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INEQUALITY AND WELFARE STATE CLIENTELISM IN BOSNIA AND HERZEGOVINA

ABSTRACT: *Inequality in Bosnia and Herzegovina (BiH) is rampant, manifested not only through one of the highest Gini coefficients in Europe but also in unequal access to social benefits and services. We find this to be an outcome of BiH's entity-government social policy, which has been created to serve ethnic clientelistic politics. As the country's former social protection system adjusted in the immediate post-civil war period to a new asymmetric government structure made of two entities, Federation of Bosnia and Herzegovina and Republika Srpska, it helped the main ethnic political parties preserve their power and ethnic divisions. This was achieved through a comprehensive system of status-based so-*

cial benefits, most notably war-related social benefits granted on the basis of ethnic and military service affiliation. As such, in both BiH's entities the system of social protection is an instrument of political control that generates inequality by treating certain social groups differently in terms of access to and level of benefits, while excluding much of the population. The process is found to be endogenous; in other words, maintaining inequality in access to social benefits is essential for preserving clientelistic policy, and vice versa.

KEY WORDS: *Clientelism, Social Policy, Democratisation, Bosnia and Herzegovina*

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INTRODUCTION

Bosnia and Herzegovina's social protection systems follow the administrative organisation of the two main entities: a decentralised system in the Federation of Bosnia and Herzegovina (FBiH) and a centralised system in Republika Srpska (RS). The country's social protection system has helped ethnic political parties maintain the country's ethnic division resulting from the war and preserve its dominance. The entities' systems of social protection are old-fashioned, based on social insurance and status-based social benefits that serve as instruments for maintaining the leading political parties' political power. Their main outcome is perpetual inequality as a necessary instrument of political bargaining and control. On the one hand political party control is maintained by gatekeeping access to public sector employment, thus providing access to the privilege of stable and well-paid jobs (Weber 2017; Blagovcanin and Divjak 2015; Oruč and Bartlett 2018; Obradović, Jusić and Oruč 2019) that also gives access to social insurance benefits. On the other hand, through discriminatory legislation and control of social policy administration the main ethnic political parties control the access to status-based non-contributory social benefits financed from public budgets. The focus of our work will be explaining the mechanisms of clientelist control over the social benefit systems in Bosnia and Herzegovina.

Political clientelism is usually defined as the distribution of selective benefits to individuals or groups in exchange for political support (Katz 1986; Piattoni 2001; Kitschelt and Wilkinson 2007). It implies a two-way relationship between clientelistic political parties and other interest groups through which political support and votes are secured. Nearly everything that falls under state control can be used for this exchange. The literature on political clientelism distinguishes two types of clientelistic approach, electoral and relational (Gans-Morse 2014; Nicther 2010). Electoral clientelism is a once-off exchange of money or material goods for a vote, while relational clientelism is a recurrent trade of money and material goods for a vote that is usually sustained beyond election campaigns. Relational clientelism is more relevant to clientelistic social policy because usually social benefits and services are exchanged for votes on a continual basis. Hence, the political loyalty tends to be of a longer-term nature. Similarly, Piattoni (2001) defines political clientelism as "strategies for the acquisition, maintenance, and aggrandisement of political power, on the part of the patrons, and strategies for protection and promotion of their interests, on the part of the clients". Favours

exchanged for votes include “birth certificates, building permits, disability pensions, public housing, tax exemption, and development projects” (ibid, p.6). This implies that one of the most important preconditions for clientelism to function is maintaining a hollow public and social policy administration institutional structure by employing civil servants loyal to party patrons.

A World Bank (2018) report indicates a growing pattern of clientelistic electoral mobilisation that is undermining developmental challenges such as weak rule of law, corruption, and inadequate public services, and is exacerbating ethnic violence (Fukuyama 2011). Past studies have also shown that clientelistic politics are most prevalent in poor and state-dependent economies (Kitschelt & Wilkinson 2007; Kopecky 2012). Poor voters are more likely to receive and respond to money or other clientelistic incentives (Brusco, Nazareno, & Stokes 2004), and in poor regions politics are more likely to take a clientelistic form (Stokes 2005; Keefer 2007).

The instrumentalisation of social policy for clientelistic purposes has been limited in western democracies due to well-functioning, impartial institutions with transparency, accountability, and active checks and balances built in to safeguard against corrupt practices. Additionally, robust political competition has ensured that no political party misuses power, whether to consolidate political influence, polarise the political environment, or consolidate ethnic-based or ideological instrumentalisation of the masses (Filic 2018). In post-Dayton BiH the public sector and state-owned enterprises and institutions play a dominant role in economic output. However, the three ethnic polities control most of it by dividing the cake among themselves: “In Bosnia and Herzegovina, the three nationalistic parties have divided the country painstakingly into three influential zones. The resources, state-owned enterprises, energy providers, banks... everything is appropriated and politicised along ethnic-nationalistic dividing lines. There is almost no practical politics, concern for the public interest is almost inexistent” (Boll Stiftung 2017, p.2). Additionally, BiH’s transition to a functional democracy in the aftermath of the ethnic conflict has continued, however unsuccessfully, for the last three decades (Bieber 2018). The limited success can be ascribed to post-conflict rebuilding, but a large part of it is due to ethnic polarisation by corrupt and power-seeking elites. In the post-conflict the political elites took advantage of the slow economic growth, high unemployment rate, widespread labour

market informality, extensive corruption, nepotistic practices, and ethnic divisions to further polarise the society ethnically and to consolidate their power over the state administration and employment, creating a political space of informal networks and political alliances between dominant ethnic parties and ethnically polarised voters. In BiH, political party control even extends to the private sector, as the economic survival of private companies often depends on contracts with the government or government-owned companies and government subsidies (The World Bank 2010:18; Blagovcanin and Divjak 2015:10). In other words, ethno-clientelistic politics have held the political environment in Bosnia and Herzegovina hostage for nearly three decades through high levels of political ethno-clientelism.

The World Bank (2010) sees state capture¹ and conflict of interest as the ways in which corruption is manifested in BiH. However, in the BiH context the term 'state capture' carries a somewhat different meaning than the one the World Bank authors had in mind. Post-Dayton, in BiH state capture means domination and control of domestic political parties, the public sector, the public administration, and other state institutions including the state-owned (public) enterprises, for the purpose of controlling and extracting public resources and keeping political elites in power. Hence, the term denotes the practice of political clientelism.

The country has both relatively high poverty levels² and high income inequality (Djukić and Obradović 2016). Available estimates are based on sporadically conducted Household Budget Surveys (in 2007, 2011, and 2015). Although the most recent estimate of inequality by the BiH Statistics Agency (2017a), based on equalised consumption for 2015, is estimated at 31.2 Gini points, when measured on the basis of income data it increases to 48.7 Gini points (BiH Statistics Agency 2017b, p.12). Other income-based estimates based on the 2011 Household Budget Survey suggest that the Gini coefficient of equalised disposable income was 44 points (Djukić and Obradović 2016, p.12). In other words, income-based

¹ The World Bank (2010) refers to state capture as the actions of individuals, groups, or firms in both the public and private sectors in order to influence the formation of laws, regulations, decrees, and other government policies to their advantage as a result of the illicit and non-transparent provision of private benefits to public officials.

² According to the latest 2015 HBS income-based estimates, the poverty rate for individuals is 27%, which is way above the EU 28 average of 16.9% in 2017 (Obradović, Jusić and Oruč 2019).

estimates suggest that inequality in BiH is exceptionally high and increasing. While not directly comparable with EU-SILC data due to different data collection methods, these sources still suggest a high level of inequality, considering that the average level of inequality in EU28 countries was 30.8 Gini points in 2016 and 30.7 in 2017 (Eurostat 2019a). The 2015 estimate of the S80/S20 income quintile share ratio of 20.2 (Agency for Statistics of BiH 2017b, p.12) confirms the high levels of inequality, showing that the income of the richest 20% of citizens was twenty times higher than that of the poorest 20% (although not directly comparable, the average level of the S80/S20 income quintile share ratio for EU28 countries was 5.2 in 2016 and 5.1 in 2017 (Eurostat 2019b)).

In addition to high income poverty and inequality, the BiH social protection system maintains high inequality in access to social benefits and social services. Maintaining inequality allows political patrons to maximise political gains, i.e., political support and thus electoral votes. The social protection systems organised at the level of the BiH's entities are instrumental to maintaining political and electoral support. BiH has developed a multiparty system in which the dominant ethnic parties compete with virtually no fear of losing or diminishing their role, while representing only narrow clientelistic elites. Importantly, BiH is "plagued by economic lassitude with high levels of unemployment, unrelenting corruption and ethno-clientelism" (Piancentini 2019), and the combination of these factors together with ethnic polarisation has created the space for informal clientelistic actors across different ethnic political parties. BiH's political system largely operates on the basis of political clientelism characterised by ethno-politicians acting as patrons who offer jobs, social benefits, material goods and services etc. in exchange for political support and votes. Patrons not only seek individual votes but also often encourage their supporters to recruit family members and friends and sometimes even entire communities to do the same. It is not unusual to have instances where small rural towns and villages are encouraged to vote for the local patron in exchange for a paved road, running water, a sewage system, etc. (Jackson 2018). It is also not unusual to see some of these projects started but never finished, depending on whether the patron secured the election and on their tendency to keep promises. As expected, these types of clientelistic practice wreak havoc in BiH. In order to provide these 'services', ethno-politicians exploit the public administration and institutions. Which party gets control over which public company or institution is decided during post-election negotiations. For

the most part the main ethnic political parties have maintained control over the same institutions for years without any interruption. These practices entrench ethnic polarisation, often determining which state company or state institution belongs to the domain of which ethnic party, and therefore which ethnicity. In this way the patron's type of institutional association divides the ethnic electorate, deepening the state's bureaucracy and its inability to emerge from the clientelistic and nepotistic system. Consequently, citizens have very little incentive to support political parties that do not wish to participate in corrupt clientelistic practices or do not have the capacity to offer any clientelist-based benefits (Chandra 2009). Thus, perhaps unintentionally, since the end of the war BiH has created the supply and demand sides of political clientelism.

SOCIAL WELFARE AND ITS CLIENTS

Annex IV of the Dayton Peace Accord, which deals with the BiH constitution, did not give any competencies to the state-level government with regard to social policy or social protection. As a result, this area is within the competence of the BiH's asymmetrically organised entities. The Federation of Bosnia and Herzegovina, originally envisaged as a Bosniak and Croat entity, is decentralised and in the immediate post-conflict period enabled power-sharing between Bosniak and Croat political representatives, while Republika Srpska as a predominantly Bosnian Serb entity became centralised. Despite changes in entity and cantonal constitutions imposed by the Office of the High Representative in 2002, which pertained to the Constitutional Court of Bosnia and Herzegovina Decision on Constituent Peoples in the summer of 2000 (No. U 5/98 – III)³, the dominance of the main ethnic political parties in the entities has not changed. The country is still divided on ethnic lines and controlled by political parties that have not changed in nearly thirty years.

The entity systems of social protection have been instrumental in consolidating ethnic division and the absolute dominance of the leading ethnic political parties. This is achieved through a comprehensive system of non-contributory social benefits, of which the largest part are war-related social benefits granted on the

³ Serbs became constituent peoples in the FBiH and Bosniaks and Croats became constituent peoples in Republika Srpska, while the expansion of others' political rights at entity and cantonal levels (in FBiH) were also affected.

basis of ethnic and military affiliation (IBHI 2013; Obradović 2018). During the war there were three main warring factions, while the Dayton Peace Agreement recognised only two armies, one in the Federation of Bosnia and Herzegovina (made of two components – ethnic Croat and ethnic Bosniak) and one in the Republika Srpska (ethnic Serb). The first veteran benefits were granted by all three warring sides to family members of deceased soldiers fallen during the conflict years (Obradović 2017), initially based on legislation enacted before the war that granted generous benefits to veterans of the Yugoslav Partisan movement during the Second World War. War veteran legislation in the entities in the postwar period, which included social protection benefits, was enacted to assist the process of demobilisation, army downsizing, and creation of a BiH army at the state level, but, importantly, it granted privileges to the selected groups usually prior to general or local elections. Hence, in both entities, under the war veteran legislation the recipients included various categories of war veterans, their family members, civilian victims of war, holders of war medals, and, in the RS only, victims of war camps and war torture. In the RS, demobilised soldiers receive a veteran supplement, which FBiH veterans have been pressing for⁴ as well. Both entities also provide grants for buying apartments and for starting businesses, privileged pensions, and finance for funeral expenses and tombs, among other benefits, as well as granting priority employment in public institutions to children of fallen soldiers. Furthermore, veteran associations receive regular government grants, which they distribute as financial aid to members in need and to finance public commemorations of war battles, etc. In general, all war-related benefits are granted based on association with recognised military service⁵ or responsible associations of civilian war victims, organised by ethnicity under the political sponsorship of entity governments and ethnic political parties.⁶The narrative of all three ethnic groups is that they were fighting

⁴ A proposal of FBiH Law on the Rights of Demobilised Defenders and their Families envisages the same type of benefits in FBiH

⁵ In the FBiH they are the Army of Bosnia and Herzegovina and the Croat Defense Council, while in the RS it is the Army of the RS.

⁶ The most recent initiative opposing these principles was the adoption of the RS Law on Victims of War Torture, intended to grant benefits to prisoners of war camps and victims of torture, including those that experienced sexual violence and rape. The law stipulates benefits only for RS residents whose status is approved by the Association of Women Victims of War of the Republika Srpska or/and the Association of Women Victims of War of the RS, which

a just war, i.e., defending their homes and families from those attacking them (Berdak 2013), and in their own eyes all three ethnicities, Serbs, Croats, and Bosniaks, are at one and the same time both victims and heroes, depending on the type of social benefit they want to receive (Filic 2018).

According to European System of Social Protection Statistics (ESSPROS) data (BiH Agency for Statistics 2019), social protection spending in BiH in 2015 constituted 18.8% (excluding administration costs) of national GDP, which makes the country 'average' in the region in terms of expenditure on social protection, but still low compared to the EU 28 average of 27.1% in 2016. However, 96.8% of total social protection expenditure is non-means tested (BiH Agency for Statistics 2019), which means that only 3.2% of social protection benefits are means-tested, i.e., targeted at the poor. Apart from excessive reliance on social insurance,⁷ where access mainly depends on employment-based contributions, another reason for such a high share of non-means tested benefits is the dominance of status-based benefits. Moreover, the privileged war veteran benefits have even penetrated the social insurance schemes, thus undermining the system based on contributory payments and ruining it financially (Obradović 2017). *Lex specialis* war veteran legislation gave the privileged categories social insurance rights including privileged pensions and health insurance, and even at

RS Assembly Members of Bosniak ethnicity opposed during the early stages of the parliamentary procedure. They proposed amendments to include victims that suffered in the territory of the RS that currently reside in the FBiH and whose status is approved by associations in the FBiH, but the Assembly rejected it. After the law's adoption the Club of Bosniak Members of the RS Assembly invoked the right of veto to protect the national interest on the grounds of discrimination based on ethnicity. This postponed the implementation of the law and brought it before the Council for Protection of Vital National Interest of the RS House of Peoples and the RS Constitutional Court. Less than one month before the October general elections the complaints of the Club of Bosniak Members of the RS Parliament were rejected because of procedural non-compliance and the law was published in the RS Official Gazette No. 90/18.

⁷ Social insurance schemes are the most important part of the social protection system in both entities. A recent estimate by Obradović and Jusić (2019, p.1) based on central bank data, finds that on average social insurance expenditure constitutes 71% of social protection expenditure in the FBiH and 85% in the RS.

one point in FBiH, unemployment assistance benefits.⁸ In addition, the general pension legislation stipulates some key war-related benefits. In both entities, there is a provision that recognises each “war year” in military service twice for the purposes of insurance (although contributions were never paid). These provisions are used mostly by men and in most cases effectively result in early retirement. For example, someone who spent five years in the war receives ten years towards a pension. Although *de jure* financing of privileged rights is the responsibility of the entity’s budget, evidence suggests that the veteran benefits administered through social insurance schemes have often been financed from general contribution revenues (Obradović 2017; Obradović and Jusić 2019), and therefore at the expense of contribution-paying employees and beneficiaries.

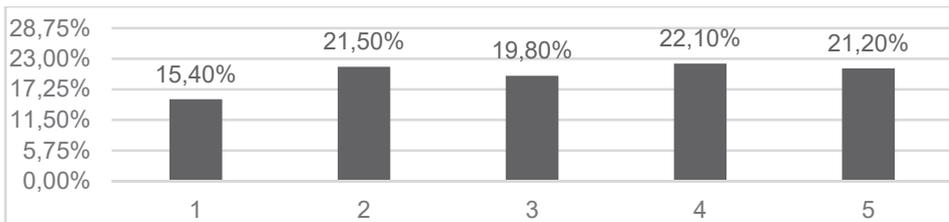
Non-contributory social transfers or social assistance schemes comprise 29% of social protection expenditure in the FBiH on average, and 15% in the RS. This expenditure comprises around 4% of the country’s GDP, of which more than 3% is spent on status-based, war-related benefits (Obradović and Jusić 2019). These benefits are financed at three levels of government administration in the FBiH (entity, canton, and municipality) and two levels in the RS (entity and municipality). Most non-contributory social benefits are status-based and grouped according to beneficiary status; i.e., war veteran benefits (war veterans with disabilities, demobilised soldiers, recipients of war medals), benefits for civilian victims of war, benefits for people with disabilities whose disability is not war-related, child and family benefits, and means-tested social assistance. However, given that means-tested benefits constitute only 3.2% of the overall social protection expenditure while war veteran benefits are 9.4% (BiH Agency for Statistics 2019), the overall targeting of non-contributory social transfers towards lower income groups is very low. The only means-tested benefits are social assistance (comprising only 0.42% of total social expenditure⁹) and some child and disability benefits, all of which are very meagre and have very low

⁸ On the eve of the 2006 general election the FBiH passed the FBiH Law on the Rights of Demobilised Soldiers and Their Family Members (FBiH Official Gazette, No. 61/06, 27/08 and 32/08), granting demobilised soldiers special unemployment benefits and pension rights under certain conditions. The law was implemented from January 2007 until 1 May 2010, when it was revoked due to the financial collapse of cantonal public employment services and debts incurred to beneficiaries. The FBiH had to annul the law under the terms of recommendations by international financial institutions.

⁹ Authors’ estimate based on 2015 ESSPROS data.

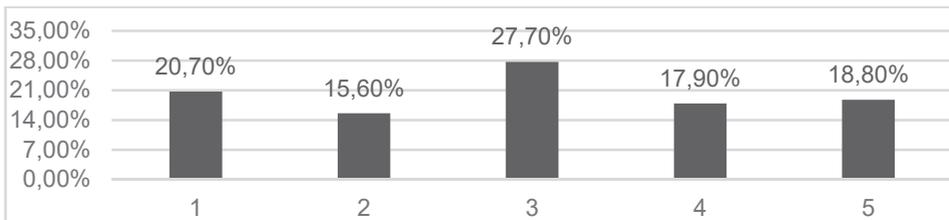
coverage (Obradović 2018; Obradović and Djukić 2016; Bruckauf 2014). The Independent Bureau for Humanitarian Issues (IBHI 2013) found the war veteran benefits to be the most regressive as they are directed at the higher income groups, while the means-tested schemes financed through Centres for Social Work were found to be well targeted towards low-income groups. Earlier studies based on 2007 Household Budget Survey data (World Bank 2009) also pointed to this problem. In Graph 1 and Graph 2 below we present estimates of all non-contributory benefit targeting, conducted by the IBHI (2013) based on 2011 HBS consumption data. It can be seen that the poorest quintiles in the FBiH and the RS receive only 15.5% and 20.7% respectively of total non-contributory social assistance benefits. There are no available estimates of social benefit targeting that are based on income data.

Graph 1: Non-contributory social transfers in the FBiH by consumption quintile (2011 HBS consumption data)



Source: IBHI 2013, page 57

Graph 2: Non-contributory social transfers in the RS by consumption quintile (2011 HBS consumption data)



Source: IBHI 2013, page 107.

Under the terms of the agreement with the IMF pertaining to the Stand-By arrangement approved in July 2009, BiH was to reform the social protection system. Under the Letter of Intent (Bosnia and Herzegovina 2009) the

government pledged to “undertake a comprehensive income and property census and introduce means-testing for all civilian and war-related benefits” (p.7) and “to reduce spending on war veteran expenditure” (p.5). However, saving measures implemented in 2009 and 2010 had a short-lived effect, as war veteran expenditure bounced back in just a few years (Obradović 2017). The World Bank-approved project (World Bank Documents and Reports 2014) aimed at improving the targeting of non-contributory transfers and coverage among the poor successfully avoided war-related benefits. Instead, it focused on making already well-targeted means-tested social assistance benefits more restrictive. As a result, the reform failed to tip the balance of public expenditure towards schemes that assist the poor (Obradović 2018).

UNEQUAL SOCIAL STATUS AND UNEQUAL BENEFITS

By now it is known that the entity systems of social protection privilege recipients associated with the war, while social schemes targeted towards the poor like means-tested social assistance are generally underfunded. War veteran recipients are considered the most deserving social group and are usually given priority in financing. For instance, the FBiH government’s priority is to pay war veteran benefits, followed by the benefits for civilian victims of war, then benefits for individuals with non-war-related disabilities, and lastly salaries for government administration.¹⁰ The most illustrative example of inequality among recipients concerns the different statuses of benefits for people with disabilities. Both entities have four different disability categories: war veterans with disabilities, civilian victims of war,¹¹ individuals with disabilities whose rights are stipulated by social assistance legislation, and individuals with a disability caused by professional illness or work injury whose rights are stipulated under pension and

¹⁰ Interview with former FBiH government official 14 March 2019.

¹¹ Benefits for civilian war victims in both entities are intended for people that were not in the army but have a disability from during or immediately after the war caused by the war or by war torture that caused bodily damage or (where the beneficiaries are family members) disappearance or death. In both entities benefits are only granted to those with a minimum of 60% disability and include monthly disability benefit, benefits for the aid and help of other persons, benefits for orthopedic aid, family disability benefit (if the death of a civilian victim of war was caused by injuries during the war or related to the war the survivor beneficiaries may be spouses, children, parents, or adopted parents), aid for medical expenses and additional orthopedic equipment, additional financial aid, professional rehabilitation, etc.

disability insurance legislation. Here we will leave out the last category because rights under the social and disability insurance are not directly comparable with non-contributory disability benefits.

For each status group a different procedure is used to assess disability and other entitlements. The most favourable assessment procedure is applied to war veterans, whose minimum level of disability in order to qualify for benefits is 20%. Civilian victims of war have to have a minimum 60% of disability to qualify for financial assistance, while a person with disability under social assistance legislation has to have a minimum of 90% of disability in the FBiH and 80% of disability in the RS. Table 1 gives an overview of the level of personal disability benefit for people with 100% of disability by status, and it shows striking differences in the level of benefit between war status and non-war status categories of recipients. Civilian war victims are also discriminated against in the level of benefits compared to war veterans with a disability because the base for calculating benefits for civilian war victims is lower than the base for war veterans. For instance, in the FBiH the benefits base for civilian war victims is 70% of the base for war veterans, of which 50% is financed by the entity and 20% by the canton where the beneficiary resides. The most disadvantaged are the individuals with a disability whose disability is not war-related. Such differences in benefit eligibility put those with similar needs in very unequal positions. It should be noted that in addition to disability benefit, individuals with a disability of the highest category are usually also entitled to benefits for a care-giver, orthopedic aid, and payment of health insurance contributions (if not insured on another basis), and in the case of the war-related categories to even more benefits. As with the amount of disability benefit, the level of the other benefits also differs.

Table 1: Personal disability benefits (for 100% disability), by status, in the FBiH and the RS (2018)

No.	Beneficiary status (for 100% disability)	FBiH	RS
1.	War veterans with disability	376 €	298 €
2.	Civilian victims of war	305 €	223 €
3.	Individuals with disability (under the general law on social protection)	56 €	52 €

Source: Authors' calculation based on legislation and entity government's decisions regarding 2018 base for benefit calculation.

Assessment by medical doctors estimates the recipient disability level that gives access to benefits. In the FBiH this is done by a single institution, the Institute for Medical Examination of Health Conditions, whose work commenced in 2007 after a long dispute between the two leading FBiH parties, Stranka demokratske akcije (SDA) and Hrvatska demokratska zajednica (HDZ). Proponents of the Institute justified it as a World Bank recommendation; however, because this fact is not found in any publicly available document it is most likely fabricated. The real dispute was over political control of the assessment process that determines who receives benefits and under what conditions. A compromise was reached that entailed implementing a decentralised Institute structure (i.e., each canton has a branch office of the Institute), while the central office is responsible for appeal procedures and oversight of the cantonal branch offices (FBiH Law on Establishment of Institute for Medical Examinations, FBiH Official Gazette, No 70/07). This clearly indicates the competition between Bosniak and Croat political parties for financial resources in the FBiH, as well as the within-ethnic-group territorial competition to arrange member benefits. Once the Institute was established, the head of the organisation for a long time was a SDA party official who was also a member of the Cantonal Assembly. Neither the FBiH government nor the parliaments disputed this most obvious example of conflict of interest. The Institute also employed the party official's wife and daughter-in-law (Vijesti.ba 2013).

The Institute applies different rulebooks to assess disability depending on recipient status and the legislation under which the benefit is claimed. A similar practice is applied in the RS, the only difference being that the assessment procedure is decentralised and conducted with the oversight of the institution administering the benefits. Despite the fact that by ratifying the UN Convention on the Rights of People with Disability in 2010 the state has pledged to combat all forms of discrimination towards people with disability, the above example shows that the government actually generates discrimination against people with disabilities.

INEQUALITY AND BARGAINING FOR BENEFITS

Inequality in BiH is pervasive and exists not only among different status recipients but also among recipients in the same groups. Being a member of the most privileged status group does not mean that a beneficiary will have privileged

status. Indeed, many war veteran subgroups are dissatisfied with their status and benefits, as they are aware of the better status of other subgroups and their peers. The war veteran legislation is complex and encompasses not only laws but also, and more importantly, bylaws and decrees enacted at different times that grant benefits to particular war veteran groups. Some laws and decrees were temporary and implemented for only a limited period of time.¹² A war veteran's individual benefits mainly depend on the legislation under which that person's status is recognised. Hence, very often beneficiaries of the same age that spent the same amount of time in the army during the civil war and had the same military rank will have different levels of benefit. Holders of war medals are among the most privileged recipients in both entities. In both entities the presidency was supposed to give medals to the most deserving members of the army.¹³ However, the procedure for distributing war medals was never transparent (Index.ba 13.04.2019). The benefits for these groups are exceptionally high in the FBiH, where the beneficiaries receive a regular monthly benefit in addition to the war-related benefits they already receive. Moreover, there is evidence that some of these privileged benefits are still received by those accused of or condemned for war crimes (Hercegovina.info 11.05.2012).

Veteran associations play an important role in lobbying for benefits, while at the same time all of them are regularly supported from the public budget. As noted by Berdak (2015), the relationship between the main ethnic ruling parties, the veteran associations, and veterans is complex and runs both ways. Veteran associations keep the political parties in check, ensuring that the nationalist interpretation of the war remains dominant and does not fade away, and with it the understanding of their role and their entitlements (Berdak 2015, p.51). The government framework for funding non-government organisations is not clearly defined and available data on the financing of war veteran associations is dispersed across the different levels of government and its ministries, where each government institution has its own financing rules and practices. Research conducted by the Social Inclusion Foundation in BiH (2013) on government financing of the BiH non-governmental sector for 2012 found that 15.2% of the

¹² For instance, in the FBiH, three government decrees for privileged retirement of war veterans had different eligibility criteria and all were temporary.

¹³ FBiH has 5,434 holders of war medals, including 1,989 former member of the Croat Defense Council whose war medals were awarded by the President of the Republic of Croatia.

51 million EUR total allocated that year to non-governmental organisations was given to war veteran associations (ibid, p.12). According to more recent estimates, the FBiH has 1,600 war veteran associations, to which all levels of government in the FBiH allocate some 5 million EUR annually (Factor.ba, 09.08.2016). In the RS the rules are clearer, as only 12 war veteran associations are recognised as of public interest, and they receive regular government funding covering salaries and material expenses (RS Government 2018). The RS government also finances those organisations' programmes and project activities on the basis of public calls. War veteran groups are perpetually discontented. Despite having the most privileged status, only the war veterans voice their discontent publicly. In the media they are often portrayed as the most deserving because they took part in the war. They are portrayed as the ones that stayed rather than fleeing as refugees. War veterans protest especially during the pre-election period – which in BiH is every two years, as general and local elections take place at different times.

Another illustrative example is demobilised soldiers' right to unemployment benefit, introduced by the FBiH Law on Demobilised Soldiers and Family Members¹⁴ just prior to the 2006 general election and in force from January 2007 to April 2010.¹⁵ The law stipulated that all demobilised soldiers without employment had the right to unemployment benefit of 25% of the average FBiH salary for a minimum of one year. This was to be financed from cantonal employment institute funds (i.e., unemployment insurance contributions). Very quickly, given the extent of unemployment in the FBiH, many demobilised soldiers without registered employment rushed to register at their cantonal unemployment institute. Naturally, the implementation of these provisions drained all available funding and accumulated debt to the beneficiaries (FBiH Government Archive, 10 January 2009). As a result, the cantonal institutes' work on employment was mostly paralysed, not only in terms of financing but also because the staff did not have time to perform regular duties because they had to deal with demobilised soldiers on a daily basis. Changes to the law in May of

¹⁴ Zakon o pravima razvojacenim braniteljima i clanovima njihovih porodica (Law on Rights of Demobilised Soldiers and their Families), Sluzbene novine FBiH, nos. 61/06, 27/08, 32/08, and 09/10.

¹⁵ The law stipulated a number of rights, i.e., privileged pension rights, favorable credits, priority employment, and priority education for children of demobilised soldiers.

2008,¹⁶ made just a few months before the local elections, allocated 50% of cantonal employment institutes' revenue for this purpose, while the remaining amount was met by cantons and the FBiH government, and the FBiH Employment Institute financed unemployment benefit for demobilised soldier returnees to the RS and the Brcko District. Although the law was annulled in 2010, the sizable debt towards these categories is still in dispute (Audit Office for the Institutions of the FBiH 2014).

All status-based legislation is enacted without proper cost estimates, usually undermining the potential number of beneficiaries and financing costs. Another illustrative example is changes in the FBiH Law on Social Protection, Protection of Civilian Victims of the War and Families with Children (FBiH Official Gazette no. 39/06) from July 2006, enacted a few months prior to the general election, which stipulated financial benefits for so-called non-war persons with disabilities. Very loose eligibility rules resulted in an unexpected growth in the number of beneficiaries, whose rights were beyond the FBiH government's ability to pay. Until the law was changed in 2009,¹⁷ restricting eligibility criteria and halting the number of beneficiaries, the FBiH accumulated debts towards recipients that were never paid the benefits, despite the administration having decided that they should. To receive financial benefit it was necessary to be put on the Ministry of Finance payment list. This could be achieved only through the political party networks that formed the government. Those that did not have access or were denied the access were left without benefits.

CONCLUDING REMARKS

The perverse nature of social policy and social protection benefits in Bosnia and Herzegovina is explained by ethnic political parties using them to generate and maintain political support among certain population groups. Social benefits are traded in exchange for political support, especially prior to elections, which in Bosnia and Herzegovina happen every two years. Due to discriminatory

¹⁶ Zakon o pravima razvojenim braniteljima i članovima njihovih porodica (Law on Changes and Additions to the Law on Rights of Demobilised Soldiers and their Families), FBiH Official Gazette no. 27/08.

¹⁷ Zakon o izmjenama i dopunama Zakona o osnovama socijalne zaštite, zaštite civilnih žrtava rata i zaštite porodice s djecom, Službene novine FBiH, br. 14/09 (11.03.2009).

legislation and arbitrary and discriminatory implementation of legislation, inequality has become rampant and is a useful instrument of ethnic clientelist politics. Being legally entitled is not a guarantee that potential social transfer beneficiaries will receive benefits. Instead, the only way to secure benefits is to pledge political support to the ethnic political party that can deliver them.

Maintaining inequality is essential for running clientelistic politics. It is an instrument for keeping political supporters in check, where political loyalty is rewarded with higher benefits that can be withdrawn at any time if political support lapses. In both entities, Bosnia Herzegovina and Republika Srpska, there are two distinct features of non-contributory benefits that enable political bargaining and maintenance of political control. The first is that the benefits and rights granted by social assistance legislation are usually beyond the government's capacity to finance them, so that beneficiaries have to lobby, either individually or in groups, to receive payment. The other distinct feature is inequality at different levels. Firstly, there is pronounced inequality among beneficiaries that should be in the same category. An example would be individuals with a disability, who according to social protection legislation in both entities are divided into four status groups and therefore treated differently depending on their status. Secondly, because of arbitrary assessment procedures and discriminatory application of legislation, which we claim is one of the main instruments of clientelistic policy, recipients under the same law are also treated differently, which perpetuates inequality among same-status recipients. And finally, due to lobbying and bargaining, some recipients receive benefits while others with the same status do not. Hence, a favourable benefit status can only be gained through the political networks that control the administration. The most loyal adherents of the political parties in power are those with a fake status, as they can legally be stripped of their benefits if necessary.

Apart from all this, Bosnia and Herzegovina's clientelism is also complicated by ethnic divisions, which grant even more stability to the leading ethnic, clientelistic parties. War veteran groups such as war veterans with disabilities, civilian victims of war, holders of war medals, demobilised soldiers, and family and children of fallen soldiers are the most privileged beneficiaries in the entity social protection system, where each entity system provides benefits based on ethnicity and affiliation to ethnic armies. War-related benefits are generous and the recipients

are privileged compared to the other groups of recipients. What should be universal benefits, such as means-tested social assistance and some child benefits, are profoundly underfunded and have minuscule coverage due to restrictive administrative conditions, while the level of benefit is meagre and below subsistence level. Hence, the main purpose of the entity system of social protection is to extract public resources to reward ethnic and political loyalty.

Nevertheless, many of the disadvantaged who receive lower benefits are more politically loyal than their peers. Their loyalty is safeguarded by their fear of losing the benefits that they have, no matter how meagre they are. Loyalty, in spite of its disappointments, is about maintaining a long-term relationship, i.e., relational clientelism, where supporting a certain political party is an investment that is calculated to pay off not only vis-à-vis social protection benefits but also regarding public employment, employment promotion, access to scholarships, etc. Hence, reform of the social protection system by dismantling the status-based system that rewards political loyalty and replacing it with universal social benefits and services based on real need could have a decisive impact on the process of democratisation. Abolishing discriminatory war veteran legislation that grants privileged status to war veterans would enable the country to move away from the nationalist war narratives and would contribute to much needed peace-building within the country.

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