

The Second Draft of the Poverty Reduction Strategy Paper for BiH (PRSP) Executive Summary

Introduction

The new governments at different levels in Bosnia and Herzegovina are united in their resolution to reduce the poverty level. The second draft of the medium-term Poverty Reduction Strategy Paper for BiH (PRSP) is the result of a very broad consultation process that lasted eight months. The consultations were conducted in three main phases involving 15 working groups consisting of key officials and advisors of the BiH governments. Non-governmental organizations (NGOs), academics and representatives of the young people, trade unions, private sector, foreign investors and international community have also taken active participation in the finalization of the PRSP.

Successes achieved after the war

The successes BiH achieved so far are remarkable. Peace and stability have been reestablished, and the country now participates in the most important regional initiatives, including the Stability Pact and South East European Cooperative Initiative). The European Commission is currently implementing the Feasibility Study on the possibilities for initiating the negotiations on the Stabilization and Association Agreement – SAA.

Enormous efforts in reconstruction have resulted in the reconstruction of most severely damaged buildings. Almost USD 5 billion of international assistance has been provided in the form of grants and soft loans.

The general elections were held in October 2002. The newly elected governments have demonstrated their readiness to implement reforms in order to improve public sector efficiency and to promote the economic activity of the private sector. The document entitled “Job and Justice” was adopted and the “Bulldozer” initiative received support to ensure speedy implementation of the most urgent reforms. In April 2003, the new governments held a meeting in Bjelašnica and adopted the “People First” Declaration, which aims at acceleration of the reforms. The Second draft of PRSP is consistent with the above mentioned documents and initiatives.

The macro-economic stability of the country has been maintained. The private sector grew, and particularly, a large number of small enterprises were established. The prices, trade and foreign trade have been liberalized to a significant extent. Around 60 percents of small and 30 percents of large companies have been privatized. A survey conducted among the recently privatized companies shows a significant increase in the scope of production and exports, and a mild increase in employment. The Central Bank has been strengthened and the banking sector reform has progressed. Most banks have been privatized. The domestic reserves have been increased significantly. The new law on energy has started reforms that are expected to bring this sector closer in line with the EU requirements. The institutional changes have been initiated in the sector of water management to lead to a financially sustainable water supply system.

Progress has been made in public finances, which is mostly the result of an increase in public revenues which grew thanks to strengthening of the tax administration. The arrears have been reduced, and salaries and pensions are now paid regularly. The new treasury system has begun to ensure a better control of expenditures. Preparation of the Mid-Term Expenditure Framework (MTEF) has improved the budgeting process. The availability of information on public sector activities has been significantly improved. The Law on Public Service has been adopted at the levels of BiH and the RS, and its adoption in the FBiH is expected soon.

During 1999, the social sector was profoundly reorganized: the laws were adopted that reformed the social benefit scheme, particularly with regards to allocations for children and protection of the civilian war victims; in the FBiH, this was also followed by adoption of appropriate legislation at the cantonal level.

Poverty profile in Bosnia and Herzegovina

According to the assessments of the statistical institutions in the country, at the end of 2000, BiH had 3.68 million inhabitants. The Living Standard Measurement Survey – LSMS was implemented during 2002. This study failed to identify any households that fall in the category of extreme poverty, in the sense of consumption levels necessary to ensure bare survival. However, the study determined that 19.5 percents of BiH population may be classified as poor. Also, the study concluded that, according to the international standards, the level of inequalities in BiH is relatively low: as a result, the percentage of the poor is relatively small, but there is a large number of people (additional 30%) who are just above the poverty line, with very limited revenues, who are sensitive to shocks such as employment insecurity or poor health condition.

The poverty level is higher in the RS (25%) than in the FBiH (16%), which is caused by lower income levels in the RS. As a result of extensive relocations of population during the war, around 80 percents of the population now lives in urban areas. However, the poverty level is lower in urban than in the rural areas. There are some areas where the poverty is highly concentrated, often in

industrial cities or in places where there are many refugees or displaced persons. Well-targeted programs of social assistance could help alleviate poverty in those areas.

The Living Standard Measurement Survey demonstrated that the lack of education has obvious effects on poverty, which indicates that an improved access to education could be one of the main features of any poverty reduction strategy. It is surprising that a large percentage of employed people are also poor because of their low wages. This suggests that implementation of measures for increasing the work productivity might be equally important as the measures for increasing employment. Generally speaking, women are poorer than men, mostly because they have fewer chances of finding employment. Contrary to what one might expect, young people are more often poor than older people, which suggests the need to implement the measures related to increased allocations for child protection and child education. LSMS also finds that the veterans' population and other categories of war victims are above the poverty line.

The relative equality in the BiH society means that evenly distributed and well targeted government projects will have strong influence on poverty: for each percent of increase in GDP per capita the number of poor people is lower by 2.4 percent. Therefore, the poverty could be exterminated if the governments were able to allocate 3.5 percents of GDP to programs of assistance to the poor. The goal of the mid-term Poverty Reduction Strategy Paper – PRSP in BiH is to reduce poverty through improved economic growth that would benefit the poor, and through more effective targeting of public spending.

I Future Challenges

Economic growth has slowed down to the level of 3.3 percents in 2002, which is lower than in most other countries in the region, and much under six percents that was recognized by analysis as a necessary rate of growth to return to the 1991 GDP level by 2010.

Although the international aid diminishes, it still makes up around 9 percents of GDP, so any further reduction of foreign aid would cause serious problems. The country also relies to a great extent on frequent money transfers from citizens living abroad, which reach the aggregate amount of around 7 percent¹ of GDP. Public expenditures are very high (56% of GDP), while the allocations for salaries of the administration make up its largest part. More than half the companies are still state-owned. Unemployment, according to the official data, is around 41 percents. However, the unofficial sector is large (it accounts for 36% of GDP), and real unemployment is probably much lower. The trade deficit is high, which threatens the macro-economic stability of the country. The investment climate is still not good enough to attract more significant foreign investments.

There are also wide variations in the development level between the entities, cantons and municipalities. This obstructs development and presents a threat to political stability of the country. Spending on defense and security is still high. Public spending on education and health are also high. Public services are inefficient, characterized with high level of corruption. The social protection system is inadequate and ineffective and soldiers and other war victims have priority over the generally poor population. The research results suggest that there is a high degree of mutual distrust, and most people do not trust the "politicians".

Goals of the Mid Term Poverty Reduction Strategy

The main goals of the Poverty Reduction Strategy are to create the preconditions for sustainable and harmonious economic development and reduction of poverty by one third by 2007. In order to achieve this, it will be necessary to secure economic growth of 6% a year, which would result in the reduction of poverty by one fourth by 2007, achievement of the 1991 GDP level by 2010 and restoration of the creditworthiness of the country.

Membership in EU

Most activities foreseen in the medium-term Poverty Reduction Strategy Paper for BiH (PRSP) are motivated by the need to create preconditions for conclusion of the EC Stabilization and Association Process (SAP), and the epochal goal of joining the EU by 2009. The Stabilization and Association Process for BiH began in 1999, and in 2000, a road map for the accession to the EU was adopted, presenting 18 conditions that have to be met before the activities on implementation of the Feasibility Study could start; the activities on feasibility study are currently ongoing.

The demands related to accession to the EU are posed very broadly and they cover many reforms defined in the PRSP strategy. The range of issues includes, among other things: competition rules and practices, property rights, public procurement, standards, consumer protection, information security, association rights, road transport, equal opportunities, health protection and protection at work and financial services. The BiH Government pays special attention to the reforms in: economy (customs and quality assurance); crime (preventing trafficking with human beings); labor mobility (harmonization of visas). Further priorities include improvement of public finances, efficiency of public

¹ The estimate by the Central Bank of BiH suggests that individual transfers from other countries reach the level of KM 1.5 billion or 15% of GDP.

services and public procurement. The "Bulldozer Committee" assists in promoting the more significant reforms. Ultimately, the readiness for membership will be measured not only by the readiness to implement the legislative reforms, but also by institutional stability, market efficiency and broad acceptance of other requirements the membership entails.

Creating the conditions for economic growth

The recently conducted poverty analysis suggest that poverty affects people in different situations, including those who are employed, but have low wages. Therefore, the fulfillment of conditions for speedy growth in a number of economic activities is at the very center of the medium-term Poverty Reduction Strategy in BiH (PRSP). The success of the economic reforms depends on macro economic stability and stability of public finances. This will also be of crucial importance for the EU membership. The plans related to public finances have been described later in the document, in the section about macro-economic and fiscal framework. If the reforms prove to be successful, the expectation is that the economic growth rate would be around 6 percents a year, which will reduce the unemployment rate and increase profits and wages. Economic growth will also improve fiscal sustainability and reduce the dependence on international aid, providing at the same time the opportunities for continued strengthening of the financial sector and defining of the international credit ratings of the country. The following activities are the key elements of economic reforms:

- Maintenance of macro-economic stability and fiscal reform
- Promotion of business environment for domestic and foreign investments (strengthening single economic space in BiH, tax reforms, streamlining the bureaucracy, improving the registries, harmonization of legislation)
- Acceleration of privatization (of strategic companies, defining strategy for privatization of public and utility enterprises)
- Combating crime and corruption (judiciary reform, strengthening regional cooperation in combating crime, reform of government administration)
- Promotion of foreign investments and exports (tax exemptions, improvement of commodities quality control institutions, legislation required to join the EU market, full membership in the World Trade Organization (WTO) by the end of 2004)
- Integration of the labor market in BiH (elimination of all forms of discrimination, reform of the employment institutes, reform of the system for determining the minimum amount of salaries through the activities of the socio-economic councils at all levels)
- Establishing an adequate social protection system, particularly for people losing their jobs as a result of the implementation of reforms.

To achieve implementation of the listed priorities, it will be necessary to maintain low inflation during the 2004-2007 period, or, in other words, to keep the Central Bank of BiH operating as a currency board, to increase the level of domestic private savings seven times compared to 2002, double the exports growth rate, and reduce the imports growth rate by more than half, reduce the public spending from 56% of GDP to 46%, secure around USD 2 billion in new foreign investments and around USD 1.5 billion of new grants and soft loans.

Macro-economic Framework

As a part of the macro-economic framework shown in the Second Draft of the PRSP, two scenarios have been developed: the so-called "Reform Scenario", that foresees implementation of the medium-term Poverty Reduction Strategy in BiH (PRSP) and which means economic growth of almost 6 percents a year in real amounts. The second scenario is the so-called "Slow Reforms Scenario", which means that the reforms would be implemented at a slower pace which was a characteristic of the post-war period, and it results in the growth rate of 2% per year.

In the "Reform Scenario", the current account deficit, including grants, falls from almost 20% of GDP in 2002 to 9% of GDP in 2007, while the exports grow at 15% rate, and the imports growth rate falls to 5%. The intention is to achieve this through growth of domestic production that also offers the possibility of exports, and that will result in the replacement of a specific amount of imports and reduction of imports realized under donor financed projects.

The high growth rates in the Reform Scenario are consistent with the experiences from other countries in the region during the stage of consolidation of fast reforms. However, such reforms will require significant increase in domestic savings that is needed for maintaining the desired level of investments in spite of reduced international aid. The MTEF projections assume that the overall level of private investments would be increased from 10.7 percents to 14.6% of GDP, where one half of it will come from domestic sources, and one half from foreign direct investments.

Fiscal Consolidation

The Governments remain committed to public services reform in order to harmonize them with the EU norms, which would also improve the financial sustainability. This will require implementation of a wide range of legislative and structural reforms to:

- freeze the spending on salaries for public administration (which are currently at the level of around 20 percents of GDP), where all wage increases would be provided exclusively through the reduction in the number of employees
- increase the share of budget allocations for material expenditures
- ensure that 40 percents of investment financing is provided from domestic sources by 2007
- improve the planning, preparing and improving public investment programs
- ensure that the largest part of the donor financing is included in the budget
- continue the spending reductions on defense and police
- develop a more rational and equitable system of social protection
- implement the education reform that should meet the needs of a modern society
- rationalize the health sector

On the other hand, it will be necessary to ensure growth of public revenues, in parallel with the increased economic growth rate. In this context, it will be necessary to reduce the scope of gray economy. The establishment of the BiH Indirect Taxation Commission and the related introduction of VAT and creation of the single customs administration, are important goals. In the meantime, we need to continue strengthening the tax administrations as well as the State Border Service, move the tax collection point from the retail to the production and wholesale levels, reduce the number of customs houses and limit the number of border crossings for transport of goods, ensure better integration of the ASYCUDA system in the RS. In this same context, it will be necessary to:

- eliminate double taxation
- harmonize direct taxation (taxes paid by companies and income taxes)
- additionally reduce the contributions in order to encourage companies to move from informal into formal economy
- strengthen original revenues for national and municipal level
- strengthen mechanisms for coordination of public finances at different levels
- establish new mechanisms for reduction of regional differences when allocating resources between and within the entities

The medium-term Poverty Reduction Strategy in BiH (PRSP) is in line with the MTEF, which is currently under preparation, and the next revised version is expected in mid June.

PRSP identifies several areas where savings could be achieved, including: defense, police forces, rationalization of veteran programs and various savings achieved through improved efficiency in the education and health sectors, particularly at the higher levels. The savings could reach the level of KM 200 million annually by 2007. Additional savings may be expected following adoption of the legislation that will provide for a single system of public procurement in all of BiH.

International aid

A rapid implementation of the PRSP is expected to ensure fast growth and availability of international grants and soft loans that would be needed for the public spending reform and for investments. However, there are risks that may cause the economic growth not to be so high as expected, in spite of the fast introduction and implementation of the reforms. Those risks include the state of world economy and environment-related issues, such as droughts. Such external factors might cause a lower level of private savings and slow growth. In case that the governments demonstrate readiness to implement the reforms quickly, and the external factors result with a lower level of private savings and growth, then BiH will have to turn to the international community and present its increased needs for international aid.

Managing public spending.

A significant progress has already been made in improving the public spending management. The process of preparing the MTEF was started in 1999; the external auditing agencies have been established at the state and entity levels; the computerized treasury systems were put in place at the state and entity levels and are gradually being introduced to the sub-entity levels. Additional measures will include ongoing activities on revitalization of the MTEF process, to ensure that the budget planning includes all levels of governments and all off-budgetary funds that are under the influence of the government policies, continued strengthening of budgetary discipline, improvement of transparency and assumption of responsibilities in accordance with the improved reporting systems, and building extra-institutional capacities in the finance ministries and line ministries at all levels.

Foreign trade policy, membership in WTO and export incentives

The Government will continue to uphold the liberal trade regime, promote coordination within the country and move to a single system of foreign trade. The Indirect Taxation Commission will be established, with the task to, among other things, coordinate the activities in the foreign trade policy area.

The Governments will take the initiatives to ensure that the state uses all available bilateral trade concessions to the fullest extent. The full membership in the World Trade Organization (WTO) will take place during 2004.

Exports will be promoted by application of a range of measures for promotion of production, including privatization, as well as with the general improvement of business climate. There will be a necessity to adopt certain legislation at the state level for the purpose of establishing the Export Credit Agency of BiH. In addition, the measures for export promotion will include: identification of sectors where BiH has comparative advantage, increase of the excise tax on cigarettes to help finance agriculture and exports, liberalization of the electric power market, providing assistance to exporting companies in obtaining ISO certificates, promoting the advantages of new technologies and restriction of imports of old technologies. Capacities of the Foreign Investment Promotion Agency (FIPA) will be strengthened in the export promotion area.

II. Faster growth of private sector: structural reforms

A fast growth of the private sector is a critical precondition for new employment. The private sector participates in the overall GDP with only 40 percents, but its share in GDP will have to increase to 75 percents by 2007.

In that context, the following will be required:

- 1. Improve business environment for domestic and foreign investment:** strengthen the single economic space, harmonize entity laws on companies, establish the single registry of companies in BiH, terminate all forms of double taxation and harmonize the most important direct taxes, ensure continued reduction of tax rates, set up special commercial courts to achieve speedier resolution of commercial disputes, streamline the company registration process, and reduce the registration process to two weeks.
- 2. Reduce corruption and influence of organized crime:** implement reforms of government administration and judiciary, make changes to criminal, civil and procedural laws, strengthen the regional cooperation for the purpose of combating organized crime.
- 3. Attract a wider range of foreign investments:** improve the business environment, reduce corruption, strengthen the FIPA, and improve the image of the country in the world.
- 4. Speed up the privatization process:** complete the process of privatization of strategic enterprises, liberalize the PTT services and power markets, prepare strategy for privatization of the power, telecom, utility enterprises and public infrastructure sectors.
- 5. Strengthen the financial sector:** strengthen the bank supervision by the Central Bank of BiH, establish the guarantee fund to create the preconditions for increased investment in BiH companies and support to entrepreneurs (over the short term), adopt adequate legislation for more effective collection of collateral, authorize the Central Bank of BiH to issue securities and introduce the discounted interest rate for the domestic banking sector, strengthen the capital markets by issuing government bonds to ensure funds for compensate for the old frozen foreign currency savings, strengthen the micro-credit sector, ensure a better integration of the insurance market in BiH.
- 6. Integrate the labor market at the level of BiH:** eliminate all forms of discrimination in employment, adopt labor legislation at the state level, reorganize the employment bureaus, adopt the legislation that would stimulate education outside the school, reduce the level of minimum wages, particularly in the FBiH, establish the socio-economic council at the level of BiH, and activate the work of the entity Councils, introduce more stringent controls and criteria for granting of the use of rights stemming from the unemployment safety need, and particularly the right to healthcare, eliminate the mechanisms to facilitate manipulation of the years of service.

Public Administration Reform

A progress has been made through adoption of the Law on Civil Service at the level of the State and the RS, and adoption of a similar law is expected in the FBiH in the near future. The purpose of these reforms is to make the public service more effective. The reduction of public spending will have to be compensated by improved efficiency.

The activities on reduction of spending on defense, demobilization of 8000 soldiers in 2003 will continue. Financing the security forces (the police) will also have to be diminished, but this will be achieved over a longer time and with more reliance to improved effectiveness, and less on reduction of the number of staff.

Statistics

There is a need to strengthen the statistical institutions. In connection with this, the statistical institutions at the state level of the state will be merged in accordance with the decision made by the High Representative. Statistical methods will be brought in line with the EUROSTAT and IMF

standards, and a survey on household budget and labor force market will be conducted. A legislative framework for implementing a new census will be prepared.

III Sector Priorities

Social Sector

A new system of accessing unemployment benefits will be introduced for all of BiH, as well as the mechanisms of child assistance and transfers arising from the war-related rights. It will be necessary to correct injustices and equalize the rights arising from the status of the civilian victim of war with other categories of socially vulnerable. It is particularly important to define the minimum social rights at the BiH level. The reforms in this area will require the new legislation and a new data base, which will also contribute to reduction in the number of double users. The local administration of social assistance will be strengthened through increased revenues to the municipal budgets - the revenues allocated for the purpose of social protection.

The regular payment of pensions will continue, and all debts to the pensioners from the past will be repaid. Appropriate state-level legislation will be adopted to ensure improved coordination in the exercising of the right on pension insurance throughout the country. International agreements with the countries in the region will ensure more efficient collection of pensions from our citizens who had earned them outside of BiH.

The assistance to the refugees will continue. A better coordination in implementation of the assistance provided by the foreign donors will be developed, which would provide for reconstruction of 50,000 houses that are considered the highest level of priority, of the total 140,000 that are still needed for the reconstruction. All the shortcomings in the existing system access of returnees to education, health care, social assistance, pension insurance. The constitutional amendments will be fully implemented, which will lead to increased employment of the returnees.

Education

Education suffers from insufficient financing, outdated and inflexible systems that fail to meet the needs of the modern market economy. This needs to be resolved through the education financing reform that implies introduction of a transparent system of per student financing. The issues related to the quality of education will be resolved through increased teacher training, improvement of the institutional structures, reform of the curricula (to help depoliticize education), and through students' testing. The education planning will improve, and it will be put in correlation with the analysis of labor market. Private investment in the education sector. The schools will have more independence, with increased involvement of parents, employers and broader community. The agreement on the rights of returnee children will be implemented to. Teachers will receive additional training in education of children with special needs.

The rate of attendance of pre-school institutions will increase from 4.3 to 12 percents. The Government will reduce the age at enrollment into the first grade from age 7 to age 6. Although some significant saving may be achieved in primary education through improved efficiency, securing of minimum standards of primary education in all areas will require additional financing². The secondary education is at present too complex, and needs to be better related to the labor market. This would include changing ratio between the vocational schools and grammar schools from the current 80:20 to 50:50. The secondary school entry rate is low (57% in the FBiH), and will be increased to 80 percents. The responsibility for higher and high education in the FBiH will be transferred from the cantonal to the entity level, and the universities will have a higher level of financial independence. The university entry rate will increase from around 20 to 25 percents by 2006. Academic qualifications will be harmonized in all of BiH, and brought in line with the European practices. The options of a short-term and evening education will also be developed, as well as the distance learning. There will be the Higher Education Fund and the Science Fund, and the information technology will be implemented in education more extensively. The research work will be supported by tax incentives.

Health

Practically one fourth of the overall population thinks that they have a chronic disease, 4 percent believe they are seriously ill, and 22 reports on occasional problems affecting their daily activities. The life expectancy ranges between 71 and 75 years of age, which has not changed since 1990. According to the regional standards, the death rate of newborns (at the level of 14 at 1000) is low and it is expected to diminish further and reach the EU level (7 of 1000) by 2006. The main reasons for the death of newborn babies are similar as in other European countries.

Around 20 percents of those who are not poor, and 36 percents of those who are poor are not covered by health insurance. Even for those who have insurance, the coverage provided by the health care system is uneven, because many rural areas are not adequately covered by the health services

² Price of this has not yet been calculated. However, the initial data suggest that the spending on primary education in Sarajevo by far exceeds the spending in the Republika Srpska or other cantons.

network. There are several clinical procedures, and efficiency of health care institutions is low. Making additional payments has become a custom, however, such payments may not be characterized otherwise than as corruption.

An agency will be established at the state level to coordinate the health policies. Strategic health development plans (in both the FBiH and the RS) require certain modifications and need to be supplemented by operational plans that would provide for increased public participation. Financing mechanisms, defined in the Health Care Financing Reform of 1998³ will be developed and tested. This will require a better health information system, better monitoring of standard health parameters and planning of human resources. The health care funds will also have to be consolidated, and the collection rate of the health contributions will have to be improved. Health insurance coverage will increase from 78 to 85 percents, and private health insurance will also become an option.

The financing will change the focus from hospital to primary health care, which will receive at least 40% of resources and which is expected to handle 80% of the cases. The management in the clinics will also improve and primary health care will focus on the family medicine (in accordance with the Strategic Health Plan and recommendations given by the World Health Organization). Family doctors will sign contracts with the Health Insurance Funds. This will require certain retraining of doctors who will have either the role of family planning or the specialist role. The vaccination programs will continue to cover more than 90 percents of the population, and the programs of tuberculosis and cancer monitoring and HIV prevention will continue. The promotion of public awareness of health issues will receive support, both through the education system, and through the environment protection activities. The savings will be made by rationalizing hospital operations and introducing internal market for hospitals.

Agriculture and Forestry

The agricultural sector suffers from outdated and fragmented structures, and is burdened by poorly defined legislation on land ownership. Productivity is, very low in comparison with the European standards, and most farmers sell little or do not sell at all in the market. The capacity utilization is also low: the share of unused land is high and rising (one-half of arable land in the FBiH and one third in the RS are not used), while the livestock raising is in the decline and represents less than a half of the agricultural production. Regardless, the agriculture still represents 12% of GDP and has potential to become one of the main sources of economic growth and poverty reduction.

One of the most important measures that need to be implemented is identification of agricultural branches and cultures for which BiH has competitive advantage. After that, it will be necessary to secure additional financing (from an increased excise tax on cigarettes) to provide stronger support to the identified agricultural productions, which may lead to reduced trade deficit by increasing the volume of agricultural production. Resolving the land ownership issue and placing at disposal of the private sector large areas of arable land currently owned by state are also important priorities. The reorganization of cooperatives along the lines necessary for functioning in market economy is another important measure that needs to be implemented. What is ahead of us are the urgent activities on adoption and changing laws: the Law on Phyto-Sanitary Protection and bylaws on veterinary medicine, the Law on Agricultural Land and the Law on Cooperatives, as well as increasing the functional capacities of the BiH Veterinary Office to full operational level.

More than 50 percents of BiH is covered with forest, which offers one of the best development opportunities. However, the quality and effectiveness of forest management is uneven, and reforestation has been neglected. Forest inspectorates will have to be reinforced to prevent illegal cutting. Measures will be adopted to discourage exports of logs from BiH. Forest rehabilitation will require extensive reforestation activities, construction of forest roads and introduction of new management to the forestry enterprises. In both entities, the laws on forests will have to be changed and amended, together with all relevant secondary level legislation.

The Second Draft of PRSP covers the most important sector priorities in the area of information and communication technology, water resources, industry, infrastructure, energy, environment and demining.

³ Financing primary health care used a formula that adjusts the average per capita costs by sex, age, health risks and urban/rural differences. Financing secondary health care was based on individual costs per number of beds.