



ETF COUNTRY ANALYSIS 2006
**BOSNIA AND
HERZEGOVINA**

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ETF COUNTRY ANALYSIS FOR IPA PROGRAMMING IN THE FIELD OF HUMAN RESOURCES DEVELOPMENT 2006

Summary

As a result of the breakdown of Yugoslavia, the war and economic reforms, the old economic structure and patterns of employment in Bosnia and Herzegovina have been challenged to their foundations. Positive progress has been made by Bosnia and Herzegovina in macroeconomic stabilisation and structural reforms, but the labour market is still challenged by a low rate of job creation, the need to attract more people into the formal labour market and to improve the quality of the supply side. There is clear recognition of the importance of employment in the wider economic and development strategy, but there is no overarching employment strategy or policy at state or entity level with clear aims and objectives to help steer the priorities of the labour market institutions. Facilitating human capital formation requires:

- (i) improving the institutional setting,
- (ii) increasing the adaptability of enterprises, (iii) attracting more people to enter and remain in the labour market (making work a real option for all),
- (iv) investing more and more effectively in human capital, (v) developing state-level institutions to enforce approved legislation and strategy for educational reform and
- (vi) Developing inclusive strategies in education and employment services.



The EU and other donors have been investing in VET reform and other HRD-related fields for more than 10 years, with significant coordination efforts and comprehensive and well-planned and executed projects, with a key focus on creating ownership, trust and reliability on technical solutions to existing problems on the learning supply side. The bottom-up approach in the coming years should culminate with changes at system level, improvement of decision-making mechanisms and further integration into the European education and training space.

For the next period 2007-2013 the main challenges are: (i) to improve the governance of the human resources development system by strengthening the state-level institutions in charge of developing strategy policy and framework legislation, quality assurance and equal access to quality education, training and employment for any citizen of Bosnia and Herzegovina, (ii) to integrate HRD strategies and policies with economic strategies aimed at promoting growth and competitiveness, both at educational and at employment levels and in a lifelong learning perspective, and (iii) to consolidate the results gained in the different VET reform projects and other HRD-related projects (employment, SMEs, regional development), to extend them from pilot projects to the system level, and to continue reform efforts in line with main European developments, and notably the Education and Training 2010 objectives and tools.

IPA could contribute to these challenges by: (a) decisive support to state-level institutions in the field of education and training and employment through policy advice, capacity building and direct budget support to the education and employment agencies, (b) a sector-wide approach programme supporting a sustained strategy for growth and competitiveness that integrates human resources development within a socio-economic development strategy and (c) mechanisms facilitating full participation in the European education and research area.

Analysis of human resources and labour market development in Bosnia and Herzegovina

According to the 1991 census, Bosnia and Herzegovina had 4.4 million inhabitants, of which 43.7% were Bosniaks, 31% were Serbs, 17.3% were Croats and 7.6% were other nationalities. The population is similarly split along religious lines: Bosniaks are Muslim, Serbs are Orthodox Christian, and Croats are Roman Catholic. In the constitution (CBH) these three peoples are called "Constituent Peoples". Beside them small numbers of national minorities live in the country, the largest of which are the Roma, along with Albanians, Montenegrins, Czechs, Italians, Jews, and Hungarians. They fall under the constitutional category of "Others". There has been no census since the war, and therefore there are no official statistics on the current ethnic make-up of the country. However, best estimates place the population at about four million people. While entire communities suffered from the consequences of violent conflict, women were especially vulnerable¹.

By the end of January 2006, 1 012 006 former refugees and internally displaced people had been recorded as having returned to their pre-war homes and municipalities, out of an estimated 2.2 million people forcibly displaced during the war. Recorded returns significantly include some 454 336 so-called minority returns, as opposed to the 557 670 so-called majority returns who returned to municipalities where their own constituent people are in a numeric majority. Of the total, 442 137 were refugees who had fled Bosnia and Herzegovina, and 569,869 had been forcibly displaced inside the country².

According to the 2005 Human Development Index, Bosnia and Herzegovina is ranked 68th, with a small negative annual population growth rate (-0.1%), 17.4% of the population are under the age of 15 and 10.3% are 65 and above. The total fertility rate is 1.3 births per woman.

Bosnia and Herzegovina has many natural resources (timber, ore deposits and hydro-electric industrial potential) and until 1992 it also had a developed industrial sector with an average annual growth of 1.5%. The national product per capita in 1991 was around USD \$2,500, which meant that Bosnia and Herzegovina was considered a "medium developed" country. HDI estimates for 2003 are USD \$1 684 and 5 967 PPP USD GDP per capita. Most of the population lives in rural areas (the urbanisation level is 45.5%).

The EBRD assesses the progress made by the country in macroeconomic stabilisation and structural reforms positively. The macroeconomic environment remains stable, with annual growth of around 4-5%, inflation in low single-digits, and a strong reserve coverage underpinning the currency board. Fiscal discipline has improved, following the move in both entities towards balanced budgets. In the area of structural reforms, progress in a number of areas in the last couple of years is visible, notably in an improved business environment, important regulatory reform in key infrastructure sectors, and substantial advances in the development of a sound banking sector. Small-scale privatisation is almost complete in both entities, but large-scale enterprise privatisation is still lagging behind. The main challenges are to:

- implement further moves towards the strengthening of state institutions and the creation of a single economic space. These measures include the introduction of state-level VAT, and state-level planning, operation and regulation of all infrastructure sectors;
- reduce the size of the public sector and eliminate unnecessary red tape and bureaucracy; accelerate the pace of privatisation and restructuring of enterprises, eliminate obstacles to

¹ Many of them suffered the brutality of rape, sexual exploitation and abuse, both during and after conflict. In recent years mass rape during the war has been documented in Bosnia and Herzegovina. Many of these women continue to suffer from serious long-term physical and mental health problems, and some of them face rejection by their families and communities. (Human Development Report, 2005)

² See UNHCR representation to BiH at <http://www.unhcr.ba/index.htm>

business, in order to enhance the flow of private capital, and rely less on donors and remittances³; and

- press forward with structural and institutional reforms in key infrastructure sectors such as transport, power, telecommunications, and the municipal infrastructure.

The State of Bosnia and Herzegovina is divided into two entities and the Brcko District⁴: the Republika Srpska (RS), which covers 49% of the territory of the State and forms a semi-circular shape around the north and east, and the Federation, which forms 51% of the territory of the State. Each Entity has its own political structure and administration, with an overarching central government. The central government consists of a Parliamentary Assembly, which is divided into a House of Representatives and a House of Peoples, a rotating tripartite presidency (with one member from each of the constituent peoples – Bosniak, Croat and Serb), and a Council of Ministers with nine ministries.

The political structure of the Federation is divided into three levels:

- the Entity level, with a two-house parliament (house of representatives and house of peoples), a president, two vice-presidents, and a government under a prime minister;
- the Cantonal level, with each of the ten cantons having its own assembly with the power to adopt cantonal laws and cantonal government;
- the Municipal level, with each municipality having its own municipal council and administrative structures.

By contrast, the Republika Srpska (RS) has no cantons, only municipalities. At this level there is a national assembly, a council of peoples, a president, two vice presidents, and a government under a prime minister. The municipalities all have their own assemblies and administrative structures. There are three constitutional courts, one at the state-level and one in each entity.

The division into entities and cantons has led to differing legislation, differing languages of instruction, differing curricula and textbooks, differing modes of administration and differing standards. As a consequence of having 13 ministers of education and labour, fragmentation both from regulatory and implementation of policies threatens the consolidation of the country as a single state and market. The political tensions have caused very slow progress in legislation and every step forward needs to be negotiated among the different political layers, with a very complicated and slow policy-making process.

As a result of the breakdown of Yugoslavia, the war and economic reforms, the old economic structure and patterns of employment in Bosnia and Herzegovina have been challenged to their foundations. Since the Dayton agreement in 1995, the main focus of policy in Bosnia and Herzegovina has been on maintaining peace, a stable political environment and initiating a process of state building. In this light, restructuring the economy and efficient governance have been secondary. The established governance system with several different institutions at different levels responsible for policy making has therefore remained intact although it is not conducive to effective economic reforms. Despite an increasing macro-economic stability, the structural problems of the economy remain large and serious.

Bosnia and Herzegovina is an extreme case of protracted aid dependence and limited progress towards economic recovery, according to the Human Development Report 2005. In the two years after the 1995 Dayton Accord, aid per capita reached \$245, and today it is \$138, still among the highest in the world. The huge surge in aid has generated growth, but private sector investment has not taken off. This matters not just because of the high levels of unemployment, but also because of the critical role of the private sector in taking over functions financed by aid. In Bosnia and Herzegovina the poor business

³ Remittances to Bosnia and Herzegovina in 2001 represented 18% of its GDP and an important source of financing, covering 25% of the trade deficit in 2003 (<http://www.migrationinformation.org/feature/display.cfm?ID=137> and http://europa.eu.int/comm/enlargement/bosnia_herzegovina/economical_profile.htm)

⁴ Worth a special mention is the Brcko District, whose status was not resolved by the Dayton Peace Accords, but was only finally decided in 1999, when it was established as a district, under the exclusive sovereignty of the State of Bosnia and Herzegovina, with a single, multi-ethnic, democratic government.

environment is reflected in a range of indicators which demonstrate a combination of low trust, weak institutions, flawed policies and fears of future insecurity⁵.

Using the data of the Household Survey Panel Series (HSPS) (2001-2004) conducted by the Statistical Offices the main labour market trends are:

- i. recent increases in both activity (from 48.4% in 2001 to 57% in 2004) and employment (from 40.6% in 2001 to 44.3% in 2004) rates but they remain much lower than in the EU; the RS has had higher activity and employment rates than the Federation but the gap between the two entities is rapidly decreasing;
- ii. both registered and ILO unemployment rates have been increasing and are extremely high (40% and 22.1%) even for transition economies. Large differences exist in employment rates of groups with different educational attainment levels which means that skills are important in the competition for jobs at least in the formal labour market.

One of the major challenges for the labour market is the **low job creation** in the formal economy due to the slow pace of the privatisation process and the overall restructuring of the economy. So far the informal economy and the agricultural sector (and perhaps the service sector in the RS) have absorbed laid-off workers and labour market entrants⁶. They have also provided income generation opportunities to people who have an employment contract in enterprises under privatisation but do not actually work or get paid. The share of informal sector in employment is high (39.5% of total employment in 2004) and more so in the RS than in the Federation (44.4% vs. 35.4%). In the Federation, both the number of formal and informal jobs have been increasing between 2001 and 2004 while in the RS, the number of formal jobs has been decreasing. Overall, a large part of the growth of employment is due to a growth in informal employment.

Table 1: Labour market and employment performance indicators / benchmarks in 2004-05.

	BiH ⁷ 2004	NMS ⁸ 2005	EU-25 2005	EU benchmark	
Employment rate (population aged 15–64)	44.3	55.9	64.3	70	Goal 2010 (Lisbon)
Employment rate (population aged 55-64)	31.4	30.5	40.1	50	Goal 2010 (Stockholm)
Employment rate (women)	31.7	50.2	55.6	60	Goal 2010 (Lisbon)
Unemployment rate (population 15+)	22.1	14.8	7.7	3.0	Average 3 best countries (LU, AT, NL)
Unemployment rate (women)	24.1	15.6	8.7	3.8	Average 3 best countries (LU, NL, IRL)
Long-term unemployment (% of labour force)	(9)	8.1	3.0	0.8	Average 3 best countries (LU, NL, AT/DK)
Youth unemployment rate (population aged 15 – 24)	42.4	31.9	15.1	5.6	Average 3 best countries (AT, NL, IRL)

⁵ According the World Bank's Doing Business indicators, the business environment in Bosnia and Herzegovina is particularly weak in: starting a business, dealing with licenses, registering property and trading across borders. See: <http://www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=26>

⁶ WB Informal economy estimate (% GNP) is 34.1

⁷ ETF (2006) Labour Market Review BiH own calculations from Household Survey Panel Series (HSPS) data.

⁸ European Commission, *Employment in Europe, 2005*; ACC: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovak Republic.

⁹ According to statistics from the PES, long-term unemployment is very high. However, as registration as unemployed often is combined with work in the informal sector, movements between unemployment and informal employment are poorly captured by this statistic.

A second challenge is to **attract more people into the formal labour market** and in particular women and young people: the employment rate for women (31.7%) is much lower than men (57%), the gap being particularly large in the Federation (30 percentage points); while the employment rate of young people 15-24 years old (22.4%) remains much lower than the EU average but at least it has been increasing during recent years. It is also to address the issue of weak attachment to the formal labour market of large part of the labour force. According to the data of the HSPS only 19.3% of the population had a formal job for all four years between 2001 and 2004. The rest of the labour force is moving between informal employment, formal employment, unemployment and inactivity. The mobility of the labour force is higher than in many transition countries but this is not an indication of a well functioning labour market, instead it is the outcome of the scale and pervasiveness of the informal economy mainly characterised by repeated irregular jobs.

Table 2: Labour mobility between 2001, 2002 and 2004 in Bosnia and Herzegovina

		Activity in 2002				Activity in 2004			
BOSNIA AND HERZEGOVINA		<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>	<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>
Activity 2001	<i>Formally employed (FE)</i>	84.9	4.7	3.3	7.1	76	7.6	6	10.3
	<i>Informally Employed (IE)</i>	13.9	51.6	13.4	21.1	18.7	48.8	12.2	20.3
	<i>Unemployed (U)</i>	12.3	25.3	32.4	29.9	19.9	25.3	24.4	30.4
	<i>Non-participation (N)</i>	4.6	10.2	12.9	72.3	8.4	13.2	14.3	64.2
		Activity in 2002				Activity in 2004			
FEDERATION OF BIH		<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>	<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>
Activity in 2001	<i>Formally employed (FE)</i>	87.6	2.9	3.1	6.4	81.6	5.1	3.7	9.7
	<i>Informally Employed (IE)</i>	16.4	39.5	14.6	29.5	20.3	45.2	11	23.5
	<i>Unemployed (U)</i>	11.6	20.8	33.2	34.4	19.5	26.1	24.5	29.9
	<i>Non-participation (N)</i>	4.6	7.1	12	76.4	8.7	13.5	13.1	64.8
		Activity in 2002				Activity in 2004			
REPUBLIKA SRPSKA		<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>	<i>FE</i>	<i>IE</i>	<i>U</i>	<i>N</i>
Activity in 2001	<i>Formally employed (FE)</i>	82.1	6.6	3.5	7.8	70.3	10.3	8.5	10.9
	<i>Informally Employed (IE)</i>	12.2	59.4	12.7	15.7	17.7	51.2	12.9	18.2
	<i>Unemployed (U)</i>	13.2	31	31.5	24.4	20.3	24.4	24.4	31
	<i>Non-participation (N)</i>	4.6	14.7	14.2	66.4	8	12.8	16	63.2

Source: Own calculations from Household Survey Panel Series (HSPS).

Note: The numbers in the boxes display the labour market activity in 2002 and 2004, respectively, by labour market activity in 2001, for the working-age population 15-64.

A third challenge is to improve the **quality of the supply side**. The educational attainment levels of the population 25-65 years old are lagging behind those of the EU with a higher percentage of people with low levels of education and a lower percentage of people with higher education. Women are particularly disadvantaged. Also it is likely there has been a depletion of the skills of the population over recent years due to lack of employment and development opportunities and the low level economic activity of the country. Participation in education and training of young people has been increasing during the last years but deficiencies in the quality of the education provision raises questions about the preparedness of young people for the labour market. Although widespread skill gaps are not yet present there are particular shortages and a general concern about basics skills partly concealed by the low levels of

demand in the formal economy¹⁰. If left unaddressed the weakness in the supply side will be a serious impediment for the economic restructuring and development of the country. This refers both to initial and to continuing vocational training (CVET). In CVET some good practice has been developed under pilot projects but this needs to be taken up to the system level. Upgrading the skills of the population represents a serious precondition for a sustained economic growth, particularly when recovery from previous existing levels of GDP will be reached and more exposure to global markets will require increased competitiveness of the economy.

Table 3: Educational attainment rate of population aged 25-65, 2002

	Low	Medium	High
BiH Total	41.8	47.4	10.8
Men	30.6	56.8	12.6
Women	53	38	9
EU-15	35	43	22
New Member States	19	66	15

Source: LSMS, own calculations, Eurostat

Low: accomplished primary education or less (ISCED levels 0-2)

Medium: accomplished secondary or post-secondary non tertiary education (ISCED levels 3 or 4)

High: accomplished tertiary education (ISCED levels 5 or 6)

Positive progress has been made in macroeconomic stabilisation and structural reforms, but the labour market is still challenged by low job creation, the need to attract more people into the formal labour market and the need to improve the quality of the supply side.

Analysis of relevant policies and identification of challenges in relation with the main priorities of the employment guidelines

There is clear recognition of the importance of employment in the wider economic and development strategy. Employment is recognised in a number of important different contexts – SME development, education reforms and poverty strategy. The Poverty Reduction Strategy Paper (2002-2004; 2004-2007), signed by the Council of Ministers, and clearly alludes to the importance of labour market reform in the fight against poverty. However, in practice labour market issues are not being successfully addressed neither have relevant employment policies been developed and translated into operational plans. While there are a number of themes (more jobs and reducing the grey economy) there is no overarching employment strategy or policy at state or entity level with clear aims and objectives that help direct the priorities of the labour market institutions. Due to the existing fragmentation at different levels (political, institutional, social and even at market level) this policy should be integrated at sector-wide level, including different types of education and training, labour market, SME promotion and regional development.

The underpinning rationale of the Integrated Guidelines for Growth and Jobs applies particularly to the situation in Bosnia and Herzegovina, after making the necessary adaptation to its particular circumstances. The Integrated Guidelines aim at doing more to mobilise all the resources at national and (international) community levels so that their synergies can be put to more effective use. Furthermore, they also promote the involvement of relevant stakeholders as a means of helping to raise awareness of the need for structural reforms, improve the quality of implementation, and increase the sense of ownership of the Lisbon strategy. Bosnia and Herzegovina should take every opportunity to involve regional and local governments, social partners and civil society in the implementation of the integrated guidelines. In order to make this refocusing process effective, it becomes necessary to

¹⁰ Concerning skill mismatches, evidence from the first survey on labour market skill needs undertaken by the EU funded CARDS VET reform programme in 2002 demonstrates that, technical skill gaps are not pronounced. On the other hand, employers underline the serious lack of soft skills like teamwork and positive attitude to work. Similar results were reported by the labour market survey of the Employment Service in RS and FBiH in 2004 namely that 31.5% of the enterprises interviewed required work-place skills and only 10% specific skills and knowledge. These findings are quite common in countries at the beginning of the economic transition process. Findings from other countries in the region are similar.

strengthen the consistency and complementarity of the existing mechanisms by launching a new cycle of governance.

Areas for future work to address the challenges identified in the ETF Labour Market Review (2005) include:

Improving the institutional setting

In order to achieve policy coherence, reduce operational costs and overcome the notion of separateness and fragmentation of the labour market, the institutional arrangements need to be reviewed as early as feasible in the context of broader governance considerations. This is particularly true for the Federation where the authorities could have a stronger role in the development and implementation of labour market policy across the cantons.

Increasing adaptability of enterprises

- Remove, in practical terms, barriers to SME establishment and growth. This requires simplification of the institutional complexities and strategic actions. However, in the short term early improvements are also possible as demonstrated by examples of good practice in a number of municipalities in both RS and the Federation.
- Develop and implement policies to reduce the level of non wage costs on individual companies (principally by increasing the tax/contribution base) and limit the scope of the formal wage determination system.
- Facilitate the economic restructuring of ex-big state enterprises. In particular the policy of protecting (unproductive) jobs for three years after the purchase of an enterprise needs to be reviewed.
- Address remaining deficiencies in the labour laws of the entities, namely (i) the over generous duration and level of maternity pay (which is anyway widely disregarded) and (ii) article 143 on waiting lists (which is not applied in practice because the costs involved are simply unaffordable). Although they are not central to the functioning of the labour market they affect attitudes to compliance with labour law and participation in the informal economy.

Attracting more people to enter and remain in the labour market making work a real option for all

- Urgently develop a coherent strategy for leveraging jobs out of the informal and into the formal economy with a clear implementation strategy including leadership arrangements. The most important elements of the strategy are the reform and strengthening of the labour inspectorate, the reduction of non wage labour costs and the effectiveness of the public employment service(s).
- Rebalance active labour market programmes with less emphasis on grants and loans to employers and more on basic employability training for unemployed people.
- Improve the functioning of the employment services by:
 - Clearly identifying their purpose and priorities;
 - Reducing/eliminating work loads generated by registration of people seeking basic health insurance; an alternative arrangement needs to be found;
 - Improving the cost efficiency of the Employment Services in the Federation by re-examining the institutional arrangements;
 - Reviewing operational procedures and processes;
 - Ensuring a better deployment of resources with a rebalance between “back room” and “front line” staff and a better management of workflow;
 - Improving the services to the unemployed through higher quality of information, counselling and guidance;

- Improving relations with employers;
- Modernising IT systems.

Investing more and more effectively in human capital

- Continue education and training reform initiatives aiming at the creation of a joint education and training space. These among others include: faster progress in the approval of the state framework law on VET and the effective functioning of the state agencies for (i) standards and assessment and (ii) curriculum development.
- Continue efforts for better cooperation among education and training and the labour market at local level.
- Disseminate and implement good practice on enhancing quality of the education provision from donor projects to a large number of schools.
- Address the issue of permanent upgrading of the skills of the population through short-term measures (e.g. promoting the participation of adults to training in the frame of active labour market measures) and the development of strategic approaches to adult learning (e.g. through the work on the development of a Lifelong Learning Strategy initiated by OSCE).

As far as **education and training** are concerned, during the last ten years, the process of reforms has been largely focused on the reform of existing legislation in all fields and on all levels. In this context, the parliament approved the Framework Law on Primary and Secondary Education (FLPSE) in Bosnia and Herzegovina, which came into force on 1 July 2003, and which is implemented in both entities and in the Brcko District.

A key document for modernisation is the Education Reform Agenda “A message to the people of Bosnia and Herzegovina” which was agreed upon between the authorities (the education ministries and the Ministry for Human Rights and Refugees) and the international community on 21 November 2002. The agenda is a comprehensive document, developed by local stakeholders with the support of the Education Issue Set Steering Group (EISSG), listing goals for education reform and focusing on actions needed to realise these goals¹¹. Complementary to this document is the World Bank sectoral study on education under the Poverty Reduction Strategy Paper, which defines “VET as a key link in the chain of development strategy and poverty reduction in Bosnia and Herzegovina, while taking into account European and international trends”.

The system of finance of VET requires review in terms of its percentage of the economy; mechanisms and criteria for collection and disbursement; treasury impediments to school budgeting and flexibility; and income generation and retention by vocational schools.

The process of institution building in education and training was initiated first of all by the foundation of the Standard and Assessment Agency back in 2000 - initially supported by the World Bank - which marked the first step in the constitution of a mechanism for quality provision in secondary education, which also affects initial vocational education and training (alongside general education which was the primary focus) and thus in the constitution of curriculum, at the state level. However, this process was followed by difficulties of finance, caused by gradual withdrawal of donor support and replacement by Entity funding.

The process of institutional development in VET - in particular initial training - was legally founded by the FLPSE.

However the preparation and discussions on a VET law started first, but could not reach a consensus before the FLPSE was approved. The (draft) Framework Law on VET was supported by teachers and principals from many vocational schools in both entities, and especially in the schools involved in the CARDS EU VET II Programme. However, the non-endorsement of the Framework Law on VET by the parliament (November 2005) indicates that more needs to be done related to this law in order for it to be approved.

¹¹ The Education Issue Set Steering Group (EISSG) is made up of the heads of international organisations involved in education, including OSCE, OHR, UNICEF, UNESCO, UNHCR, the Council of Europe, the European Commission, the World Bank, US Embassy/ Civitas and PRSP.

It is very important to ensure that key stakeholders are not only represented in working groups for preparation of the legislation, but that also their interests are well balanced and well reflected in the proposed legislation. Once accepted, the legislation needs to be implemented most probably by the same key stakeholders and, without firm commitment from them, implementation is impossible.

The further process of institutional development, based on the Framework Law was already suggested in the draft Framework Law on VET. A proposition was made for the creation of a wider agency for education that would comprise a department for the framework and core curricula and an associated VET department. This proposition and its legal statutes are almost completed and agreed by the ministerial coordination group. The goals of the VET department in such an agency include:

- establishing and maintaining the national framework of qualifications;
- establishing, maintaining and updating a database about all the modernised teaching plans and programmes;
- establishing and maintaining the standards of national diplomas;
- promoting these standards;
- facilitating and encouraging approaches, transfers and improvement.

First steps in setting-up the agency were piloted under the 2004 Cards EU VET II project.

Another question in the field of institutional development, and especially within the context of curriculum development in VET, is the transformation and modernisation of the work of the pedagogical institutes in both entities.

Bosnia and Herzegovina has signed the Bologna declaration to foster developments in higher education in an EU context. It has also signed the EU Memorandum for lifelong learning in the framework of the Stability Pact.

Minorities and social inclusion

During the war, the once highly centralised and unified education system was divided into three separate education systems - the Bosniak, the Bosnian Croat and the Bosnian Serb. Significant differences appeared in plans and curricula, particularly for the so-called national subjects, such as mother-tongue instruction and literature, history, geography, music and the arts. Thus, in accordance with the nationally segregated society, three separate school systems, three nationalistic types of curricula, three types of textbooks and three different circles of laws were (and partially still are) in place. Minority returnee children were forced to receive education according to a nationalistic type of curriculum or, in order to receive education according to curricula of their own ethnic group, they had to cross the cantonal border.

The basic activity to address the division of the education system between the Constituent Peoples is the education reform itself as well as its outcomes, particularly the adoption of the FLPSE, but also the activities previously taken, such as the "Interim Agreement on the Accommodation of Specific Needs and Rights of Returnee Children".

Despite existing legislation prohibiting discrimination, it is generally recognised that employment discrimination on ethnic/national basis exists. The apparently existing policy of recruiting employees from the same ethnic group, both in the private and public sector as practiced by the Constituent Peoples (both dominant and non-dominant in a given area), may be regarded as a discrimination of persons not belonging to the same ethnic group. This policy which is rather directed against the other Constituent People/s than against national minorities, (with the exception of the Roma) has been mainly caused by ethnic homogenisation (or ethnic division) which characterises the society.

The PRSP found that the cruellest form of discrimination on the basis of ethnicity concerns returnees who have great difficulties in finding jobs in public administration or in public companies.

According to the European Roma Rights Centre: "While the exceptionally high unemployment rate among Roma is in part a result of discrimination in the labour market, it is also a result of discrimination against Roma in access to education, even at primary level".

In order to integrate the needs of the national minorities effectively into the education system – which very often sank into oblivion during the debates concerning the problems of the three Constituent Peoples – in February 2004, upon the initiative of the OSCE, the education ministers adopted the “Action Plan on the education needs of Roma and members of other national minorities in Bosnia and Herzegovina”.

On 21 July 2005, the Council of Ministers adopted a strategy for resolving the problems of Roma (in the following Roma Strategy). This document, namely in its second chapter, “employment”, which explicitly names the Roma as the national community with the highest unemployment rate in the country, may be regarded as a declaration of intent to improve the employment situation of Roma. On an ad-hoc basis, small scale projects on the employment of Roma have been implemented.

While no accurate data exist, the Bosnia and Herzegovina Human Development Report estimates the number of people with disabilities at close to 10% of the total population. People with special needs are often isolated by the poor quality and quantity of support services, which in turn can affect their already vulnerable psycho-social condition¹². With regard to children with special needs, the dominant approach remains that of keeping those with similar developmental difficulties or physical disabilities together. In addition, teachers are still insufficiently trained to recognise the individual needs of particular pupils and do not develop the curriculum in a manner so as to allow talented children to learn at a different pace. According to a Statement by NGOs about the rights of children in Bosnia and Herzegovina, children with special needs are the group of people who are most discriminated in post-war Bosnia and Herzegovina. The state has not systematically protected their rights, which has negative influences on persons with special needs and their access to services. Resolving these problems requires an interdisciplinary approach. Indeed, this is not just a health-sector issue touching on disability prevention and treatment, but also a problem of social welfare, education, lifelong learning and vocational training.

There is clear recognition of the importance of employment in the wider economic and development strategy, but there is no overarching employment strategy or policy at state or entity level with clear aims and objectives that helps direct the priorities of the labour market institutions. Facilitating human capital formation requires: (i) improving the institutional setting, (ii) increasing adaptability of enterprises, (iii) attracting more people to enter and remain in the labour market (making work a real option for all), (iv) investing more and more effectively in human capital, (v) developing state-level institutions to enforce approved legislation and strategy for educational reform and (vi) developing inclusive strategies in education and employment services.

Analysis of EU and other donor support instruments in the field of employment and human resources development

Until now the European Commission has been the main donor for VET through the OBNOVA, Phare and CARDS VET programmes (total of €11 million). There is close cooperation between the VET projects and other education projects - the European Commission technical assistance to the general education reform in Bosnia and Herzegovina project and EU/Council of Europe University governance and management project, to ensure a consistent overall education reform approach.

The EU supported the reform of VET since 1998 through three consecutive projects. The bottom-up approach employed by these projects has created a strong sense of ownership among the relevant stakeholders. Key focus was set in solving technical problems related with outdated VET provision aiming at facilitating dialogue and generating trust among the different involved stakeholders. Ownership, trust and reliability on technical solutions should then facilitate the conditions for a system change.

The Green and White Papers are one of the most tangible outcomes of previous EC-sponsored projects. They were adopted by the education authorities back in spring 2000 and autumn 2001 respectively. Based on the recommendations of these documents a Framework Law on VET was submitted to parliament in autumn 2005.

The system of external assessment of outcomes of learning and issues related to continuous process of rationalisation of occupations, certification of teachers in modern methodologies, trainers for training and

¹² OECD (2006) : Education Policies for Students at Risk and those with Disabilities in South Eastern Europe

re-training of adults, diploma recognition etc. have been discussed with local stakeholders. A pilot department for VET within the existing Standard and Assessment Agency has been established.

Labour market analysis and future employment trends have also been addressed. A handbook for the labour market with recommendations for a regular survey of labour market needs (to be conducted by employment offices) has been prepared. Social dialogue, as a one of the tools for successful development of VET, has been established between the education system, labour market and SMEs. This dialogue should be formalised and become a driving force for development of the policy and strategy for the continuation of the VET reform.

A peer review on adult learning conducted by the ETF in June 2003 provided basic information about the state of affairs in the country and recommendations for the way forward.

Under CARDS 2004, the project VET System Reform Development carries modernisation forward at the system level including an experimental model of financing which should support financial sustainability of vocational schools.

In the field of economic regeneration and regional development programmes, the EC, through the EU RED programme, is supporting a network of regional economic development agencies, contributing to the revitalisation of key industries in the wood, textile and agri-business sectors, and supporting refugee return by generating employment and sustainable economic development.

The Functional Review of the Education Sector (one of six reviews including other sectors such as the police and agriculture) concentrates on: ministerial efficiency, the development of the agency, the development of the Department of Education in the Ministry of Civil Affairs, an independent inspectorate and the intermediate role between the agency, the ministries and the schools to be played by the eight pedagogical institutes.

Bosnia and Herzegovina is participating in the EC Tempus Programme and has signed an expression of interest with the European Commission to participate in other Community programmes such as Leonardo and Socrates.

Table 4: Overall participation of Bosnia and Herzegovina in Tempus

Selection year	Type of project	Selection round	Applications received	Success rate (%)	Funded projects	Applications not funded
1997	JEP	1	17	23.5	4	13
1998	JEP	1	20	38.9	7	13
1999	JEP	1	12	72.7	8	4
2000	JEP	1	34	29.4	10	24
2001	JEP	1	63	21.0	11	52
2002	JEP	1	34	14.7	5	29
2003	JEP	1	26	15.4	4	22
2004	SCM	1	5	60.0	3	2
	SCM	2	2	-	-	2
	Bologna call	special	5	60.0	3	2

Participation in Joint European Projects (JEP), Structural, and Complementary Measures (SCM)

The Tempus Programme supports higher education reform with an emphasis on the rationalisation and standardisation of the system in line with the needs of the labour market.

In 2006, Tempus priorities for curriculum development focus on the introduction of modular structures, the establishment of credit transfer systems compatible with ECTS, mobility of both teachers and students and the recognition of study periods at a partner institution in the fields of natural resources and environmental management, energy and sustainable development, natural sciences and mathematics, medicine and sustainable health, IT and media. Inter-institutional cooperation is also promoted. Reforms of university administration, in line with the Bologna Process, aim to enhance strategic development planning, develop quality assurance systems and reform university governance,

management and finance. Institution building activities target officials and staff from public and private institutions in the fields of public finance and tax policy, social policy, environment, democracy and human rights, and justice including European Community law.

Lessons learnt

The recent evaluation of European Community financed support to the education sector described past VET projects as comprehensive and well-planned and executed with regard to curriculum development and teacher training.

Experience from previous programmes suggests putting the emphasis on the commitment of policymakers; and moving from individual commitment to institutional commitment and continuing cooperation between VET and the labour market.

EU VET projects have always been widely accepted among different stakeholders and there was good cooperation between social partners. This good cooperation resulted in the wide implementation of new modernised curricula. All vocational schools in RS use the general subjects developed in projects. Besides, all modernised curricula are available on a website and all schools willing to join the reform can download and use them. The reform process is not in a pilot phase any more. There are more than 150 teachers trained in different aspects of the reform. The ministries of education are deeply involved in reform and last year they agreed to rationalise a number of occupations in VET. They used clusters developed in the project as a starting point and reduced the number of occupations from almost 500 to 99. The same nomenclature is available in both entities.

However, the decision making process in the education sector is quite complicated and inefficient. There are attempts (at the request of the international community) nowadays to improve this situation and establish some efficient decision making mechanisms. A good example is the Framework Law on VET accepted by all stakeholders a year ago but it is only now going into parliamentary procedure due to the lack of political consensus.

Other donors

The World Bank supports the reform of general education and vocational education and training through the education restructuring project. In the field of vocational education this project will support increased participation of students in secondary education by awarding grants to schools planning to increase the number of students entering four-year programmes and to improve knowledge in general education. The World Bank has been the largest donor in the HRD sector, with investments in general education, higher education, active labour market and employment institutional building, and SME promotion.

GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) and the Open Society have provided advice to the ministries of education for the reform of vocational education. GTZ has launched a six-year project for the modernisation of curricula and improvement of practical skills of students in the fields of wood processing, textile and metal processing.

Kulturkontakt Austria supports VET reform through strengthening entrepreneurship in all technical administrative schools (economic).

The German Institute for International Co-operation of Associations for Adult Education (IIZ/DVV) is providing support governmental and non-governmental organisations on lifelong learning.

A state ministry responsible for education matters (the Ministry of Civil Affairs, in particular the Department for Education, Science, Culture and Sports) is responsible for donor coordination and prioritisation. The department is understaffed and therefore conducting limited activities in this respect at the moment in particular all donors implementing country wide projects consult the ministry and the assistant for education is member of the steering committees of all major projects.

The Organization for Security and Cooperation in Europe (OSCE) has been given the task of coordinating the activities of the international community in the area of education, including VET by the Office of the High Representative. The education issues set steering group comprises representatives of the education authorities and international community who meet regularly under the auspices of the OSCE. One of the five working groups created after the adoption of Education Reform Pledges is chaired by the EC and organised by the OSCE and has the lead in the reform process of VET.

The ongoing VET project is steered by a committee that brings together all key actors in VET.

The European Commission is also coordinating with other donors, in particular EU Member States through joint and bilateral meetings.

The EU has been investing in VET reform and other HRD-related fields for more than 10 years, with comprehensive and well-planned and executed projects, with a key focus on creating ownership, trust and reliability on technical solutions to existing problems on the learning supply side. The bottom-up approach should cumulate with changes at system level, improved decision-making mechanisms and further integration in European-wide process in the education and training space.

The donor community has been strongly investing in Bosnia and Herzegovina since the end of the war, covering different levels and areas of the HRD system. Significant co-ordination efforts have been deployed among the different players, but capacity of absorbing the different project results at system level and contributing to improved policy-making mechanisms remains an issue for the coming years.

Analysis of governance and challenges for administrative capacity related to human resources development, employment policy and inclusion

Following the different recommendations from the country and International Community Reports, the main priority for the education and training and employment sectors is to build a common space (state-level institutions) that contributes to a better governance of the HRD system (including education and training, employment, SME and regional development). Such development is fundamental for the ultimate aim of integration into Europe, which requires a transparent and comprehensive understanding of the country's qualification system that can be translated to their equivalents in other national frameworks in the EU through the European Qualification Framework. It is also important in order to increase regional cooperation in the Western Balkans region. Last but not least it is essential to guarantee the right of equal access to quality education and mobility throughout the country, especially its education and employment systems, but also to contribute to human capital formation as a precondition to sustained growth and competitiveness. Contributing to the effective institutional development of state-level agencies is essential to improving the governance of the whole HRD sector and in particular the areas of certification and qualifications. Support to the development of a National Qualification Framework is an area where such agencies could play a significant role in the governance of the system.

Such development, however, should be compatible with the present high levels of autonomy in the management of the education and training systems and employment services, at entity level and the Brcko District, and in the Federation at cantonal level.

Together with institutions, governance requires a common strategy for the development of human resources and framework legislation in which the decentralised HRD subsystems operate and develop. State-level policy, therefore, is also necessary to ensure quality assurance and transparency of qualifications obtained particularly with regard to transportability and potential recognition at regional and European levels. It becomes essential in order to generate trust in the qualification system by the states belonging to the European education space.

The first challenge is to improve the governance of the HRD system by strengthening the state-level institutions in charge of developing strategy policy and framework legislation, quality assurance and equal access to quality education, training and employment to any citizen of Bosnia and Herzegovina.

The institution building process will be facilitated a sustained growth and competitiveness strategy is consolidated. To promote entrepreneurship and attract foreign direct investment, however, clearer signs of political stability (governance and state-level institutions are also important from that point of view) are needed, which allow longer-term investments and create jobs. HRD can actively contribute (but not alone) both to growth and competitiveness and to generate trust in the security of the investments. It requires integrated approaches where HRD is strongly linked to wider socio-economic objectives. In particular, in order to develop a lifelong learning perspective, learning centres should cooperate with research and development agencies and the SME agency (among others) in the framework of the regional development efforts. The employment strategy including emulation of ESF-type measures would also represent a way of integrating HRD with other economic strategies.

The second challenge is to integrate HRD strategies and policies with economic strategies aimed at promoting growth and competitiveness, both at education and at employment levels and in a lifelong learning perspective.

With governance improved and better economic dynamics, the efforts in reforming VET that have gradually but constantly been covering different areas of the learning system but on a pilot phase, will need to be consolidated and extended to the different schools and learning centres in the whole country. This also applies to continuing efforts in higher education in the framework of the commitments made under the Bologna process. At the same time, the different public administrations and schools need to actively follow and participate in the developments that the Education and Training 2010 Programme has promoted and develop a European dimension of its HRD system by linking individuals and schools to European networks and practices. Opening the education and training system and its stakeholders to other European and regional experiences will strongly reinforce the learning from reforms in other countries, through ensuring a better link with countries that have gone through the same process.

The third challenge is to consolidate the results gained in the different VET reform projects and other HRD-related projects (employment, SME, regional development), to extend them from pilot projects to the system level, and to continue reforming efforts in line with main European developments, and notably the Education and Training 2010 objectives and tools.

Suggested priorities for action and EU support

1. The first challenge requires decisive support to state-level institutions in the field of education and training and employment through policy advice, capacity building and direct budget support to the education agency and the employment agency in order to enable them to:
 - Develop and implement (in close cooperation with decentralised levels) HRD strategies contributing to sustainable growth and competitiveness, improved welfare levels and consolidation of the State, in the framework of the Stabilisation and Association Process
 - Develop and maintain a National Qualification Framework reflecting the correspondence and relationship of the qualifications obtained through the different types of learning and institutions, in close co-operation with social partners, main stakeholders and decentralised levels of education and training.
 - Develop quality assurance mechanisms, state framework legislation and enforcing capacity to ensure equal access to quality education to any citizen, in such a way that it generates trust in the system of states participating in the European education space
2. Contribution of HRD to socioeconomic development strategy could be encouraged through the integration of this component into a sector-wide approach programme supporting a sustained strategy for growth and competitiveness, including among other macroeconomic and infrastructure measures:
 - Development of an employment strategy in line with the recommendations from the Integrated Guidelines for Growth and Jobs
 - Integration of learning centres into regional and SMEs development programmes, by adopting open learning approaches which provide learner-driven services to young and adult citizens at the request of the local economy and community as a whole, in a lifelong learning perspective.
 - Promote sectoral approaches among social partners aiming at strengthening HRD policies in companies and sectors and to develop strong links with VET and higher education institutions, including research and innovation
3. In relation to the third challenge, the ETF proposes two types of initiative. On the one hand, state-level networking structures should be established for pursuing the objectives and requirements for full participation in the European education and research area. The development of a VET department inside the education agency would be essential as a supporting structure for the mainstreaming of the pilot reforms and the sustainability of the results of the EU investments. On the other, measures should be taken to encourage the maximum and most effective participation in all

EU programmes and projects open to Bosnia and Herzegovinian citizens and institutions, by identifying needs, articulating priorities and increasing interest among potential actors.

- Specific issues for further development of higher education include: (i) systemic issues (legislation, governance, finance to support academic freedom and institutional diversification; (ii) quality assurance and accreditation systems introducing a shift in emphasis from inputs to outputs, by concentrating on learning outcomes and research results; (iii) co-operation with industry and development of lifelong learning strategies; (iv) introducing the ECTS for credit transfer and accumulation more widely; (v) support for cooperation between institutions, mobility of students, joint teaching programmes and practical training, (vi) readable and comparable degrees through full use of the diploma supplement application of the provisions for the recognition of qualifications concerning higher education in the European region and (vii) Further changes in the implemented two-tier system of academic qualifications.
- A task force relating to HRD should be build on the basis of different existing initiatives, with responsibility for (i) overseeing the performance, and comparing this with the situation in the EU, on the benchmarks and indicators established by the Copenhagen Process, a statistical framework for measuring progress towards the 2010 Education and Training Programme objectives; (ii) carrying out a similar role for the learning practice and indicators relating to the European area of lifelong learning; and (iii) proposing to policymakers actions and measures to improve performance on indicators that show significant divergence from established benchmarks.
- Based on preliminary steps, promoting participation in EU programmes: a coordinated network of offices (at state and regional levels) should be created, with responsibility for identifying needs, articulating priorities, disseminating project opportunities, identifying actors and helping in the establishment of trans-European partnerships, giving technical assistance in project preparation, supporting relevant actors, and monitoring and evaluating projects.
- Promote tolerance and sensibility for all ethnic groups at all levels of society through the regular education system, seminars for public office holders and employees; design and implement measures for better social inclusion of Roma and enhancement of their employability.

HOW TO CONTACT US

Further information on our activities, calls for tender and job opportunities can be found on our website: www.etf.europa.eu.

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