



Human Resource Development Country Analysis Bosnia and Herzegovina

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Working Paper*

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1. Political and socioeconomic background

1.1 Political contexts and EU integration

Since 1995 and according to the Dayton-Paris Agreement¹ the state of Bosnia and Herzegovina (BiH) has been divided into two political entities: the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), covering 51% and 49% of the territory, respectively. Each entity has its own political structure and administration. There is, in addition, the Brčko District, which was established after an arbitration process undertaken by the High Representative for BiH (1996). According to the General Framework Agreement for Peace in Bosnia and Herzegovina, the High Representative is the final authority in BiH regarding interpretation of the implementation of the civilian aspects of the peace settlement.

The BiH government consists of a Parliamentary Assembly, which is divided into a House of Representatives and a House of Peoples, a rotating tripartite Presidency (with a member from each of the constituent peoples, that is, Bosniaks, Croats and Serbs), and a Council of Ministers with nine ministries. The FBiH is politically structured in terms of three levels: entity, canton and municipality, with each municipality having its own municipal council and administrative structures. RS has only entity and municipal administration levels.

BiH is a potential candidate for European Union (EU) membership. Negotiations on a Stabilisation and Association Agreement were opened in 2005, but due to rather slow progress in implementing reforms it has been signed only on 16 June 2008. An important step forward was made in April 2008 when legislation introducing police reform in BiH was adopted by the Parliamentary Assembly.

As a potential candidate EU member, BiH has access to financial assistance provided through the Instrument for Pre-Accession Assistance (IPA) for the period 2007-2013. The EU continues to support BiH in its efforts to strengthen democratic institutions, the capacities of state-level institutions and the rule of law, reform public administration, promote economic and social development and support civil society. Assistance is provided within the framework of the European Partnership Agreement and the EU enlargement strategy, but actual implementation depends on BiH progress and needs, both of which are monitored and presented in annual European Commission (EC) progress reports. In 2007, the IPA provided aid amounting to EUR 62 million.

The Directorate for European Integration of Bosnia and Herzegovina is responsible for coordinating IPA programming in BiH, and within each ministry one person is designated as a Senior Programme Officer. Following the new IPA implementing rules, this Directorate has already updated the Strategy for Decentralisation and has prepared guidelines for programming that have been adopted by the Council of Ministers.

The framework agreement for BiH participation in Community programmes entered into force in 2007. Roadmaps for participation in the EU Lifelong Learning Programme and the Youth in Action Programme have been prepared with the support of the EU twinning programme.

The challenges of EU integration require institutions that will be able to take full responsibility for advancing reform. In this regard, BiH institutions need to further enhance their administrative capacities to be able to effectively meet EU accession requirements.

¹ General Framework Agreement for Peace in Bosnia and Herzegovina, 1995.

1.2 Demographic developments and trends

According to the 1991 census the population of BiH was 4.38 million inhabitants; 43.5% declared themselves to be Muslims (now Bosniaks), 31.2% Serbs and 17.4% Croats. The fourth largest ethnic group, representing 5.5% of the population, consists of people who declare themselves to be Yugoslavs, and the remaining 2.4% is made up of members of numerous other ethnic groups. However, the figures of the 1991 census do not reflect the current demographic reality and another full scale census is not envisaged before 2011. Different estimates of the BiH population are available, with, for example, a total of only 3.8-3.9 million inhabitants reported recently.²

There are no reliable data on human losses during the tragic conflict in BiH, when tens of thousands of people were killed. Some 14,000 are still officially reported as missing. Between 1992 and 1995, over 50% of the pre-war population was displaced from their pre-war locations in BiH. Nearly 1 million persons were displaced within BiH, while around 1.2 million persons sought refuge in over 100 countries around the world. Refugees and internally displaced persons began to return after the conclusion of the Dayton-Paris Agreement and, to date, a total of 1,014,340 returns in/to BiH (442,352 refugees and 571,988 displaced persons) have been recorded.³ More than half the people returned within the first three years; of these returnees, nearly 62% were Bosniaks, 13% Croats and 25% Serbs, with 1% belonging to other groups.⁴

Data on the number of people emigrating from BiH are not systematically collected and so it is difficult to provide accurate information on the phenomenon and its impact on human capital. The emigration rate for BiH citizens in OECD countries in the period 1995-2003 was 17.8%.⁵ Among these emigrants, 45% were poorly skilled, 43% had intermediate-level skills and 12% were highly skilled.

The latest data show a small annual population growth rate (0.1%); 17.6% of the population are under the age of 16 and 13.7% are aged 65 and over. The urban population (45.7%) is growing steadily. BiH was ranked 66 in the Human Development Index for 2005, placing it among the countries with a higher human development status (largely due to economic growth and progress in education and health outcomes).⁶

1.3 Economic developments and trends

BiH has made certain progress in terms of macroeconomic stabilisation and structural reform. This is particularly noticeable in annual economic growth figures and improved fiscal discipline, with the two political entities demonstrating more balanced budgets and an improved business environment; furthermore, important regulatory reforms have been implemented in key infrastructure sectors and a sound banking sector is being developed.

Official (production-related) gross domestic product (GDP) amounted to EUR 9.8 billion in 2006. Real GDP growth accelerated to 6.2% in 2006 and was expected to remain above 6% in 2007.⁷ GDP per capita in 2006 was just USD 2,885, and gross national income (GNI) per capita at USD 2,945 is among the lowest in the region.⁸ A significant 10% share of GDP comes from agriculture. External public debt, which is tending to fall, was around 21% of GDP at the end of 2006. In the period 1990-2003, BiH was

² Data for the 2005 UNDP Report on Human Development 2007/2008 indicates the population to be 3.9 million, whereas December 2007 demographic data from the BiH Agency for Statistics indicates that there are 3.843 million inhabitants.

³ BiH Council of Ministers, June 2007.

⁴ Ibid.

⁵ Data on emigrants come from a census in OECD countries over the mentioned period. The emigration rate was calculated by dividing the foreign-born population in the OECD countries belonging to a particular country by the population of this country, e.g. the BiH-born population living in OECD countries divided by the total population of BiH.

⁶ UNDP, 2007/2008.

⁷ EC-DG Economic and Financial Affairs, CCEQ, January 2008.

⁸ See UNDATA website at <http://data.un.org/CountryProfile.aspx?crName=Bosnia%20and%20Herzegovina>.

among the top 20 developing countries in terms of incoming remittances,⁹ which were estimated to be worth more than 10% of GDP in 2004.¹⁰

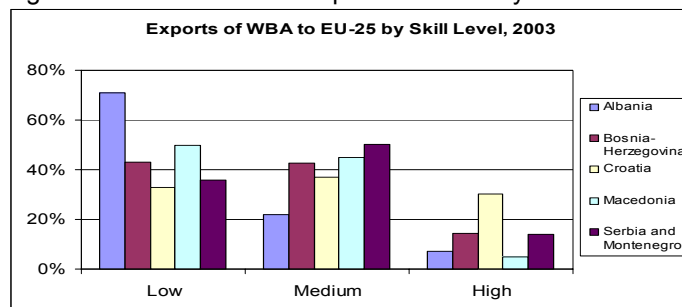
Value Added Tax, which was introduced in January 2006 at a flat rate of 17%, has partially contributed to the growth of the grey economy, but has also impacted negatively on inflation, which rose to 6.1% in 2006. In 2007, inflation fell, but an increase in food and transport prices caused it to rise again to 4.1% in November 2007 (and more so in RS than in FBiH). Expenditure continued to rise strongly, in particular in the FBiH, where social benefits paid out rose by almost 24% in one year.¹¹

Whereas in 2006 growth in industrial production varied between 7.5% in the FBiH and 19.1% in RS, in 2007 the industrial dynamics in the two entities reversed, with a year-on-year increase in the volume of industrial production of 10.2% for FBiH compared to only 1.4% for RS. The slowdown in RS primarily resulted from a decline in output in the utilities and mining sectors. In general, economic activity grew in manufacturing (particularly in FBiH), in wholesale and retail trade, real estate, tourism, financial intermediation and construction.¹²

Voucher privatisation legislation was passed only in 1999 and while small-scale privatisation has almost been completed in both entities, large-scale privatisation is progressing slowly, although less so in RS than in FBiH. Privatisation is a major source of foreign direct investment (FDI), generating an inflow in the first part of 2007 of BAM 1.49 billion (largely due to the privatisation of RS Telecom). In the period 1994-2007 the major investing countries in BiH were Serbia, Croatia, Austria and Slovenia.

Since 2000, when the EU granted Autonomous Trade Preferences to the Western Balkan countries, BiH has broadly had free access to EU markets. The Central European Free Trade Agreement, that entered into force in November 2007, is also expected to improve existing trade relations, increase competitiveness and create conditions for foreign investment and hence for new jobs. Currently BiH mainly exports metals, textiles, footwear and wood products, and such low and medium-skill goods account for a substantial share of BiH exports (around 43%).¹³

Figure 1. Western Balkan exports to EU25 by skill level



Source: ETF, Labour markets in the Western Balkans: Challenges for the future (2007).

Overall, the pace of economic reform is slower in BiH than in other countries. In the World Bank 2008 Doing Business global ranking, BiH slipped from 95th to 105th place. Some improvements were recorded in the categories 'Trading across Borders' and 'Dealing with Licences'. A court-based business registration system, which makes registration procedures quicker and easier, has only recently become

⁹ According to the Balance of Payments Statistics Yearbook of the IMF and IMF staff calculations. The data refer to the average gross remittances for all available years over the period 1990-2003.

¹⁰ United Nations, October 2006.

¹¹ EC-DG Economic and Financial Affairs, January 2008.

¹² BiH Council of Ministers-Directorate for Economic Planning, September 2007.

¹³ ETF, 2007.

operational. Some progress has been made in RS in terms of removing or modifying obstacles to doing business, speeding up business start-ups by economic agents and supporting small-and-medium enterprises (SMEs). For example, in the area of trade, catering and crafts, the time needed to start up a new crafts activity has been reduced from 34 to just eight days. In RS, an Agency for Developing SMEs has been established and a Strategy for Developing SMEs 2006-2010 was adopted in April 2007. Progress in the FBiH in this area is, in general, much slower.

Although accurate data on the grey economy are not available, there are estimates that its share in BiH is much bigger than in other transition countries (30%-45% of official GDP). On the other hand, according to the BiH Directorate for Economic Planning the picture is rather more favourable, with an informal economy amounting to 14% of GDP in 2004 and 15% of GDP in 2005.¹⁴ According to this Directorate, there is also evidence that services dominate the grey economy (almost 60%), with internal trade taking a particularly high share (27%-28%).¹⁵ The existence of a grey economy leads to unfair competition for firms that operate legitimately, reducing their profitability and demand for labour.

Challenges

- i. Economic development needs to become a top priority for the whole country as the only possible way to create jobs in a sustainable way. This will require a further reduction of barriers to SME growth, as this sector is a potential generator of jobs and a source of employment growth. A Development Strategy 2008-2013 is currently being prepared. BiH, however, needs to adopt a uniform strategy and establish institutional support for SMEs at the state level, since it is one of two central-eastern European countries without a state-level SME agency.
- ii. It is also important to improve the current situation of exports from low-skill sectors and to ensure overall economic growth through increased investment in new technology and knowledge.
- iii. Overall, much remains to be done in terms of improving the business environment in BiH, achieving a single economic space, ensuring free movement of goods, capital, services and people and attracting more FDI in order to enhance jobs creation and increase employment growth. Further improvements in the business environment depend also on the availability of a skilled workforce.

¹⁴ BiH Council of Ministers-Directorate for Economic Planning, September 2007.

¹⁵ Ibid.

2. Key employment policy issues and challenges

2.1 Employment and unemployment

The working age population (15-64) amounts to 2.242 million, of which 51.2% is active. At the state level, both the activity rate (52.2%) and the employment rate (36.8%) increased slightly in 2007 in comparison with the previous year, although the increase occurred only in RS and in the Brčko District and not in the FBiH (see Annex 2). Most of the working population (47.6%) is employed in the services sector (52% in FBiH and 40.6% in RS). The share of employed persons in agriculture is 19.8% (12.2% in FBiH and 31.2% in RS). In comparison with 2006, employment grew only in industry, reaching 32.6% (35.8% in FBiH and 28.2% in RS). The continuing low share of employment by SMEs (22.6% in BiH, 29.7% in RS and 17.7% in FBiH)¹⁶ reflects the slow pace of privatisation and the continuing employment of large numbers of workers in large socially-owned enterprises that have not yet begun the restructuring process.

Table 1. Employment and unemployment rates for BiH compared to other IPA countries and EU27

	BiH (2007)	Potential Candidate Countries	Candidate Countries	EU27 (2007)	EU Benchmark
Employment rate					
Population aged 15-64	36.8	KOS 28.7 MON 50.2 SR 41.8	CRO 55.6 MK 40.7 TUR 45.9	65.4	70
Women	25.0	KOS 11.8 SR 33.8 MON 42.5	MK 32.3	58.3	60
Unemployment rate					
Population aged 15-64	29.6	KOS 44.9 MON 19.4 SR 18.8	CRO 9.1 MK 35.2 TUR 8.4	7.1	3.6
Women	33.7	KOS 61.6 MON 21.6 SR 21.0	CRO 10.5 MK 35.8 TUR 8.4	7.8	3.9
Long-term unemployment (% of active population)	25.1	KOS 91.5	CRO 6.7 TUR 2.5	3.7	0.9

Source: Authors (based on data from the BiH Agency for Statistics, Serbian Republic Statistics Office, Statistical Office of the Republic of Montenegro, Statistical Office of Kosovo and EUROSTAT).

Activity and employment rates for women (37.4% and 24%, respectively, in 2007) remain low, particularly in the FBiH where even a decrease was recorded in both rates for women.

Both the conflict in BiH in the 1990s and the ensuing transition process have resulted in high unemployment rates. Despite a decrease of 2.2 percentage points in 2007 in comparison with 2006, at 29.6% it is still high even for a country in transition. Data on the structure of unemployment indicate that at least three groups of the unemployed call for immediate and more affective interventions, namely, women, young persons and the long-term unemployed.

Female unemployment is above average (33.7%) and is significantly higher than male unemployment (27.3%). Moreover, 86.4% of unemployed women have been without a job for at least 12 months and among them 26.7% have been unemployed for 120 months or more. Although the BiH government has made some efforts with regard to gender mainstreaming, there is a wide gap between de jure and de facto situations. Truly gender-sensitive policies and practices have almost completely failed to materialise in the economy, employment, education, social security and healthcare, and women's participation in decision-

¹⁶ BiH Agency for Statistics LFS 2007.

making bodies in public and political life is poor.¹⁷ A Gender Action Plan aimed at creating a greater balance between genders in capacity building, development strategies, decision making, employment, etc has been prepared by the Gender Equity Agency and adopted by the Council of Ministers (2006).

According to data from the Labour Force Survey (LFS) of 2007, youth unemployment, which reached 58.4% in 2007, is almost double that of the working age population. The activity rate for young people is 33.4% (36% lower than that of the working age population) and their employment rate is only 13.9% (62.2% lower than that of the working age population). Youth unemployment is one of the core topics being dealt with by the Commission for Coordination of Youth Issues (a Council of Ministers working body), which has already drafted two important documents, namely, a Policy Paper on Youth Employment and a Youth and the EU: Assessment of Human Resource Development in BiH, with an eye on the needs of the European integration process. Another initiative refers to recognising work experience acquired through practical work performed during studies (necessary for obligatory traineeships). This Commission is currently coordinating the preparation of a BiH Youth Policy 2008-2013 document.

According to the LFS of 2007, 85.9% of unemployed persons have been without employment for 12 months or more. The average registered unemployed rate of 44% (around 515,700 persons) is much higher than the rate recorded by the LFS, a discrepancy which can be explained by substantial informal employment in the grey economy and also by the fact that many persons are merely registered with employment centres for the purpose of exercising their rights to health insurance and other benefits. According to the World Bank, informal employment predominately occurs in agriculture and construction (with a tendency to decrease), but also in manufacturing (with a tendency to increase). Self-employment represents over 34% of total informal employment.¹⁸ Undoubtedly, this situation urgently calls for actions aimed at reducing the grey economy and facilitating the work of labour inspectors. Actions undertaken in 2007 by the FBIH Inspection Department and aimed at reducing the level of undeclared employment have already apparently produced positive effects.¹⁹ Registered unemployment has recently also started to decrease in the FBIH mainly due to the implementation of the Programme for re-registration of the unemployed persons, adopted by the Federal Ministry of Labour.

2.2 Employment policy

There is no transparent data on the active employment policy measures for BiH, however, some available data show that only a small share of unemployed persons are involved. While incentives for the employment of certain target groups exist, not enough attention is paid to activation of the unemployed and to enhancement of their employability through training, despite the fact that two thirds of the unemployed are poorly educated and that those who do have qualifications (particularly the long-term unemployed) have obsolete knowledge and skills. Entrepreneurs and representatives of employer associations have already brought up the issue of a lack of qualified workers and technicians in some sectors. The more dynamic sectors, in particular, require sets of skills, knowledge and attitudes than are currently unavailable in the pool of unemployed people. According to a survey of businesses in transition economies carried out by the European Bank for Reconstruction and Development in 2005, the percentage of BiH firms reporting major obstacles in terms of skill deficits among the available workers was almost 10%—a rate which is much higher than reported by other countries in the region.²⁰ In addition, a survey of the labour market carried out by entity/district employment services in 2006 identified gaps in computer skills and in soft skills (communication, entrepreneurial attitude, team work and positive attitudes to work).

Due to the lack of funds in 2008, there are almost no active employment policy measures implemented, beside those envisaged by the Second Employment Support Programme (the World Bank programme for period 2005-2008).

¹⁷ Open Society Institute, 2006.

¹⁸ Tiogson & Yemtsov, January 2008.

¹⁹ BiH Council of Ministers -Directorate for Economic Planning, September 2007.

²⁰ ETF, 2007.

2.3 Institutional settings

Although increasing employment is recognised in a number of important different contexts as one of the most important challenges for future BiH socioeconomic development, the current level of institutional labour market fragmentation and an absence of consensus on employment policy objectives hinder progress towards more effectively addressing employment and labour market issues. In this respect, progress is expected to be made through a process aimed at setting up employment strategy and employment action plans; this process is supported by an EU Community Assistance for Reconstruction, Democracy and Stability (CARDS) programme launched in 2007.

The labour market in BiH, featured by the complexity of a multilevel labour and employment institutional setting, is split into 13 local labour markets. At the level of the state there is no central decision making body for labour and employment matters; the Ministry of Civil Affairs (through its Labour, Employment, Social Protection and Pensions Department) plays a mere coordinating role and is responsible for international cooperation in these matters. Labour and employment matters in RS are assigned to the centralised Ministry of Labour, Employment and War Veterans. In the FBiH, the Ministry of Labour, Employment and Social Protection plays a limited coordinating role, with each canton having its own ministry responsible for labour and employment policy. In the Brčko District responsibility for employment and labour market policy lies with its government.

The powers awarded to the state Labour and Employment Agency²¹ are limited to data collection from the two entities, contact maintenance with the ILO and other international organisations and international contracts in the field of employment. In 2008 a change in the Labour and Employment Agency legislation is expected that will make it responsible for employment policy but not for labour policy; a governing board will also be created and the responsibilities to be shared between the Ministry of Civil Affairs and the Agency are expected to be more clearly defined and differentiated.

In the FBiH, an employment service at the entity level was established in 2001.²² Ten cantonal employment centres are organised as public, autonomous legal entities, with activities implemented through the municipalities. Active employment policy in the FBiH is implemented in compliance with the Law on the Agency for Employment and Social Security of Unemployed Persons, the Decision on Funds Allocation from the Federal Employment Institute to meet needs in the employment area and the Manual on Measures to Encourage Employment. In RS, the rights of the unemployed are defined by a Law on Employment.²³ The RS Employment Service manages active labour market measures through six regional employment offices.

Employment offices are understaffed and overburdened in regard to the high numbers of registered unemployed persons. Employment services in BiH overall are in need of a radical overhaul to bring them up to modern standards and to properly define purpose and role. In addition, expenditure and distribution of funds is not transparent and there is no efficient follow-up mechanism in place to evaluate the cost-effectiveness of active measures and their long-term impact on unemployment.

2.4 Social dialogue and social partnership

In both entities—FBiH and RS—social dialogue has legal support in labour legislation that has been updated relatively recently (2005 and 2007, respectively); Brčko District still has to renew legal support for social dialogue, since the last measures in this regard were adopted in 2000. Although tripartism in BiH is gradually being adopted, according to most employer associations and trade unions, real social dialogue does not exist in BiH at any level. This is partly due to the fact that the representativeness criteria for social partners is defined only in RS (20% of total employees) but still remains unresolved in the FBiH, in

²¹ Official Gazette of BiH, No. 21/03.

²² Official Gazette of the FBiH, No. 04/01.

²³ Official Gazette of RS, No. 38/00.

the Brčko District and at state level. Membership of trade unions is decreasing, unlike membership of employers associations, which are relatively novel organisations representing the private sector. Chambers of Commerce have a long tradition in BiH and are important partners in consultation on socioeconomic matters.

Collective bargaining is dominated by the government and by worker representatives from the formal/public sector. The currently valid general collective agreements have an economy-wide coverage, while branch collective agreements are largely limited to socially owned companies and privatised former state-owned companies. Labour laws do not contain detailed provisions on enterprise-level bargaining between trade unions and employers (other than what is delegated by the general collective agreements).

Economic Social Councils were at least formally established in RS (1997), in the FBiH (2002) and in the Brčko District (2004) and may also be established at the cantonal level (three have, in fact, been established, in Sarajevo, Tuzla and Una-Sana). A state-level Economic Social Council has not been formed as yet; both employer associations and trade unions proposed its establishment as early as 2002 and again in 2006, but the relevant decision still has to be made by the Council of Ministers. Apparently, the process is hindered by a lack of political will to advance tripartite social dialogue at the state level. This is also the reason why the BiH Confederation of Trade Unions has not been registered yet. The fragmented labour markets and complex institutional arrangements in BiH require a relatively unique approach to defining the role, tasks and composition of the state-level Economic Social Council. Progress in this respect is expected, since the Ministry of Civil Affairs has expressed a need for assistance from the EC and ILO in this respect.

Challenges

- i. A major challenge facing BiH is to attract more people into formal employment, particularly women and young people.
- ii. More efforts and resources need to be invested in fighting against unemployment, particularly among young persons, women, the disabled and the Roma community. Active employment policies need to be extended and restructured in such a way as to pay greater attention to the activation of the long-term unemployed and to increasing their employability through training. The findings of the Labour Market Survey carried out annually by the BiH Employment Service need to be translated into measures aimed at reducing skill mismatches in the labour market and at increasing the employability of the unemployed and of the labour force in general.
- iii. One of the biggest challenges facing BiH is to improve the institutional setting and institutional capacities for more effective employment policy implementation. Labour market reform is a crucial item in the BiH reform agenda as both a pre-condition and a necessity for further socioeconomic development and for gradual preparation for EU accession. In order to adopt a more strategic approach to employment and human resource development, adequate capacities have to be ensured within the responsible institutions so that staff will be able to work in a coordinated manner at all levels. In this respect the following interventions have already been recommended²⁴: (i) to strengthen the capacities of the Ministry of Civil Affairs and the Labour and Employment Agency; (ii) to improve and strengthen cooperation and coordination between the state and entities in terms of labour and employment administration; (iii) to establish a labour inspectorate at the state level and to prepare and adopt the corresponding framework legislation; (iv) to strengthen and rationalise labour-and employment-related functions at all levels; (v) to modernise employment services; and finally, (vi) to provide services that will improve the employability and job search skills of the unemployed population.
- iv. Finally, social partners need to play a much greater role in designing and implementing employment and labour market policies. In this respect also, ministries responsible for labour and employment policies and employment services need to play a more proactive role and find means for ensuring

²⁴ EU CARDS Project, 2005.

fruitful and sustainable cooperation with social partners in relation to all key labour and employment policy issues.

3. Key policy issues and challenges in education and training

3.1 Investments in education

BiH spent 4.3% of GDP on public funding of education in 2005,²⁵ a rate that was higher than in many other countries in the region but below the EU average. Education expenditure as a percentage of total public expenditure in BiH is around 18%. RS allocates around 16% of its total budget to education while the same figure for the Brčko District is 12%. The FBiH cantons, which are responsible for education financing, allocate the largest proportion of their budget to education, although there are significant differences between cantons; in 2004 the Tuzla Canton allocated the highest percentage (48.1%) while the Bosnia-Podrinje canton allocated the lowest percentage (24.5%) of their budgets to education.²⁶

Around 28% of total public expenditure on education is allocated to regular secondary education. Further analysis indicates that about 20% of total public expenditure on education is allocated to initial vocational education and training (VET) compared to 17% allocated to higher education.

The share of salaries in education spending is high, representing around 80% of all expenditure in education.²⁷

3.2 Legal and strategic framework

Green and white papers were adopted by the education authorities in spring 2000 and autumn 2001, respectively. The VET Development Strategy 2007-2013 was adopted by the Council of Ministers in 2007 and a global Education Strategy 2008-2015 in June 2008. The education reform process has, to date, largely focused also on the adoption of suitable legislation. In 2007 significant progress was made in adopting state-level legislation. The Framework Law on Pre-Primary Education,²⁸ the Law on Higher Education and the legislation for the Pre-Primary, Primary and Secondary Education Agency were adopted in 2007,²⁹ while a Framework Law on VET was been adopted only in 2008³⁰.

Reform processes are hindered by different speeds of implementation of laws and reforms within the country and a lack of mechanisms for enforcing implementation. An example is the Framework Law on Primary and Secondary Education, which was adopted in 2003. It introduced nine-year primary school but has only been fully implemented in the Brčko District (from school year 2004/2005) and in RS (from school year 2005/2006); in the FBiH, nine-year primary education is being entirely implemented in only 7 out of 10 cantons.

3.3 Monitoring and evaluation

Monitoring and evaluation of education outcomes is not sufficiently systemised and harmonised to ensure quality inputs for policy making. BiH schools participated in the Trends in International Mathematics and Science Study (TIMSS) for the first time in 2007. Results will be available in late 2008 and will be an indicator of how pupils in primary education are performing.

²⁵ World Bank, 2006.

²⁶ EU CARDS VET II, 2006.

²⁷ EU-ICBE, December 2007.

²⁸ Official Gazette of BiH No. 88/07.

²⁹ Official Gazette of BiH No. 88/07.

³⁰ Official Gazette of BiH No [63/08](#)

3.4 Enrolments, early school leavers and educational attainment

There are no reliable data on enrolment in education in BiH. The net primary school enrolment rate is 97.2%,³¹ while European Training Foundation estimates of enrolment for the age group 6-14 years indicate a rate of 98.9%.³² A particularly important issue is the low attendance rate for Roma children, although some improvements have recently been reported.

The dropout rate is not systematically monitored. There is a lack of accurate data, and some estimates of between 1%³³ and 2%³⁴ of pupils leaving primary school prior to completion are in danger of providing a distorted picture of the real situation.

The participation rate in secondary education is estimated at between 56.8%³⁵ and 76.2%,³⁶ which is low compared with the EU or other countries in the region. According to data on the distribution of upper secondary enrolments (ISCED 3) in the academic year 2005/2006, 24% of students attended general education and 76% entered VET—among them, 46% who attended four-year VET and 30% who attended three-year VET. The share of enrolment in VET at secondary level is relatively high compared to the EU average but is at the same level as that of the new member states of central Europe.³⁷ However, only 54% of students graduate from secondary school as scheduled.

Participation in higher education has increased over the last 10 years and the net enrolment rate is now around 24%.³⁸

Table 2. Structure of working age (15+) population by educational level and gender

	Working age population		Employed persons		Unemployed persons		Inactive persons	
	Total	Female	Total	Female	Total	Female	Total	Female
Primary school and less (Low)	47.6	57.8	25.3	25.4	26.1	26.8	67.0	72.1
Secondary school (Medium)	45.9	36.8	60.6	56.1	69.9	68.3	30.3	26.7
College, university, masters, doctoral degree (High)	6.5	5.4	14.0	18.4	4.1	(4.9)	(2.7)	(1.2)

Source: Agency for Statistics of BiH, Labour Force Survey 2007.

Recent LFS data show (Table 2) that nearly half of the working age population has primary school level education or lower, and only 6.5% have third-level education. The high percentage of poorly educated people represents a barrier for further socioeconomic development.

Data on unemployment rates according to the level of educational attainment show the same high rates—31.2% for those with primary school and less and 31.3% for those with secondary school education. The unemployment rate for those with third-level education was significantly lower (10.7%).³⁹

³¹ EU-ICBE, February 2008.

³² ETF calculations based on data for 2006 from the World Bank Living Standards Measurement Study conducted since 1980 to explore ways of improving the type and quality of household data.

³³ UNDP, 2007.

³⁴ BiH Council of Ministers, October 2003.

³⁵ UNDP, 2002.

³⁶ EU-ICBE, February 2008.

³⁷ EC-DG Education and Culture, 2006.

³⁸ EU-ICBE, February 2008.

³⁹ BiH Agency for Statistics, LFS 2007.

3.5 Institutional settings and capacity for further education reform

The responsibility for elementary, secondary and higher education rests with RS, cantons in the FBiH and the Brčko District. In the FBiH, educational policy and implementation is the responsibility of cantonal education departments, while the role of the entity Ministry of Education and Science is coordinating one. RS has a centralised structure, with a Ministry of Education and a Pedagogical Institute responsible for priorities, budgets, standards and teacher employment. The Brčko District has a Department of Education.

In line with the FBiH constitution all the cantons have their own education legislation; RS also has a Law on Secondary Education and Brčko District has a Law on Education. Although a Framework Law on Primary and Secondary Education was passed at state level in 2003, entity, cantonal and the Brčko District laws on education need to be harmonised with it.

Legislation in regard to a Pre-Primary, Primary and Secondary Education Agency has been passed and the Agency is expected to become operational in 2008. It is anticipated that staff from the existing inter-entity Standards and Assessment Agency will be transferred to this new Agency. The Agency will be responsible for educational standards, common core curricula and assessment of learning outcomes in pre-primary, primary and secondary education (including VET) and is expected to ensure greater ownership of outcomes of the reform process.

At the beginning of 2008, the Conference of Ministers of Education of BiH was set up as a permanent and supreme advisory body responsible for coordination of the education system in BiH. While this represents an important step towards better coordination among the different levels in the education system, the establishment of advisory tripartite education councils in BiH is, on the other hand, still under discussion.

According to the Framework Law on Higher Education, the following institutions operate in the field of higher education in BiH: (i) the Ministry of Civil Affairs, responsible for implementation of the law, coordination and further development of higher education, etc; (ii) the Rectors' Conference of BiH (formed in 2005); (iii) the Centre for Information and Recognition of Diplomas; and (iv) the Agency for Development and Quality Assurance in Higher Education, responsible also for accreditation. The last two of these state institutions are expected to be established in 2008. In RS, a commission has been established in regard to the recognition of diplomas.

3.6 State and issues of education reforms

Reform of the education sector, which is part of the European Partnership Agreement process, is to be followed closely by processes for integrating BiH in the EU. The reform processes got underway in the late 1990s, receiving significant support from donors and particularly the EU. Although there have been a number of improvements, there are still many issues to be addressed.

During the war, education was organised according to three separate systems—for Bosniaks, Bosnian-Croats and Bosnian-Serbs—and so there were (and still are) three separate school systems, three national curricula, three sets of textbooks and three different sets of legislation. Ethnically biased curricula remain a key issue concerning access to education. Coordination to ensure harmonisation of curricula development at the state level has so far not been established. Although all institutions, ministries and pedagogical institutes are legally equipped to work on this issue, most of them lack the staff and adequate competencies to ensure quality in this respect.

A common core curriculum was introduced by the Framework Law on Primary and Secondary Education in the school year 2003/04. However, due to a lack of monitoring mechanisms, there is not enough evidence on its real implementation. Currently, the Ministry of Civil Affairs has neither the appropriate mandate for the corresponding activities nor enough staff for these tasks.

Apart from the administrative unification of the Mostar Gymnasium, no progress has been reported as regards the problem of more than 50 cases of two-schools-under-one-roof and discrimination in the education sector in the FBiH. In accordance with the Interim Agreement on Accommodation of the Specific Needs and Rights of Returnee Children, the authorities endorsed a Plan for Implementation of the

Interim Agreement (2002) and the Criteria for School Names and Symbols (2004); an assessment of the implementation of these documents in 2006 showed, however, that neither had been fully applied.⁴⁰

The existing segregation can be resolved only with a high level of commitment by all key stakeholders and through permanent dialogue. The main mission of the education reform process should be to overcome existing segregation in society.

Another issue is insufficient capacity for ensuring quality education in BiH. On the one side, many schools face a lack of adequate equipment and training materials for making teaching and learning more attractive and effective and thus increasing the quality of education. There are also many schools that require refurbishment and a need exists for new school buildings. On the other side, teacher in-service training capacities are already insufficient despite the fact that teacher training is extremely important. High-quality education can be achieved only by developing teacher competences and modernising teaching and learning methods. Both the Pre-primary, Primary and Secondary Education Agency and the Higher Education Agency (to be established in 2008) should play a core role in this respect.

3.6.1 Issues and strategies related to VET quality and access

The VET reform process initiated changes in almost all aspects of education, including modernisation of curricula, student assessment, legal issues, mode of delivery (which has an impact on in-service teacher training), financing and implementation of new modular curriculum, teaching aids and textbooks, etc. Substantial support to VET reform aimed at bringing VET closer to the labour market is provided by the EU through institution building, staff and curriculum development, teacher training and partnerships with EU schools. The EU has provided EUR 16 million to support this sector through the Obnova Rehabilitation and Reconstruction Programme and through its Assistance for Restructuring Economies (Phare) and CARDS programmes. The VET reform process will receive further support through the IPA as envisaged by the Multiannual Indicative Planning Document 2007-2013. Technical assistance in modernising some VET curricula is provided also by German Technical Cooperation/GTZ, while the World Bank programme for secondary education aims at supporting strategic planning, establishing a management information system and providing training for school directors.

Entrepreneurship training

BiH is involved in the ETF project aimed at assisting southeast European countries in the implementation of the European Charter for Small Enterprises. The project focuses in particular on entrepreneurship learning in the two areas of education and training for entrepreneurship and small enterprise skills.

Continuous and workplace learning

VET reform in BiH continues to be limited to the initial VET system, while continuous VET and adult learning in general have received little attention.

The role of social partners in VET

Social partners have not, to date, been either sufficiently or systematically involved in the VET reform process. The BiH Strategy for VET Development 2007-2013 strongly promotes a greater role for social partners in VET. A tripartite council for VET issues is envisaged for the near future.

3.6.2 Issues and strategies related to higher education quality and access

There are eight state universities in Bosnia and Herzegovina.⁴¹

⁴⁰ OSCE Mission to Bosnia and Herzegovina website at http://www.oscebih.org/oscebih_eng.asp.

⁴¹ University of Sarajevo (23 faculties), University of Tuzla (13 faculties), University of Banja Luka (13 faculties), University Dzemal Bijedic Mostar (8 faculties), Sveuciliste Mostar (9 faculties), University of East Sarajevo (16 faculties), University of Bihac (5 faculties) and University of Zenica (6 faculties).

Bosnia and Herzegovina signed the Bologna Declaration in 2003 and the Convention on the Recognition of Qualifications Concerning Higher Education in the European Region in 2004, indicating a strong commitment to higher education reform at the state level. The EU and Council of Europe are both assisting BiH universities with the implementation of the Bologna Process. All state universities started to implement the first cycle in accordance with the Bologna Process in 2006 and the European Credit Transfer System has been introduced in all new study programmes.

The Framework Law on Higher Education, adopted in 2007,⁴² incorporates the main principles of higher education that have been or are being adopted in the European Higher Education Area. However, there are complaints that many amendments incorporated in the final adopted version make the law difficult to implement; implementation is also slow due to the lack of enforcement mechanisms.

Higher education is still too academic, and the graduation rate from universities is extremely low, indicating poor efficiency. Higher education needs more investment in infrastructures and in research activities.

3.7 Transparency and recognition of qualifications and validation of non-formal/informal learning

A new classification of occupations, prepared within the EU VET Programme (2004) consists of 13 occupational families and around 100 occupations. It was introduced in the school year 2006/2007 in the entire country. A process for developing a National Qualifications Framework commenced in 2007, supported by the EU-funded VET III project. However, as yet no interventions in terms of validating non-formal and informal learning have been reported.

As mentioned above, in the area of higher education BiH is committed to reforms in accordance with the Bologna Declaration, which should lead to international recognition of higher education qualifications obtained in the country.

Challenges

- i. BiH needs to continue modernising teaching and learning at all levels of education, which implies improving learning and teaching quality, introducing student-centred learning methodologies and developing an orientation towards learning outcomes and key competences. Special attention needs to be paid to students in special and other specific groups. In order to improve the effectiveness of the education process, a system of internal self-evaluation and external evaluation needs to be established.
- ii. Another challenge is to ensure equality and equity in access to education. This implies addressing the current segregation in education and developing early interventions for children and students with learning difficulties.
- iii. Implementation and monitoring of adopted state-level laws and strategies in BiH both need to be enforced; in this respect, gaps may be filled by the new education agencies.
- iv. Links between education and employment need to be improved through further reform of the VET system, with particular reference to: (i) better integrated strategic planning; (ii) increasing the attractiveness of VET and engaging social partners in all areas VET; (iii) restructuring and modernising governance and management of the VET system at all decision-making levels; (iv) improving investment in VET; (v) developing education and training pathways to enable horizontal and vertical mobility; and (vi) developing and delivering mechanisms that would help facilitate the transition from education to work by young people.
- v. Yet another challenge is developing the adult VET system. The educational structure of the labour force calls for immediate interventions aimed at fostering development and implementation of adult

⁴² Official Gazette of BiH No. 59/07.

and continuing VET. In this respect the following activities are necessary: (i) an awareness-raising campaign on the importance of adult VET among all key stakeholders; (ii) encouraging the development of (and providing support to) providers of adult VET; (iii) developing standards and accreditation procedures for training programmes and institutions; (iv) developing a system of recognition of non-formal learning; and (v) ensuring financial resources for formal and non-formal adult and continuing VET. All these issues require involvement and cooperation between different actors in the education system and the labour market, with social partners needing to play a more proactive role in designing and implementing adult VET at all levels in BiH. Adult VET, like general VET, still needs to secure a place in the social dialogue agenda in BiH.

- vi. The system for financing education needs to be improved and should include the adoption of education financing standards and criteria, and regular reporting on and monitoring of the efficiency of investments in education at all levels.
- vii. Institutional capacities and governance need to be improved. Decisive support aimed at strengthening state-level institutions will also be needed in future through policy advice, capacity building and financial support to continuing education reform. In this respect, the Ministry of Civil Affairs and its Education Department particularly need additional support. BiH institutions need to invest additional effort in terms of agreeing and ensuring the provision of comprehensive information and data, as the basic pre-condition for policy decision making on strategic goals and the design of adequate quality assurance mechanisms. The lack of statistics and data on education and training is an important barrier in four areas: successful coordination of the education sector in BiH, making progress with EU integration, participating in international cooperation, and reporting and benchmarking in the field of education and training. Better coordination among education authorities is expected to be ensured through the recently established Conference of Ministers of Education of BiH.
- viii. Finally, BiH also needs to fulfil requirements and conditions to be able to fully participate in Community programmes.

4. Key social inclusion policy issues and challenges

The Social Exclusion Index shows that more than 50% of the population is socially excluded in some way, with 22% of the population experiencing extreme exclusion.⁴³ Although social exclusion has many dimensions, just a few are mentioned here.

4.1 Social exclusion of non-constituent ethnic groups

BiH society is characterised by ethnic division as a consequence of the political division of BiH. The constitution distinguishes between 'constituent peoples' (that is, Bosniaks, Croats and Serbs) and 'others'.⁴⁴ This latter category is defined by the Law on Protection of the Rights of Members of National Minorities in BiH as citizens of BiH who do not belong to any of three constituent nations but consist of people with the same or similar origin.⁴⁵ The BiH Law on the Protection of the Rights of Members of National Minorities itemises 17 national minorities: Albanians, Montenegrins, Czechs, Italians, Jews, Hungarians, Macedonians, Germans, Poles, Roma, Romanians, Russians, Ruthenians, Slovaks, Slovenes, Turks and Ukrainians. As non-constituent peoples, those who do not belong to one of the constituent nations or are members of national minorities do not have equal access to political life. In 2006, the proposed amendments to the constitution that would guarantee minority community representation in the Parliamentary Assembly of BiH failed. However, amendments to the Election Law were adopted recently and minorities may now run for local elections. Due to the high threshold, in 2008 this is expected to happen in 18 municipalities only, namely those that adjusted their statutes.

Most reports on the issue of ethnic minorities in BiH also address the specific situation of the constituent peoples from the territorial point of view. The majority population in RS is Serb, whereas five cantons in the FBiH have a majority population of Bosniaks, three a majority of Croats and two populated by Bosniaks and Croats.

No recent census data are available, so estimates with regard to the non-constituent peoples from different sources vary greatly. NGOs estimate that national minority numbers have decreased since 1991 in proportion to the number of refugees who did not return to BiH after the war ended.⁴⁶ Exceptionally, the number of Roma, who are the largest national minority in BiH, is estimated to be much higher than in the last census (8,864 in 1991), though the estimations differ significantly, from 30,000 to 80,000 people.

4.2 Social exclusion due to poverty

Another kind of exclusion is economic or material exclusion. In 2004, 17.8% of the BiH population was living below the general poverty line of BAM 2,223 or EUR 1136.6 per person per year (21% in RS and 15% in the FBiH).⁴⁷ United Nations Development Programme findings obtained in collaboration with the BiH authorities indicate that there is a correlation between the ethnic structure of certain parts of the country and household income. There is also a growing gap in economic development and living standards between the different regions of BiH: Croat dominated areas enjoy the highest living standards, Bosniak dominated area come next, and RS has the lowest standard of living.⁴⁸ Almost everywhere in BiH, minorities are much more vulnerable in regard to financial status. In contrast with the majority populations, more than half of the ethnic minority households in RS are poor, and 15.6% of ethnic minority households in the Croat dominated areas of the FBiH are poor. In Bosniak dominated areas, about 25% of

⁴³ UNDP, 2007.

⁴⁴ Adopted as Annex 4 of the Dayton-Paris Agreement 1995.

⁴⁵ Official Gazette of BiH No. 12/03.

⁴⁶ BiH Council of Ministers, December 2003.

⁴⁷ BiH Revised Mid-Term Development Strategy 2004-2007, adopted by the BiH Council of Ministers and the Entities/Brčko District governments.

⁴⁸ Ibid.

ethnic minority households fall into the category of the poor, although the data from 2002 do not indicate any great differences between majority and minority ethnic groups.

4.3 Social exclusion due to education discrimination

As mentioned earlier, the education system in the FBiH is highly segregated (the two-schools-under-one-roof system); schools in RS, meanwhile, are typically mono-ethnic in nature. In a 2007 survey conducted by Open Society Fund and the Centre for Policy Studies, a quarter of students and around a third of parents were of the opinion that discrimination on the basis of nationality, religion and economic situation is present in the education system. Furthermore, nearly half of the interviewees (students and parents) believe that the BiH education system is orientated exclusively to teaching the cultural identity, language and traditions of one nation only while failing to consider the principle of the common good.

4.4 The Roma as a particularly disadvantaged group

The Roma experience the most unfavourable situation in BiH. Although no in-depth surveys of poverty among the Roma have been conducted, the available information indicates that they are one of the most vulnerable groups, living in conditions well below those considered to be survival level, often without resources to support their families and ensure that their children receive an education. As a group, the Roma have by far the lowest levels of education in the country; more than 70% of Roma have never attended or have not completed primary education.

Furthermore, their unemployment rate is almost 100% and more than 90% have no health insurance. Due to their minority status they are marginalised, and their lack of knowledge of the system means that they are effectively deprived of many legal rights, including the right to social assistance.

A large proportion of Roma children do not attend primary schools. Only 18% of Roma children complete compulsory education, with most girls dropping out by the 5th grade. The total number of Roma children in secondary schools is way below 1,000 and very few Roma university students are reported.⁴⁹ The illiteracy rate of Roma is estimated to be very high.

4.5 Legal framework and policies

The BiH Law on the Protection of National Minorities, adopted in 2003, determines the obligation of entities, cantons, municipalities and towns in BiH to fully harmonise their legislation with the provisions of this legislation and to provide for more effective inclusion of members of national minorities in legislative and executive organs at all levels. The Law on the Protection of Minorities in the FBiH has not yet been adopted, whereas in RS such a law has been in operation since 2007. The National Minority Council functions in RS, but not in the FBiH where the law does not exist. At the state level the Council of National Minorities has been recently established (April 2008).

The Council of Roma and the Committee for Roma in the Council of Ministers were both set up in 2002. The Committee for Roma prepared a Framework Action Plan for 2000-2006, participated in the preparation of the Framework Law on Primary and Secondary Education and is also involved in the preparation of the National Development Strategy.

The Action Plan on the Education Needs of the Roma and Members of Other National Minorities in BiH (February 2004) was prepared by a Task Force on the Educational Needs of the Roma and National Minorities, with representatives of BiH institutions and also of the Organisation for Security and Cooperation in Europe, the United Nations Children's Fund and the United Nations Commission on Human Rights. Overall implementation is poor and there is a lack of monitoring mechanisms. However, some results have been reported by the Ministry of Human Rights and Refugees; for example, the number

⁴⁹ BiH Roma Strategy, 2005.

of free textbooks provided by the local authorities to Roma children has significantly increased in the last few years.⁵⁰

BiH has not yet ratified the European Charter for Regional or Minority Languages. Furthermore, it still has to sign up to participate in the Decade of Roma Inclusion initiative, though all four action plans for the Roma as its basic condition have already been adopted by the Council of Ministries (July 2008).

Following up on a decision by the Council of Ministers, the preparation of a BiH Strategy for Social inclusion has already commenced, with the Directorate for Economic Planning responsible for coordinating activities in this respect.

Challenges

The issue of social exclusion in BiH requires a multidimensional approach. There are many challenges facing BiH authorities which need to be adequately addressed in order to ensure the following:

- i. increased participation by the most vulnerable groups in education and employment;
- ii. effective school desegregation policies;
- iii. improvements to adult education and training provision; and
- iv. better cooperation between relevant institutions at all levels in terms of the implementation of strategies and plans aimed at greater social inclusion.

⁵⁰ BiH Council of Ministers, June 2007.

Statistical Annex

A) Ethnic structure of the Bosnia and Herzegovina population for the 1991 hypothetical territories compared to UN High Commissioner for Refugees population estimates for 1997 (%)

	Republika Srpska		Fed. of Bosnia & Herzegovina	
	1991	1997	1991	1997
Bosniaks	28.77	2.19	52.09	72.61
Croats	9.39	1.02	22.13	22.27
Serbs	54.32	96.79	17.62	2.32
"Others" (national minorities and those not belonging to the constituent peoples)	7.53	0.00	8.16	2.38

Source: EURAC Research, Access to Education, Training and Employment of Ethnic Minorities in the Western Balkans: Country Report for Bosnia and Herzegovina, 2006.

B) Age group 15-64: activity rate, employment rate and unemployment rate, 2006 & 2007 (%)

	Bosnia & Herzegovina		Fed. Bosnia & Herzegovina		Republika Srpska		Brčko District	
	Total	Female	Total	Female	Total	Female	Total	Female
Activity rate								
2006	51.3	37.4	50.7	35.9	52.5	40.3	47.8	34.1
2007	52.2	37.8	49.7	34.5	57.1	44.0	50.8	39.3
Employment rate								
2006	35.0	24.0	34.1	22.3	36.8	27.6	29.6	38.1
2007	36.8	25.0	34.1	21.8	42.0	31.3	30.2	40.5
Unemployment rate								
2006	31.8	35.7	32.7	38.0	29.8	31.8	18.6*	45.4
2007	29.6	33.7	31.3	36.7	26.4	28.7	22.3*	43.2*

* Data not reliable.

Source: BiH Agency for Statistics Labour Force Surveys 2006 and 2007.

C) Registered unemployed persons in BiH, 2003-2007

	2003	2004	2005	2006	2007
BiH (total)	468.067	486.088	508.039	524.839	515.746
FBiH	304.830	325.738	347.478	362.368	367.570
RS	146.574	142.462	142.331	144.106	134.207
Brčko District	16.663	17.888	18.230	18.365	13.969

Source: BiH Labour and Employment Agency.

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