, contributes towards a situation of worse poverty. When funds are lacking even for the production sector, they are certainly not there for welfare and humanitarian activities.

From a purely statutory point of view, social welfare is very structured on paper. In fact, the laws still in force are in large part an inheritance of the communist period, when attention to the social system was much higher. It may be useful to look at the example of how much social security weighs on the salary of an employee. For every employee assumed, the firm is obliged to contribute a determined share in the several social funds:

- 41% into the pension fund;
- 25% into the health fund;
- 4.7% into the unemployment fund;
- Finally, 5% of taxation applied to the gross salary, destined for the central state treasury fund.

The law says that every enterprise is unconditionally obliged to contribute this sum, for the employee to be able to receive the wage. This is the legal requirement, but it seems that in recent years many companies have gotten around such an obligation, by taking advantage of the lack of control mechanisms. It was recently discovered that some west Mostar companies (based in the Croatian part of the Federation) have never paid such contributions to the State fund. In fact, just at the moment of retirement5, some workers realised their papers were not in order, and that they therefore had been swindled,

Fortunately controls are stricter today, but many firms try to cut costs by paying contributions relating to the legal minimum wage. Such a strategy seems an acceptable solution in the short term, but in the long term it will generate new problems: with minimum deposits, the workers will end up having insufficient pension levels for their subsistence.

As for the private sector, it is difficult to supply reliable data; however, it is estimated that the small and medium enterprises (SME), usually declare only 50% of their personnel to the fund, while the remaining half of the employees

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work illegally. The disastrous economic situation forces people to accept a job without social protection, provided it gives them a regular economic return to the end of the month. This is essentially the reason for the precariousness of the local pension funds: they assure the lowest pensions (from the 150 to the 1,350 marks convertible to the month\(^6\), and the highest are up to the ex-military personnel and war invalids), encouraging the people to turn to foreign insurance agencies. Among these, the most successful in Bosnia and Herzegovina is the Austrian “Grawe”. Also, since the terms of insurance contracts are not often clear, the people are more ready to take a risk in the hope that a foreign company will not collapse as readily as the banks of the ex-Yugoslavia.

The workers with a fixed posts work with old rules, and therefore with obsolete working contracts, often without protection in the eventuality of layoffs. For a long time trade unions have agitated for reform, but little progress has been made. And, as has happened in other fields, the trade unions in the Federation are divided along ethnic lines. So the social reform remains on paper, waiting for someone to make the first step.

The Welfare Centres try to resolve the problems of the poor at least, but their funds are always insufficient. It must, moreover, be emphasized that the staff of the welfare centres themselves are much better off than those assisted. For example, the staff of the Mostar centres received their May pay packet in November. But this happens to the workers of many companies, enterprises and organizations, where delays in the wages payment go from 4 to 15 months.

2.2 Relationship between public administration and citizens: the main reforms implemented.

Without doubt, the greatest reform on the subject of P.A. – citizen relations in Bosnia and Herzegovina is the institution of the Civic Defender (Ombudsman, in the tradition of the northern European democracies). Such collective authority (three members appointed by parliament) is a guarantor of the

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\(^6\) Ufficio Italiano Cambi: al cambio la moneta della Bosnia e Erzegovina ha il seguente valore: 1 Euro = 1.95583 Marco Convertibile; 1 Marco Convertibile = 0.5113 Euro; 1 Dollaro = 1.6156 Marco Convertibile; 1 Marco Convertibile = 0.6190 Dollari. (Il valore del cambio è aggiornato al 26/05/2004)
efficiency and the correctness in administrative action, as well as respect for fundamental and rights freedoms.

The Ombudsman operates neutrally, making decisions in the form of recommendations intended to remove violations of the human rights guaranteed by international conventions. Moreover, it creates special relationships annually among the competent authorities (federal, cantonal, municipal and international).

According to the OECD report for 2002, it turns out that in 65% of cases, the authorities cooperate with the Ombudsman, accepting its recommendations. The percentage rise to 83% when regarding the violation of rights and fundamental freedoms7.

The federal Law on the freedom of access to information of July 2001 brought another important reform in the sphere of administration – citizen relations. Coming into force in 2002, this statute represents a milestone in the gradual democratization process of the state and in the development of the civil society. The citizen’s right to information is defined as the fundamental principle for the activities of the public authorities at all levels. The law stands on a clear crystallization of the double-named right/duty that citizens and P.A. are bound by. It aims to contribute to:

- Prevention of corruption in public bodies.
- Diminution of costs and the times of procedures.
- Promotion of citizens’ participation in decisional processes.
- Adaptation to operating standards in the modern European democracies.

However, in spite of the vigilance and the solicitations of the Ombudsman, the execution of the law proceeds very slowly, mainly because of internal resistance in the P.A. and the lack of awareness of the citizens: they ignore the opportunities conferred by the norm.

2.3 The reform of health system in the two Entities (FBiH and RS).

The health system reform in Bosnia and Herzegovina could be described as a mixed framework8, conditioned by the social, political and economic situation of the country. Overall, considering all the processes of change, the reform of

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health system is at a more advanced stage compared to other sectors (judicial, police, and privatization).

The reason is that the primary process of reconstruction of the system, damaged by the 1992-95 war (30% of the structures were destroyed), began in the health sector before other fields, before passing to a consequent reform of the system.

The overall picture of the reform delineates two distinct health systems, one for the Federation of Bosnia and Herzegovina (FBiH), and one for the Republic of Srpska (RS). From the system financing point of view, they decided to continue with the Bismarckian model⁹, to the detriment of the negotiate contracts¹⁰ model, with high incidence of costs.

The fundamental legislative stages for the Health System Reform in the FBiH are:

- *The Law on Health Care*¹¹: has introduced the model of the family doctor.
- *The Law on Health Insurance*¹²: has introduced the obligatory insurance system for basic health provision, on the model of the north-western democracies.
- *The Laws on Contributions*¹³: calls for the institution of the Health Fund.

In the Republic of Srpska, unlike the BiH Federation in which Parliament has not approved the Strategic Health Plan¹⁴, the strategies for implementation of the reforms will be staggered, with the 1997-2000 Reconstruction Plan¹⁵ and then

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⁹ Bismarck in 1883, instituted a health system based on public, obligatory assurance against disease.
¹⁴ In 1997-98, the WHO Regional Office for Europe supported the development of the plan: “Strategic Health System Plan of the Federation Of Bosnia and Herzegovina”. However it was not ratified by Parliament, above all because of resistance from some political parties interested in consolidating the status quo, which calls for independent allocation of the resources to the various ethnic groups.
¹⁵ Idem, “Strategic Plan for Health Care Reform and Reconstruction in Republika Srpska by 1997-2000”.

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from 2000 the Health system development Plan\textsuperscript{16}. Alongside this, the legislative stages of the health reforms in the RS have been:

- The Law on Health Care\textsuperscript{17}: aspires to the efficiency model in the management and the delivery of services, freedom of choice of family doctor by patients. It also introduced the appointments system.
- The Law on Health Insurance\textsuperscript{18}: was instituted in 1999, like the Law on the Health.

2.4 Outlook for development of the health system reform in BiH.
An analysis of the health sector indicates the clear necessity of further improvement of all the reform system. There are essentially three reasons:

- Persistence of elevated costs.
- Inefficiency and ineffectiveness of health structures: the military hospitals of Railovic (German, situated in the vicinities of Sarajevo) and Mostar (French) are the only medical-sanitary structures in a position to guarantee adequate treatment.
- Medical services and performance far from western standards: medical shortcomings compared with western standards remains one of the negative aspects of health care in Bosnia and Herzegovina, and it has negative effects on the quality of the life of the citizens.

The first reason is based on the fact that treatment in Bosnia and Herzegovina is very expensive, and is more and more the prerogative of the rich. The fortunate people who have steady employment and have regularly paid health fund dues, have little to worry about, even though insured persons must however contribute to expenses for a series of services. Also, an employee whose contributions are in order must pay a fixed minimum for every day of hospitalization, while he must to pay for the medicines entirely. For an insured person the surgery is supposed to be free, but the truth, unfortunately, is very different. Doctors are not disposed to operate without an "incentive"\textsuperscript{19}. Therefore, it has become common practice that in order to save one’s life, one must “put something in the doctor’s pocket”.

\textsuperscript{16} Idem, “Strategy for Health Care Development in Republika Srpska by the year 2000”.
\textsuperscript{17} Law on Health Care, 1999.
\textsuperscript{18} Law on Health Insurance, 1999.
Without health assurance, a day in hospital costs approximately ten times more. The higher prices relate to the treatment of cardiovascular diseases. The law awards free medical care for citizens suffering from cardiovascular diseases, diabetes, or malignant tumours: this is how it works on paper, while (also in this case) the reality is different. Since the pharmacies never receive the State funds, medicines are paid for irregularly. In conclusion it is enough to say that a medicine for a chronic disease may cost up to 20 marks. This price, in comparison with the pension payment of 150 marks, can give a picture of the living conditions of the majority of the population.

Among countries involved in recent conflicts (Bosnia represents a good point of reference), the health situation will be still characterized by the absence of credible statistical information. Because of this and reason and because of persistent population mobility, it is difficult to forecast the amplitude of the health system user base. Some refugees will re-enter progressively into the places from whence they fled, while others will continue emigration towards the countries of the EU; the population movements will involve Kosovo, Bosnia, Serbia, Montenegro, Albania and Macedonian. The situation will be become stabilized only in the longer term. However, it appears clear that the general trend is a progressive reduction in the health expense, for these reasons:

- the decrease of the GDP regarding the pre-war economic conditions;
- the conditions of FMI loans.

The dismantling of the social protection system implies serious problems for the inhabitants of the various countries. In the first place, it determines the exclusion of the most vulnerable sections of the population from health treatment; in the ex-Yugoslavia (with the single exception of Slovenia), many medicines may in fact be available in future only on the black market, so only those with adequate funds will have access to treatment.

All this represents an accentuating of the class stratification of the society that will be only attenuated towards 2005🎄.

Moreover, the health system will feel the effects of the very bad technological situation: it will reactivate maintenance that has been neglected for years, and there will be a need to overcome the inadequacies of the energy supply. In

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🎄 This date is often indicated as the crucial year for Bosnia and Herzegovina. However, in a context of progressive reduction of international aid, such forecasts appear excessively optimistic.
addition to these difficulties Bosnia will also have to add the repair of the war damages.

A further negative element is represented by the ethnic issue. In fact, the health System will remain segregated ethnically, both in the hospital structures and in the access to basic medicine.

The health system in Bosnia will also feel the need for important training requirements regarding:

- nursing staff;
- the development of collaborative ability among the base treatment structures.

In conclusion, the drafting of a Pluriennal Health Plan appears to be a fundamental priority, combining short and long term requirements, like:

a) **Increase in public expenditure in the health sector**, based on more efficient allocation of resources, the struggle against corruption, and on increased incidence of the public investments, about:
   - Doctor-sanitary structures, able to supply adequate attendance.
   - Medical and nursing staff training.
   - Total improvement of the technological state.

b) **Fight against ethnic segregation**: the administrative management has to become free from whichever kinds of internal political interference, still polarised on ultranationalist positions.

c) **Aspiration towards Equity**, beyond Effectiveness and Efficiency: it has to really guarantee universal access to the basic services.

d) **Progressive coordination of the health systems of the two Entities**, and slow, but progressive uniformity.

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