

Contributory & Non-contributory Social Protection Schemes in BH

Social Welfare, Veterans' Benefits, Pensions, Health

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General overview

- Government spending on social protection compares well with countries in the region.
- Substantial pressures for greater spending exist and are set to multiply.
- Change in both contributory and non-contributory systems is inevitable: it can either happen by default or in a managed fashion.

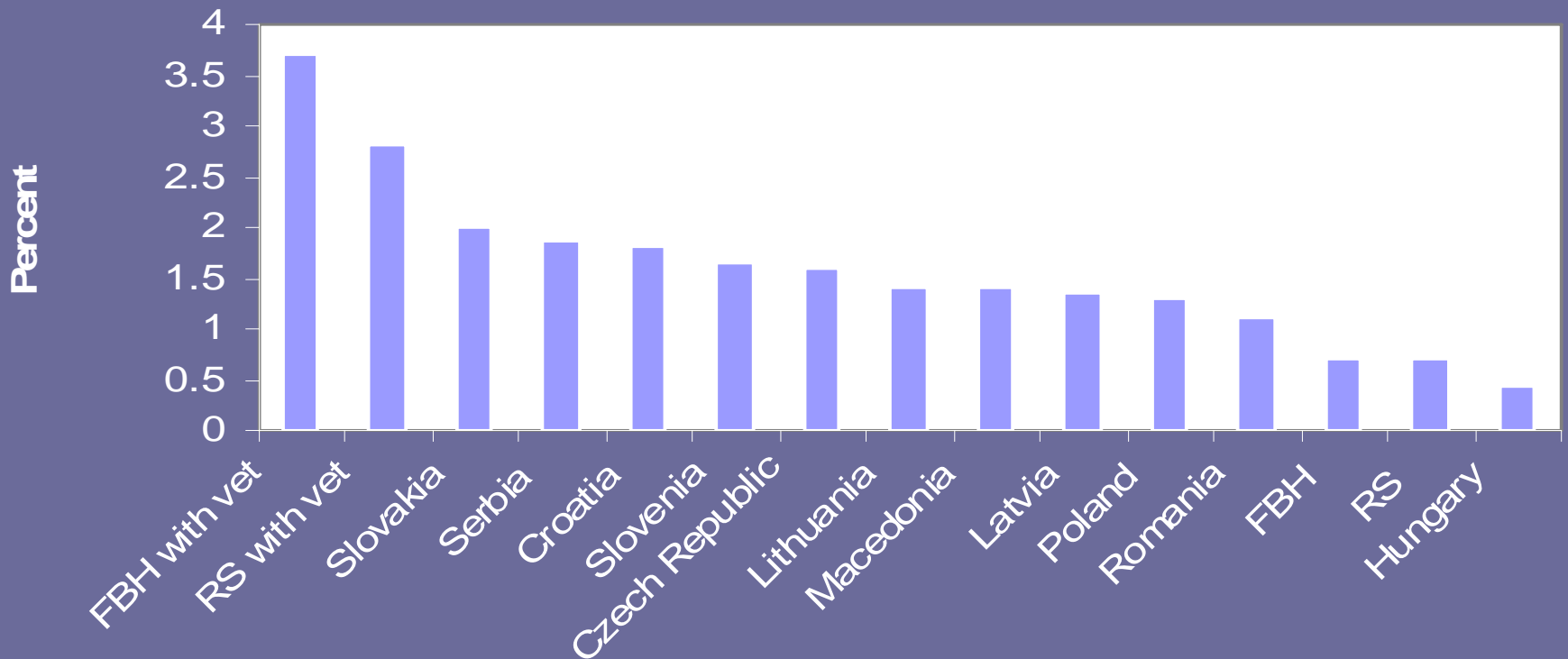
Social protection

- **Characteristics:**
 - **Overall expenditure on non-contributory social protection programs is high by regional standards**
 - **However, high spending driven by expenditure on veterans' programs**
 - **The overall social protection cash transfer system is not sufficiently targeted to the poor:**
 - *- veterans' benefit system continues to provide very generous benefits that are frequently not targeted to need; while*
 - *- financing of other forms of social protection is inadequate and uneven.*
 - **For example, although adequately funded and evenly provided in RS, child protection benefits are almost exclusively limited to Sarajevo Canton in FBH.**

Evidence

General revenue-financed social protection cash transfers in BH (as a share of GDP) are outstanding in a regional comparison. However the high overall expenditure level is driven by veterans' benefits, not by social welfare and child protection

Social welfare and child protection spending, share of GDP



What we have & what we need

**The current
social
welfare and
child
protection
system**

Uneven
financing

Uneven
coverage

Poor targeting

Double
dipping
between
benefit
systems

**Fewer, better
defined
benefits**

**More efficient
benefit
administration**

**Better
targeting
mechanisms**

**Social
Safety Net
Reform
Needs**

The way forward: introduce essential building blocks of a focused and effective social safety net...

Utilize cash rationing coefficient and tighten eligibility criteria for veterans benefits, so as to free up resources to reorient expenditure from veteran to poverty-focused social programs.

Raise capacity in the Centers for Social Work for benefit administration and targeting

Medium Term: Explore whether to merge social assistance and child protection on the one hand and the various disability schemes on the other.

Short-Term: Introduce legislation for Entity-financed SWCP benefits and fine-tune their eligibility criteria so as to avoid double dipping opportunities. Improve beneficiary tracking.

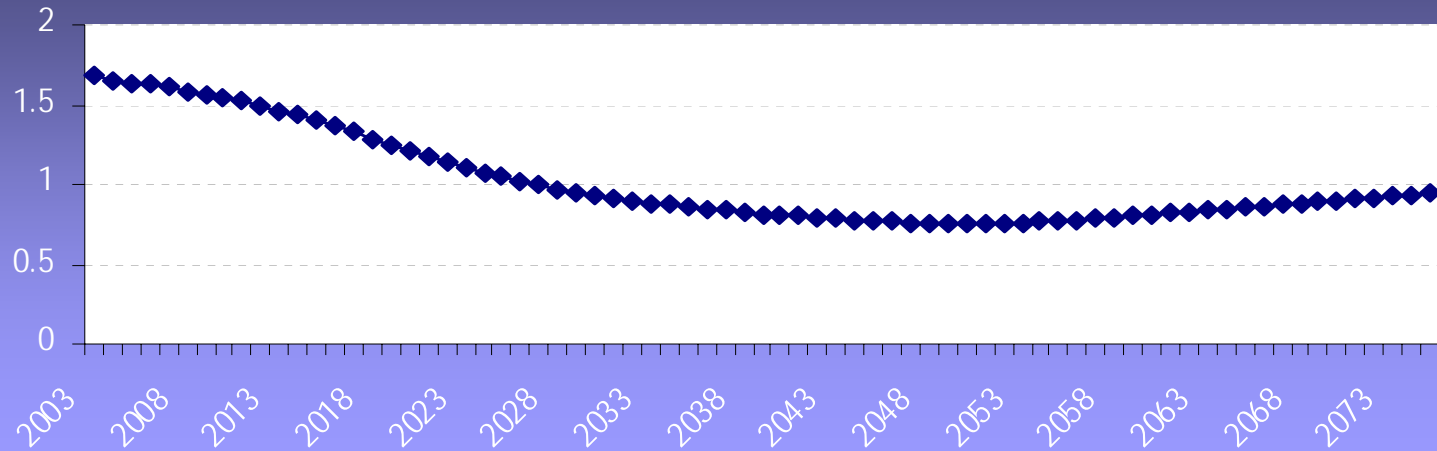
... to focus expenditure on the neediest, while bringing down the overall high share of social protection outlays as a share of GDP and total expenditure.

Pensions: Overview

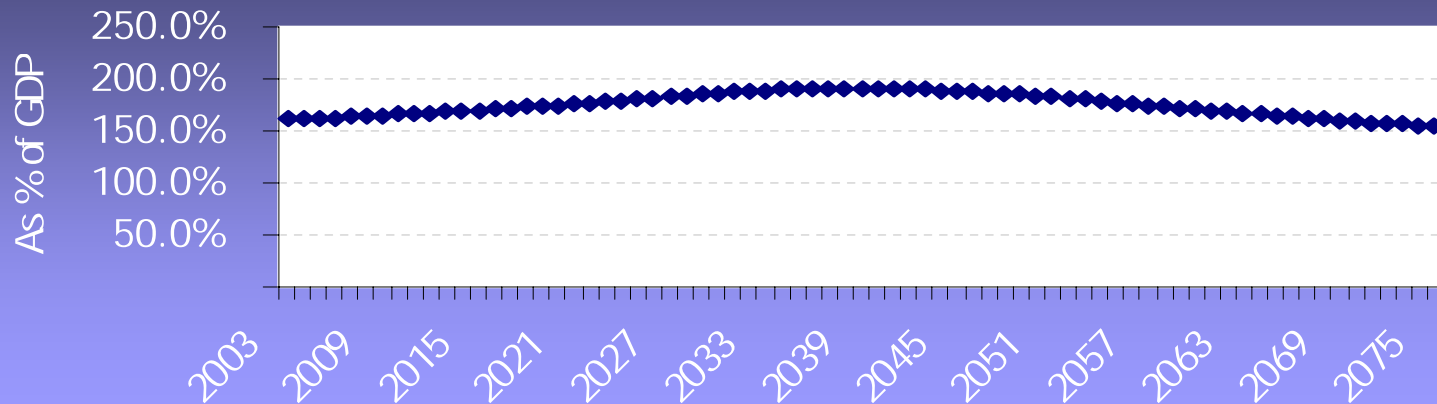
- Bosnia is relatively young demographically but its social security system is already old.
- Reduced coverage and poor compliance make high contribution rates necessary which, in turn, weaken the incentives to participate: a unit of (uncertain) pension promise is becoming more and more expensive.
- The coefficient rule is not a long-term solution for the fiscal consequences of noncompliance and low coverage.
- The future holds even bigger problems: what should happen to people who have very short or no contribution histories at all?

Evidence: WB projections

Number of Contributors per Pensioner (2003-2075)



Implicit Pension Debt 2003-2075



Reform measures

Policy adjustments:

- The issues regarding old contribution histories need to be settled.
- Introduce a limit to the recognition of pension contribution gaps since 1992.
- Change relationship between the pension funds and the insured: it is the individuals rather than the companies that are the PIO clients. Therefore, the PIOs need to communicate better with the people regarding their contribution records.

Parametric adjustments:

- Change the pension formula to reward and encourage longer contribution histories.
- Restrict retirement options for people younger than 65.
- Limit pension indexation to consumer price index.

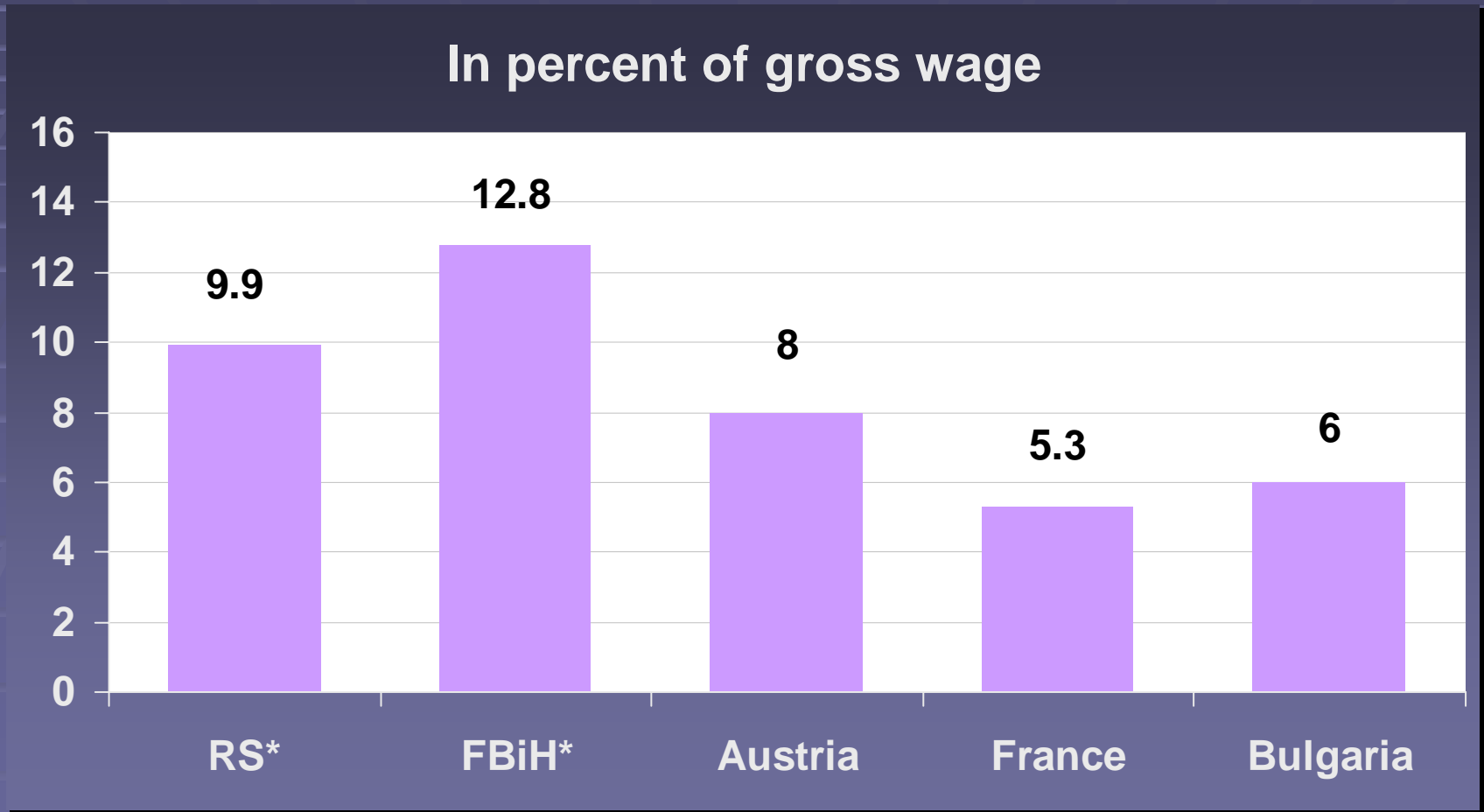
Administrative adjustments:

- Initiate audit of disability pensioners younger than 60
- Improve collection efficiency by introducing monthly contribution statements & improving cross checks with other relevant agencies.

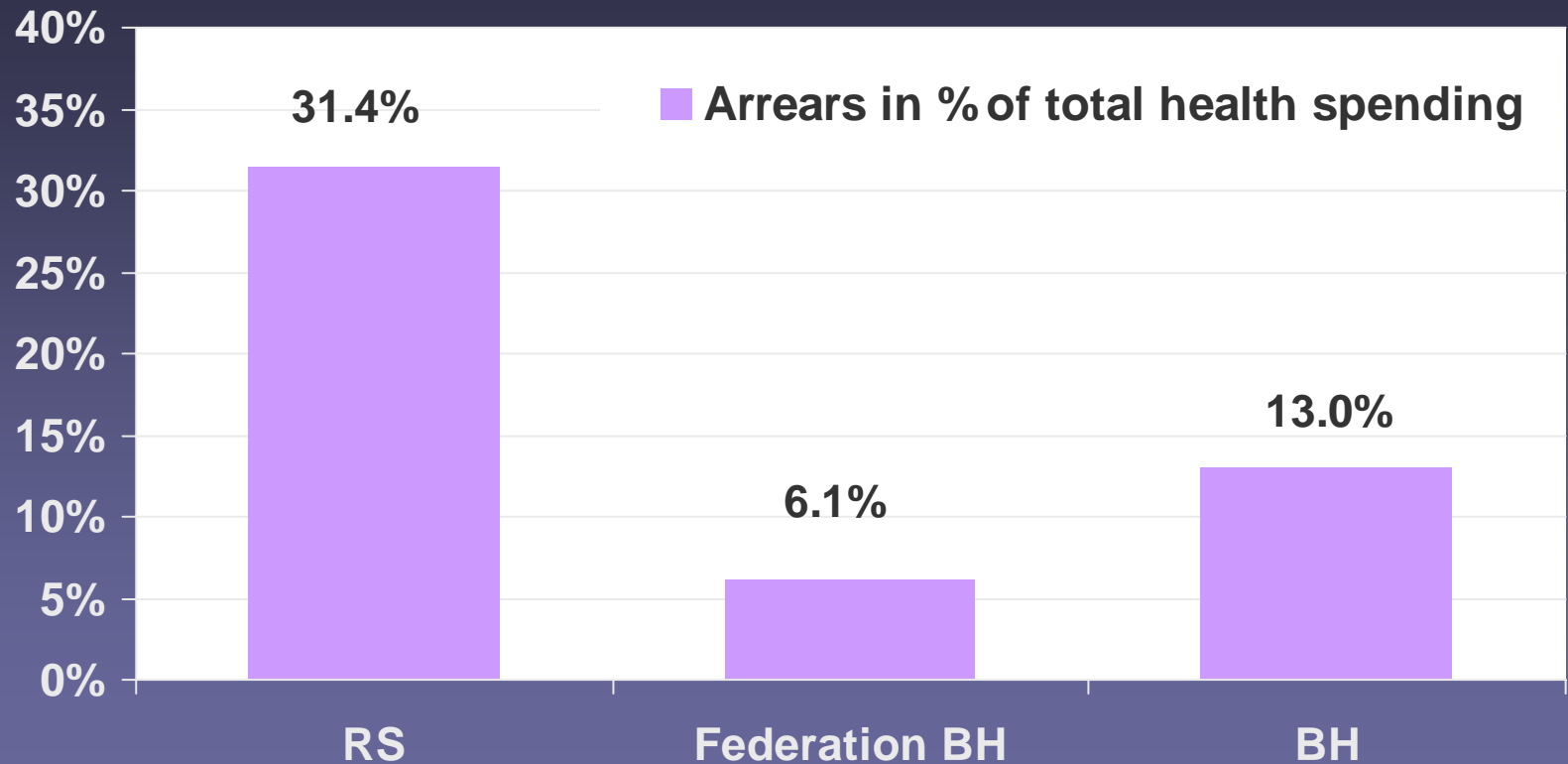
Health

- **Goal:** Improve efficiency and equity in access and ensure financial viability in health sector
 - Reform health insurance
 - Rationalize hospital care by merging hospitals and wards, and adjusting number of beds
 - Increase productivity of health workforce
 - Centralize and improve efficiency in drug procurement
 - Strengthen Governance and Stewardship to implement reforms

HIF contribution rates are relatively high, leading to evasion of contribution payments



The health sector is heavily indebted



Low staff productivity indicates doctors work in private practice while on public payroll

Number of :	RS	FBH	BH	Bench- mark
PHC visits per Dr per day	18.6	19.9	19.3	33 (USA)
Discharges / Dr / week in hospitals	1.9	1.6	1.7	
Non-medical staff per 100 occupied beds	64	69	67	39 (S&M)

What do we get for the health money?

Bosnians receive less health outcome

Indicators	BH	Croatia	Bulgaria	Romania	Estonia	Latvia
Maternal deaths	31	10	5.8	31	7.7	14
Infant mortality	14	6	14	19	9	12
Immunization, measles (%)	89	95	92	98	95	98