

## Social protection expenditures

BiH spends around 16% of GDP on social protection (budgetary and extra-budgetary funds), which can be compared to the EU average of 19%. Total budgetary spending on social programs in BiH in 2004 has been estimated at around KM 669 million, which is equivalent to around 5% of GDP.

Streamlining government functions is a very important element within the overall reforms that need to be implemented in the country. In turn, the reforms necessary within the social sector are themselves broad and wide-reaching. They include, *inter alia*, the need to find solutions that will ensure greater harmonisation of entitlements at the State level. If, however, functions in this area are transferred to the State level, then the necessary funds will need to be allocated in the budget. This means that consideration of the consequences for social programs of new decisions on the budgets of governmental institutions for should be implemented in a timely fashion.

Among the main problems facing the social protection system is the lack of effective financing combined with the imbalance between expenditures for veterans and disabled war veterans on the one hand, and all other beneficiaries of social welfare on the other. This problem is the result of a broad spectrum of entitlements granted to veterans and the absence of effective mechanisms to precisely identify those individuals within this group who really need help. In 2004, 66% of total welfare spending was for disable war veterans (DWV). This is presented in the following table and figure.

**Table 1**      **Total annual spending on social programs in 2004 (KM millions)**

	FBiH	RS	BiH	Share of BiH Total (%)
Child welfare	34.8	21.0	55.8	8.3%
Disabled war veterans (DWV)	326.0	117.0	443.0	66.2%
Socially vulnerable population	88.9	18.7	107.6	16.1%
Unemployment benefits	15.2	6.5	21.7	3.2%
Health insurance for the unemployed	15.3	15.4	30.7	4.6%
Total of above	480.2	178.6	658.8	98.5%
Benefits for refugees and displaced persons (BiH Return Fund)			10.1	1.5%
<b>TOTAL</b>	<b>480.2</b>	<b>178.6</b>	<b>668.9</b>	<b>100.0%</b>

Source: EPPU, Suggested measures for to alleviate consequences of increased prices of basic foodstuffs as a result of VAT, Sarajevo, July 2005. pp. 13-14.

This high participation of welfare spending for disabled war veterans has its objective, and specific reasons, and it is not comparable to EU countries. BiH came out of the 1992-1995 war with huge human losses but with huge number of war military invalids and families of dead soldiers, also. The underlying problem is, however, that although there are objective reasons for providing social protection for disabled war veterans, the huge spending on this group reflects very low criteria for achieving the rights to such benefits.

Table 2 shows the development of funds allocated (including both budgetary and extra-budgetary funds) for social welfare, together with those envisaged in the 2006-2008 Mid-term Expenditure Framework. Although the envisaged increase of funds accompanied by a

decrease relative to forecast GDP is a positive development it does not, in itself, represent a reform of the social welfare system. Greater stimulus for reform should come, however, from the process of EU Association that brings with it a focus on the active role of social welfare in promoting social inclusion. In this context, the envisaged BiH Social Inclusion Strategy should be an important step in the right direction.

**Table 2      Total annual allocations for social programs in BiH for the period 2003-2008 (KM millions)**

		2003	2004	2005	2006	2007	2008
FBiH	Amount	1265.4	1388.0	1497.1	1519.6	1565.1	1682.5
	% GDP	15.2%	16.1%	16.3%	15.4%	14.8%	14.8%
RS	Amount	492.8	594.0	630.7	678.9	709.5	742.8
	% GDP	13.3%	15.1%	15.0%	15.0%	14.7%	14.3%
BiH TOTAL	Amount	1758.2	1982.0	2127.8	2198.5	2274.6	2425.3
	% GDP	14.6%	15.8%	15.9%	15.3%	14.7%	14.6%

Source: EPPU-PIMU, MTDS BiH (2004-2007) (PRSP), Revised document, February 2006, pp- 70-78. Estimations are given for 2006, 2007 and 2008.