

Veterans' Programs in Bosnia-Herzegovina

Kendra J. Gregson

June 2000

Table of Contents

INTRODUCTION.....	1
INSTITUTIONAL STRUCTURE.....	1
LEGAL FRAMEWORK	2
BENEFITS.....	4
<i>Administration</i>	4
<i>Entitlement to Veterans' Benefits</i>	5
<i>Disability</i>	5
<i>Family Benefits</i>	6
<i>Registration Process</i>	6
<i>Beneficiary Numbers</i>	6
<i>Level of Payments</i>	7
<i>War Invalids</i>	7
<i>Family Beneficiaries</i>	8
<i>Additional Entitlements</i>	8
<i>Budget</i>	9
ASSOCIATIONS AND OTHER ACTORS	10
<i>Organizational Structure</i>	10
<i>Priority Concerns of Veterans' Associations</i>	10
CONCLUSION AND RECOMMENDATIONS.....	11
<i>Institutional Structures</i>	12
<i>Entitlement priorities and benefits provided</i>	12
<i>Financing</i>	13
ANNEX: IMF COMMENTS SUBMITTED TO FBiH PRIME MINISTER 9 NOVEMBER 1999	15

Veterans' Programs in Bosnia-Herzegovina¹

Introduction

1. Veterans, or those touched by veterans' issues, comprise a majority of the population in Bosnia-Herzegovina (BiH). There are over 202,000 direct beneficiaries of current veterans' programs in the two entities of the country, and if one considers extended family members at least one-third of the population is directly affected by veterans' affairs. Politically, it is a powerful lobby group, and well organized. Economically, veterans' benefits are one of the largest budgetary expenditures. Socio-culturally, vets are viewed as having "saved" their respective ethnicity. They are distinguished as ones that stayed rather than fleeing as refugees. Finally their sacrifice, by life or limb, is recognized by the population as something which should be compensated for, recognizing that full compensation is impossible.

2. This paper serves as an introduction to the organization of veterans' programs in BiH. It looks at the institutional and administrative structures, legal framework, beneficiaries, and programs within both the government and the third sector². It also initiates some discussion on budget implications and suggests some general recommendations to assist the reform process. The purpose is to avoid replication, repetition, and going over the same ground with the actors involved in this issue in the future.

Institutional Structure

3. For all intents and purposes there are three armies in BiH. Under the GFAP (General Framework Agreement for Peace) and therefore the BiH constitutions, there are two armies, one in the Federation (FBiH) entity and one in the entity of Republika Srpska (RS). The army in the Federation is made up of two parts the HVO (Croatian Defense Council Army) and the RBiH Army (Army of the Republic of Bosnia-Herzegovina). There is no body at the state level specifically responsible for either military or veterans' issues³. Veterans, for the purpose of this paper, refer to those individuals who fought in the war, both the recent and earlier wars, and who for some reason were released. Veterans' benefits extend beyond the veterans to their families and families of deceased soldiers.

4. Legally veterans' affairs are the responsibility of the entity. In both entities there is a separation in the government body responsible for veterans' affairs and the Ministry of Defense which also handles demobilized soldiers⁴. That said, there are some linkages with the Ministry of Defense as, for example, the benefits of HVO veterans are linked to soldiers' salaries and some of its extra-budgetary funds supplement HVO veterans' benefits. In terms of responsibilities it can be simply stated that policy development and cash benefits are the responsibility of the entities, and that the entities devolve responsibility for services to cantons and/or municipalities.

5. In the Republika Srpska, veterans' affairs fall under the auspices of the Ministry of Labor and Veterans' Issues. There are approximately 60 staff at the entity ministry. The 53 municipalities have representation for the ministry within their administration, and depending on the municipality this could include between one and twenty staff. Funding for the municipal offices and their programs comes from the municipal budget. Of note is that civil victims of war are also the responsibility of this ministry, served under a distinct legal framework, whereas in the FBiH this is the responsibility of the

¹ Extensive cooperation in the development of this paper has been received by the government bodies responsible for veterans programs, as well as the various veterans' associations.

² Third sector refers to non-governmental, not for profit and voluntary initiatives in a society.

³ At the state there is a Secretariat of Military Affairs (Stalni sekretarijat za vojna pitanja) comprised of the three military advisors to the three presidency members. This group provides a forum to discuss and co-ordinate military decisions, but the "real" power remains with the entities.

⁴ After the GFAP (1996) 425,000 soldiers were demobilized and in the Madrid Agreement (1998) the entities committed themselves to a further 30% reduction of soldiers. The entity bodies responsible for veterans' affairs are not involved with the demobilization process, although these ex-soldiers may join the various veterans' associations and/or be recipients of veterans' benefits.

Ministry of Labor, Social Policy, Refugees and Displaced Persons, as indicated within the Law on Social Protection, Protection of Families with Children and Civil Victims of War.⁵

6. In the Federation on 3 December 1999, a Ministry of Veterans' Affairs was established, based on a law restructuring the government. To date (June 2000) no minister nor deputy minister has been appointed, nor has an entity veterans' benefit law been passed to regulate the role of this ministry. Previously veterans' issues were the responsibility of the Directorate of Veterans' Affairs, which in effect comprised of one section based in the FBiH government office that focused on veterans from the RBiH army, and another branch office in Mostar that focused on the HVO army veterans.⁶ This Directorate fell under the direct reporting control of the Prime Minister and deputy Prime Minister. At the FBiH government office, officially responsible for veterans' affairs throughout the entity, there are 23 staff, 18 Bosniak, 4 Croat and 1 other. Within the Federation there are 5 cantonal ministries within the Bosniak cantons,⁷ however with the passage of this new law ministries are being established in the Croat cantons, and in the mixed cantons a person representing RBiH vets and another representing HVO vets have been identified. In addition there is representation at the municipal level in the Federation. Funding for cantonal and municipal activities and representation comes from the cantonal (or municipal) budget.

7. Veterans do have representation within parliament, particularly in the Federation where the presidents of both the RBiH and HVO Veterans' Associations are elected members. In both the House of Representatives and House of People there are standing committees which focus on veterans. The same is true in the RS. There are committees for demobilized soldiers within the Ministry of Defense in both entities, however this is viewed as distinct from veterans' issues. In terms of service structures there are no distinct institutions, for example, for veterans' health care. Instead there are institutions such as Community-Based Rehabilitation Centers for War Disabled which are accessible to both veterans and civilians, and rehabilitation centers and spas in the country which, although accessible to anyone, are primarily used by veterans. In addition there are structured associations for veterans, disabled veterans, and families of killed soldiers. These will be discussed later in this document.

8. The "real" power for veterans lies in each entity with the prime ministers' office. Veterans' influence over government priorities is illustrated by veterans being identified as a priority budget beneficiary. This means that veterans' benefits are considered first for any additional government revenues that are received during the year, beyond that which was planned in the budget. For the HVO veterans, although the decision making power rests with the deputy prime minister⁸, it in part relies on the HVO branch of the Ministry of Defense for financial support. For the RBiH vets it is directly connected with the Prime Minister. With the new institutional arrangement of the Ministry in FBiH, the minister and deputy will also have a place within the government assembly which theoretically will provide some separation in power. In the RS the prime minister also plays the key role, however as veterans' affairs are already structured within a ministry, clear direction is also provided by this ministerial office.

Legal Framework

9. As there are essentially three armies in BiH, there are also three legal frameworks for veterans. Although there are some commonalities between the frameworks, and the direction that all three sets of veterans' administrations are heading, there are also important differences due to the time frame when they were established, the influence of neighboring countries, and organization of political process.⁹ Of note is that none of the frameworks have developed any corresponding relationship with resources

⁵ For the purpose of this paper civil victims of war will not be examined.

⁶ For practical purposes although the Directorate is in name disbanded, it continues to be the primary structure through which veterans' affairs are addressed in FBiH.

⁷ There are 10 cantons in the Federation, 5 Bosniak cantons, 3 Croat cantons and 2 mixed cantons. There is no cantonal structure in Republika Srpska.

⁸ In the FBiH the prime minister is Bosniak and the deputy prime minister is Croat.

⁹ For a comprehensive comparison of the veterans' legal frameworks, note "Legislation on Social Welfare for Veterans in Bosnia and Herzegovina" (May 2000) by prof. Igor Tomes.

available, and although both entities have prioritized veterans benefits, it is clear that the entitlements outstretch the resources available.

10. In Republika Srpska the law on veterans' affairs was passed in November 1999, replacing the law passed in June 1996. It is essentially the same as the previous law, with the major exception being that the basis for determining monthly amounts of benefits was changed from the lowest labor price in the RS to the average net monthly salary of employees in RS. Within this law, veterans are to be provided with the following entitlements:

Table I: Republika Srpska Veterans' Entitlements

Soldiers	Military Invalid	Family of a Fallen Soldier
Soldiers allowance	Personal invalid pension	Family invalid pension
Pension supplement	Care and assistance allowance	Increase of family invalid pension
Permanent monthly income	Orthopedic allowance	Increase of family invalid pension
Health care and other rights in connection with health care	Health care and the other rights in connection with health care	Health care and the other rights in connection with health care
	Mobility and other aids	
	Hot springs and climatic medical treatment	
Free and privileged transport	Free and privileged transport	Free and privileged transport
	The right to import personal car	
Employment priority	Employment priority	Employment priority
Priority in resolving housing issues	Priority in resolving housing issues	Priority in resolving housing issues
Tax and customs relief	Tax and customs relief	Tax and customs relief
Assistance in the case of death		Reimbursement of the cost of raising a tomb-stone of the killed soldier
Food and accommodation allowance	Food and transport allowance	Food and accommodation allowance
Double length of social insurance	Professional rehabilitation	
Participation in privatization	Participation in privatization	Participation in privatization

11. Currently there are 2 separate legal frameworks in FBiH. In the RBiH area the law from the former Yugoslavia, written in June 1986, was accepted as RBiH veterans' framework in June 1994 under a law confirming decrees with the force of law. This law deals with military disabled (war and peacetime), members of the families of fallen soldiers and family members of military disabled. In September 1995 a law for additional material provision (referred to as the IMO) for RBiH veterans was passed, in order to compensate for the low financial benefits provided at that time under the initial law.

Table II: RBiH Veterans' Entitlements

Military Disabled	Family of a fallen soldier
Personal disability pension	Family disability pension
Allowance for care and assistance by a 3 rd party	Increased family disability pension
Orthopedic device	
Permanent disability allowance	Permanent disability allowance
Health protection and financial compensation in connection with using health protection	Health protection and financial compensation in connection with using health protection
Spa or climate medical treatment	
Free or subsidized transportation	Free or subsidized transportation
Compensation for food and board during the travel or stay in another place	Compensation for food and board during the travel or stay in another place
Right to a passengers' automobile	
Additional material provision (IMO)	Additional material provision (IMO)

12. In the HVO area of the country the basic legal framework for vets was passed October 1994, amended in June 1995. The entitlements outlined in this law are as follows:

Table III: HVO Veterans' Entitlements

Military Disabled	Family of Fallen Soldier
Personal invalid pay	Family invalid pay
Allowance for care and assistance by another person	Increased family invalid pay
Orthopedic allowance	
Special supplement	
Spa and climatic medical treatment	
Support to cover medical treatment costs and purchase orthopedic aids	
Children's allowance	Children's allowance
Free and privileged transport	Free and privileged transport

13. In FBiH there is a draft veterans' law. This law is still in dispute between the two current administrations in the entity. The key issues, as outlined by the two administrations, are whether there is an option to access funds outside of budget resources for the provision of benefits, and whether the base for determining benefits is the average military wage or average FBiH wage. This law would supersede the current legal frameworks of the HVO and RBiH veterans' including the RBiH IMO law.¹⁰

Benefits

14. Eligibility for the entitlements in all three systems is tied to preconditions such as level of bodily damage which resulted from the war or related illness. The process for obtaining these benefits is outlined below.

Administration

15. In Republika Srpska veterans' benefits are centrally managed within the Ministry of Labor and Veterans' Affairs, with the budget coming from general entity revenues. The financing required for these benefits is calculated within the Ministry, by a department based in Pale. This information is forwarded to the Ministry of Finance, which transfers money to a sub-account of the ministry, which then passes this to a municipal account, and finally to the individual. The Ministry of Labor and Veterans' Affairs provides the Ministry of Finance with a clear indication of expenditure requirements and spending. The Ministry of Finance directly distributes contributions for the veterans, such as health insurance, to the corresponding Fund. Veterans may also obtain additional benefits from the municipal level, depending on resources available in the municipality. The government has identified veterans as a priority budget beneficiary, indicated both in the amount of money allocated to veterans' programs and by indicating that veterans benefits are the first priority for any funds received during the year that are above those budgeted.

16. In the Federation, in effect there continues to be 2 seats for veterans' administration, in Mostar and in Sarajevo. Each office keeps its own records of beneficiaries and benefit levels, with little communication between the two offices. The finances allocated to veterans' benefits from the general revenues of the FBiH budget are divided 75% for RBiH veterans and 25% for HVO veterans. Funds go to the FBiH directorate's account for RBiH and a separate sub-account has been set up within the HVO account for the HVO veterans. The total amount therefore does not go through the directorate. Now that a ministry has been established it is hoped that this irregularity will be resolved. Global budget requests from the 2 seats of the directorate (now ministry) are received each year, with little feedback or follow-up on expenditure. As in Republika Srpska, veterans are a priority budget beneficiary, and the amount allocated is determined at the level of Prime Minister and deputy Prime Minister.

17. Resources for HVO veterans' benefits have in the past been supplemented by the HVO defense budget. Croatia supported the HVO army in 1998, for example, with about 680 million kuna

¹⁰ See attached annex from the IMF for a more detailed discussion on this draft law.

(approximately 172 million KM). This money has been going directly to the HVO army, and not through the FBiH budget. Although veterans are not necessarily its primary objective, it has supplemented the financing received from the FBiH budget for HVO veterans' benefits as required. An agreement between Croatia and FBiH, signed 8 May 2000, states that requests for financing from Croatia will be channeled through the FBiH Standing Committee for Military Matters. This agreement will be in force until the end of the year and amounts to approximately 75 million KM to be used exclusively for the salaries of Croat officials, army members, and officers within the Ministry of Defense and the FBiH Army.¹¹ There are two important elements in this. Firstly it promotes a greater degree of transparency in the relationship between the Croatia and FBiH. Secondly it introduces a significant reduction in financing and therefore suggests that some reassessment of priorities must occur.

18. In the RBiH area the cantonal governments may provide resources for additional benefits and programs, as well as fulfilling their responsibilities in terms of veterans' services. In the HVO area, previously there was no administration at the cantonal level. With the establishment of a ministry, cantonal spending is expected to increase as indicated in the Livno canton 2000 budget which allocated 100,000 KM from its 35 million KM budget to the newly formed cantonal veterans' ministry.¹²

Entitlement to Veterans' Benefits

19. Within all of the veterans' schemes, beneficiaries include both veterans and families. Within families the benefit may extend from support to a child of a disabled veteran, to support for the family of a breadwinner who was killed during the war. All of the legal frameworks clarify that the benefit is extended to those who participated/supported the respective army, and all three frameworks make reference to veterans from other wars during the 20th century. Generally this leaves no gaps in terms of the military groupings, with the exception of those who were part of (by conscription or choice) the Autonomy, or military associated with Fikret Abdic previously headquartered in the municipality of Velika Kladuša, in the northern part of the now Una-Sana canton.¹³

Disability

20. Similarities between the 3 systems of beneficiary identification can be found in the categories of disability. There are 10 categories, with 1 being equated with 100% disabled. Each system has its own medical commission for determining the level of disability, and these commissions only serve veteran invalids. The level of disability is based on a medical assessment, not on the ability of the person to work. Therefore a disabled person who can work, or is working, receives a personal invalidity benefit, although access to additional benefits is more limited. Discussions indicate that the standards for determining the level of disability are comparable across the three systems (with the exception of the RBiH IMO law where a military medical commission determines the persons' eligibility based on his/her inability to fight), however a clear indication of the differences has not been forthcoming. This system of 10 categories is also used by other benefit schemes in the country to determine the level of disability, although in the other schemes only those with over 60% disability receive a cash benefit. All veterans' systems distinguish between those with 100% disability who require care of another person, and those who do not. None of the systems explicitly require the beneficiary to be re-evaluated, however there is an option for the medical commission to specify that a re-evaluation must take place within a specified time period.

¹¹ As reported in ONASA 4 May 2000.

¹² As reported in ONASA 3 April 2000. This refers to the budget planned for 2000, which as a whole was increased 390% from 1999.

¹³ There are between 200-300 families of killed soldiers, and 30 paraplegics in this group. Between 100-200 invalids have tried to register for veterans' benefits but have been refused. Those associated in any way with the Autonomy are also often refused other services and benefits, such as support under social assistance schemes and health care. Various abuses, particularly within the primary school system, have also been documented.

Family Benefits

21. As for the family benefits, in all systems a benefit is provided to families that lost their primary breadwinner.¹⁴ This may include the person's spouse, children, parents, and/or grandparents, for example. The amount of financing depends on a system of kinship lineage and distance from the person who was killed, as well as on indications (usually determined by past residence) of the deceased's responsibility to the family. In both the RS and HVO law, families of missing soldiers are considered eligible for benefits. In the RBiH framework, however families of missing soldiers are limited to the earlier wars, and not to the recent war.

Registration Process

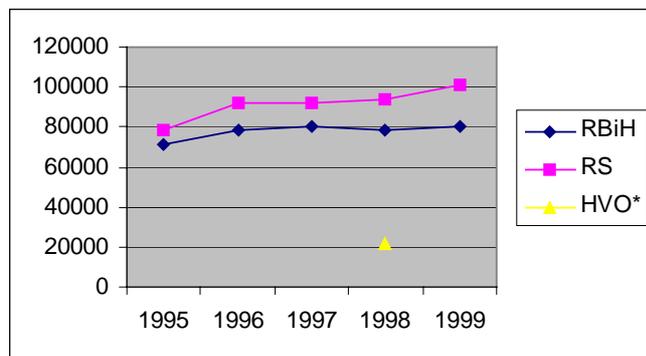
22. To obtain the benefit, the family or individual must be in direct communication with the appropriate offices of the veterans' ministries, and documents illustrating eligibility provided. For example, for family benefits, proof that the person died or is missing is required, along with proof of military participation and relationship to the deceased. In the case of invalid benefits, the person must present documentation from the medical commission indicating the degree of disability, along with documentation on their service record. In general, contact with the military brigade is required in order to receive some of the documents. The associations may also be able to assist with some of these procedures. In the end however, the onus is on the family or individual.

23. Of clarification is that in some RBiH areas, during the war, there was a branch which were HVO soldiers serving under RBiH forces. Due to the potential for duplication of benefits, it has been stated that lists of beneficiaries were compared within the FBiH directorate, as well as in more detailed form in the Herceg-Neretva canton (Mostar).

Beneficiary Numbers

24. Surprising are the changes in the number of beneficiaries since the end of the war. Although shifts in numbers would be expected immediately following the war, it would also be expected that these changes would have begun to level off by now. Instead there was an overall increase of 9,000 beneficiaries from 1998-1999.

Table V: Beneficiaries for each Veteran Program



	1995	1996	1997	1998	1999
RBiH	70,833	78,668	80,096	78,240	80,140
RS	78,665	92,076	92,122	94,182	101,003
HVO*				21270	

*Information on HVO beneficiaries is not available for subsequent years.

Source: Veterans' Ministries/Directorates in BiH

25. This increase suggests that there may be some issues with the registration process for veterans' benefits. In the RS in 1998 for example there were 36,592 invalid veterans and in 1999 there were 39,616, indicating an increase of 3,024 people, many in the higher categories¹⁵. Overall in the same

¹⁴ There are no time limits placed on eligibility, so if a person was injured during the war and later passed away due to these injuries the family may be eligible for a benefit under this law.

¹⁵ In 1998 there were 327 veterans in category 2 invalidity, indicating an increase of 1,144 in 2 years.

period the numbers increased by 6,000. In the RBiH program in 1998 the number of beneficiaries decreased by 2,000 people to then return to approximately 80,000 beneficiaries the following year. This in part may be explained by veterans accessing medical services in other countries and then returning to BiH, and the increase in number of family beneficiaries due to the excavations of mass graves. Data on the age of the beneficiaries is required to develop a more comprehensive understanding of beneficiary trends. In the RBiH veterans' system 35% of the beneficiaries are under 30 years of age, 27% between 30-40 years of age and 15% are over 50.

Level of Payments

26. As mentioned, the level of entitlements indicated in all legal frameworks is beyond the capacity of the government to pay. All three systems are hampered with arrears, and although there have been some adjustments to deal with this, little systematic planning has been carried out to address it as a long term issue. In the FBiH for example, the veterans' administration knows at the budget planning stage that there will be arrears, and deal with it by simply not paying some of the months. In RS the focus is on war invalid payments, with the other benefits being addressed if there is additional money. The budgetary negotiations' tactic is that it is better to have larger entitlements and therefore have a platform to lobby from when there is money in the coffers.

27. The HVO veterans' system for example may only be two months behind in the benefits paid, but there are previous months when they were only able to pay part of the full benefit owing. Some entitlements are tied to unemployment, benefits from other sources, and household income. For the family benefit it is limited to one per co-beneficiary, and by the age of child. Regardless the base is determined as 160% of the average monthly salary, with the monthly amount for the first category of invalidity determined within the Mostar branch of the directorate. An additional issue in the financing is transparency. As the benefits have been supplemented by the HVO, the information system appears to reflect the total benefit rather than being able to account for financing coming from the FBiH budget distinct from the HVO budget.

28. The benefits in the RBiH system are based on the average monthly personal income in the FBiH for the previous year increased by 52%, as indicated in the law. Within the IMO or law on "Exceptional Material Support", benefits are based on the full average salary of the preceding month, and can equal up to 2.5 average salaries. In both instances the base has been frozen since May 1996. The IMO benefit is the largest single item within this scheme, with one-third of the war invalids and 35,000 family beneficiaries receiving this benefit. This benefit equals 257 KM per person or 12.4 million KM every month. Like the HVO veterans administration, they were only able to pay for ten months in 1999.

29. The RS benefit is now based on the average wage in the RS increased by a coefficient of 2.74. This is different from the previous base of the minimum wage increased by the same coefficient. This resulted in a drastic increase in financing required with the 1999 budget being approximately 72.6 million KM delivered and the plan for 2000 being 194 million KM. More specifically the monthly expenditures for December, when the law was passed, increased by approximately 3 million KM in comparison with the November expenditures.¹⁶ It should be noted that in the RS civilian victims of war and their families are covered as well as soldiers, and any comparison of expenditures between the 3 systems needs to take this into account. In 1999 for example this group accounted for approximately 3.3 million KM of the total budget.

War Invalids

30. The following table presents a comparison across the system of the level of benefit available to war invalids in all three systems. Of note is that this table only indicates one type of benefit, and the majority of those listed would receive additional cash assistance through other categories, for example

¹⁶ Pensions for families, for example, increased 1.8 million KM from November to December.

a carer's allowance, orthopedic aids, IMO. The exception is the HVO vets for which detailed information on the additional benefits provided, distinct from the disability benefit, is not available.

Table V: Personal Invalidity across each Veteran System (1999)

	RBiH Vets		HVO Vets*		RS Vets	
	# beneficiaries	KM/month/beneficiary	# beneficiaries	KM/mos**	# beneficiaries	KM/month/beneficiary
1	503	213.00	210		611	197.60
2	1,299	155.00	225		1,471	133.80
3	992	118.00	230		1,082	109.10
4	1,698	86.00	545		2,468	75.60
5	3,651	62.00	926		3,858	52.90
6	4,668	50.00	1,156		6,396	32.70
7	4,060	50.00	3,450		5,808	24.80
8	5,184	50.00	2,213		6,905	16.10
9	5,912	50.00	1,875		7,310	14.20
10	5,182	50.00	1,944		3,707	13.30
	33,149		12,744		39,616	

* Data for HVO vets is for 1998.

**The average amount per month for invalid benefits in the HVO system is 700 KM.

Source: Veterans' Ministries/Directorates in BiH

Family Beneficiaries

31. Besides the veterans who receive an invalid pension there are family benefits for those who have lost their primary wage earner. There are approximately 8,496 families in HVO area that receive benefits, of which payments average 700 KM per month, therefore a total monthly expenditure of 5.9 million KM. In RBiH there are approximately 87,803 beneficiaries and co-beneficiaries with a total expenditure of 13.5 million KM per month.¹⁷ And in RS there are approximately 55,704 beneficiaries who benefit from provisions for families, at an average of 45.99 KM per person per month.

Table VI: Family beneficiaries and average benefit (1999)

	# beneficiaries	average benefit per beneficiary (KM)
RBiH	87,803*	210
HVO**	8,496***	700
RS	55,704	46

*Total number of beneficiaries and co-beneficiaries, within 46,225 families.

**Data for HVO is from 1998.

*** It is unclear from the information provided whether this refers to the number of families or whether it includes both beneficiaries and co-beneficiaries.

Source: Veterans' Ministries/Directorates in BiH

Additional Entitlements

32. As noted earlier, additional benefits may be provided to the beneficiaries such as a benefit according to war medals, carer's allowance, orthopedic aid, and health care support. To provide some indication of what these other benefits cost, the average disability allowance in RBiH is 61.8 KM but once other allowances such as orthopedic benefits are included the average rises to 73.6 KM, and if the IMO is included as well the is 176.4 KM per month. The same is for family beneficiaries who may receive 33-65 KM per month, but with the additional benefits the average is 261 KM for the beneficiary and 153 KM for the co-beneficiary per month.

¹⁷ A carrier of family invalidity receives 65 KM per month while a co-beneficiary receives 33 KM. Once the IMO and other benefits are included the average benefit increases to 261 KM for a beneficiary and 153 KM for a co-beneficiary.

Table VII Average benefit per all types of beneficiaries per month (1999)

	RBiH	HVO*	RS**
# beneficiaries	80,140***	21,270	101,033
Average cash benefit/ month (KM)	218	700	42.50

* Data for HVO vets from 1998.

** Includes civil victims of war.

***Invalid beneficiaries and number of families

Source: Veterans' Ministries/Directorates in BiH

Budget

33. The total budgeted for veterans in the FBiH for 2000 is 258 million KM, up from the 210 million KM realized in 1998. This budget amount does not reflect the additional support provided by Croatia. A quick calculation however provides some indication of additional Croatian support for the previous years. Based on the average monthly benefit of 700 KM for both families and disabled beneficiaries, (21,240 beneficiaries), 14.9 million KM per month would be required, distinct from the 52.3 million KM actually provided from the FBiH budget to cover ten months of HVO veterans' benefits in 1998.

34. Information on cantonal budgets are yet to be gathered, but for example in Sarajevo last year the ministry spent over 50 million KM on veterans' programs, over the 35 million KM which was originally budgeted. This money was spent, for example, on employment programs, education for children of invalids and families of killed, city transport, health care and rehabilitation. In some cantons financing was provided for house construction for families of killed soldiers¹⁸, and there have also been programs from other branches of government such as family planning programs for paraplegics.¹⁹ Cantons/municipalities develop programs as indicated by the priorities which they identify locally, and within the resources available locally. Due primarily to the resource issue, in some areas no programs are available.

35. In RS the 1999 budget approximately 72.6 million KM was delivered and in 2000 the plan is 95 million KM. In the RS some of the municipalities also provide support to veterans, such as Banja Luka where 481,000 KM is allocated for 2000 of which 410,000 KM is for medicine and rehabilitation. In addition some business provide cash support to families of killed soldiers who previously worked for the firm. This compensation takes many forms, such as the continuing payment of the veteran's salary to the widow, or providing scholarships for the children.

Table VIII: Budget expenditures (in million KM)

	1998 (expenditure)		1999 (expenditure)		2000 (planned)	
	FBiH**	RS*	FBiH**	RS*	FBiH**	RS*
vet budget	209	40	210	72.6	258	95
total budget	779.8	494	800.5	765.8	940	1,085***
%of budget	27	8	26	9	27	9

*Also includes civilian victims of war, but does not include municipal support.

** This amount is divided 75% for RBiH veterans and 25% HVO veterans, and does not include support from sources outside of the FBiH budget.

*** Of which 610.1 million KM is distributed locally and the rest is from donors and credits.

Source: Veterans' Ministries/Directorates in BiH, Entity Ministries of Finance

36. As noted there is an increase right across the board on the amount available for veterans benefits, although the percentage allocated is more or less constant. In the RS the budget is increasing between 1999 and 2000 at the same time as the locally gained sources of revenue are actually expected to decrease. In the FBiH the provided figure does not include the extra funds which in the past have

¹⁸ Such as Konjic, as reported in ONASA 20 March 2000, and in Bijeljina as reported in ONASA 28 March 2000

¹⁹ As reported in ONASA 27 April 2000

been provided by Croatia. Regardless the veterans' budget accounts for over one-quarter of the entire budget in FBiH and in the RS of the locally gathered resources veterans' benefits account for about one-sixth of the budget.

Associations and Other Actors

Organizational Structure

37. Citizens' associations are parallel to almost every part of the public sector. There are for example pensioner's associations which are parallel to the pensioner's fund and which in the past had a role in the management of the pension fund. Veterans associations are no different, and the one formed after earlier wars, called Subnoar, continues to be active in the Bosniak part of the country. Like the legal and administrative frameworks, there are three "groups" of associations in BiH, and within the FBiH each "group" is further broken down to an Association of Invalids, Association of Families of Killed Soldiers, and a Veterans' Association. These associations often lobby the government to provide more support for veterans. Of more importance, they receive some financial support from the veterans' budget allocation,²⁰ sometimes assist with the determination of budget allocations within the cantonal ministries, and may have a role in contributing to the design of future government programs or/and keeping track of actual beneficiaries.

38. In the RBiH areas the three associations have entity structures, plus cantonal offices and municipal offices. The entity office primarily deals with the Directorate/Ministry of Veterans' Affairs for the Bosniaks. This office has elected representation, as determined at their assemblies. The cantonal and municipal offices primarily work with the government and beneficiaries at this level. These local offices have some independence such that they can respond to the needs of the constituents in their area. In the HVO areas there are entity structures, plus municipal offices. There are no cantonal offices, which in fact reflects the organization of the veterans' directorate previous to the new law, which did not have cantonal offices. In both cases the Association of Veterans' may be seen as the overarching association in that members of the other associations are able to join. In the Republika Srpska there is one association of veterans, and within it there are two sub-groups which deal specifically with the disabled veterans and families of killed soldiers. The association also has a municipal structure and in some areas these have established clubs for veterans who were members of a particular military unit or for veterans working in a specific place of employment. In addition there are a couple of other associations such as Sloga in Banja Luka and associations of families of killed soldiers in Banja Luka and Visegrad. The associations in the country do have some limited interaction, mainly within the World Veterans' Association, with its office in Paris, of which all three Veteran Associations in BiH are members.²¹

39. There are other third sector organizations which should also be noted. These associations do not specifically target vets but, by nature of their objectives, include them. For example there are disabled sports associations and clubs, such as SPID, which target those with mobility issues. There are also organizations that target accessibility issues, such as the Center for Self-Reliance (Centar za Samopouzdanje). There is a FBiH Coalition for Equal Rights of Disabled People, and Landmines Survivors Network also has a BiH branch. Both of these groups have a civilian focus to their mandate, however the issues addressed may also affect veterans. Many of these groups are active in the FBiH, whereas in RS these types of organizations do not appear to be as numerous.

Priority Concerns of Veterans' Associations

40. There are five main concerns of these groups: benefit levels; property; employment; health care and post-traumatic stress disorder; and accessibility. The issue of benefit, as is the case with similar

²⁰ In the Banja Luka municipal budget for 2000, for example, 71,000 KM was allocated as support for the veterans' association.

²¹ In both 1999 and 2000 the international conference of the World Veterans Association took place in Croatia and was attended by members of all of the BiH veteran associations, including the associations of disabled veterans and families of killed soldiers.

groups after a war, focuses primarily on the level of cash assistance and the wish to raise this amount. It also raises concerns about revisions in eligibility and levels of disability. In RS however this concern about benefit levels is not as prominent, with the focus lying more on other issues.

41. Property issues are key. This is a general issue across the country, with the return of displaced people and refugees resulting in the potential for occupants of houses to have to find alternative accommodation. Soldiers and veterans may be displaced and unwilling or unable to return. They may also have received property from the government during or shortly after the war, based on their activities and participation in the army, for example. Adaptations to their new homes may have been made to accommodate a disability. If the original resident of the home returns, some may be required to leave their current residence, but alternative accommodation is not necessarily available. As mentioned previously, some municipalities are trying to address this issue by building new homes.

42. Employment is also an issue across the country, illustrated by the high unemployment rate in BiH. Veterans and families of veterans are prioritized for employment, however the associations do not think this is enough. Solutions suggested by all of the associations focus on the development of priority employment schemes for vets such as micro-credit schemes targeting vets at preferred interest rates, and creation of businesses with a specified quota of veterans to be employed.

43. Health care concerns focus primarily on post-traumatic stress disorder and orthopedic aids. PTSD has been highlighted by the HVO associations, which conducted a survey of their members. This survey indicates that 34% of their members suffer from this disorder, and it is probably valid to assume that this is prominent among the veteran population as a whole. PTSD has received very little serious attention by the entity veterans' offices and health system, with most care being found within the broader NGO community.²² Orthopedic aids are limited in the country. There are few options, and few places to repair aids and even to buy parts. Much of the initial provision of aids came from the international community. Access to the market appears to be restricted, or such is the experience of the disabled community. In such a situation the access of the user to the manufacturer is difficult, so for example, the focus of prosthesis is on appearance, rather than the socket which is of the most concern to the user.

44. The final area is accessibility. This includes access to buildings, being able to maneuver in the street with a wheel-chair, respect for the clearing of wheel-chair ramps. It is an issue in the elections, as the procedures for those with special needs to be able to vote are difficult to understand and not widely publicized. Accessibility is viewed as something which the governmental sector needs to address, but also an area that requires extensive public awareness.

Conclusion and Recommendations

45. With 202,000 direct beneficiaries of entity veterans' programs in BiH this group is a powerful lobby group. There needs to be a recognition within the system of the role which this group played in the country. This requires that the institutional structure is such this population group receives the attention it deserves. It also, however means that a distinction needs to be made, within this area, as with others, of the importance of receiving benefits and not just being entitled to them. Within this system described therefore, there are three initial issues to be addressed:

- Institutional structures
- Entitlement priorities and benefits
- Finances

These issues cut across all three veterans' systems. Although it is probably not possible to think about unification of the three systems at this point in time, due to the recent legacy of war, the reform process must begin to think about the issues in a harmonized manner.²³

²² PTSD is a psychiatric disorder that is normally dealt with within a hospital setting. PTSS is a syndrome that may be dealt with in medical and non-medical setting. It is unclear whether a distinction was made between the two in the survey mentioned.

²³ The attached annex of comments from the IMF provide some more radical approaches to the reform of the veterans benefit system in the FBiH.

Institutional Structures

46. The institutional framework as it is currently, is based on the military structure, with each veteran program being linked to a particular army. There is little communication between the three systems, from either a practical nor a policy level. Communication is also limited with other ministries who are to support veterans such as the ministries of finance, and the municipal and cantonal bodies which are supposed to provide services from within their own resources.

47. The policy and legal reform process therefore has two components, one based on the relation of the benefits to the resources available (to be discussed later) and the second in terms of the relationship between the three systems. Although unification at this point may not be possible, nor should this be the focus of any veterans' benefits reform process at this time, harmonization in the types of benefits provided and the types of beneficiaries served may be considered.

48. Recommendations:

- To analyze the legal frameworks (including the IMO law) in order to identify the discrepancies and similarities between them, aiming to identify ways in which the legal frameworks can be harmonized to serve veterans in all three systems based on similar criteria.²⁴
- To create an environment, possibly beginning simply with round-table discussions and workshops, under which all three systems are able to communicate with each other on policy related matters and future policy developments.

Entitlement priorities and benefits provided

49. With the socio-cultural aspect of the issue, a clear separation between military and civilian rights has not been recognized. For example, recently there was a protest in front of a micro-credit organization demanding that the vets not only receive preferential treatment for receiving loans but also on the repayment structure. The Coalition for Equal Opportunities for Disabled Persons, has focussed its attention of the differential treatment of civilians who were disabled during the war and those who are disabled due to other means, however have not considered military disabled as within their mandate. In RS the response to this is interesting by serving civilian victims of war within the same ministry as veterans. But the issue is the same, how to compensate for a loss and service, without engraining distinct entitlements through all aspects of life.

50. In order to look at priorities a clear indication of need is required. The current system is based on categories, and yet this may not accurately reflect those most in need nor serve the beneficiaries effectively. As indicated the numbers of beneficiaries and the increase over the past few years raises questions about the system used in identification. It is unclear how comparable the systems are for identifying veteran invalids with the IMO in the RBiH clearly illustrating the distinctions made between fighting ability and other medical criteria. As noted additional information, such as the age of beneficiaries, is required to develop a mid- to long- term focus. There is also no breakdown by gender, although it can be assumed that the majority of veterans are male as women were not mobilized to front line during the war. This does however, bring the question back to the issue of putting veterans issues within the framework of the governments' broader social protection priorities, where other members of society may have larger needs, yet are not being served due to lack of resources. Finally the extended kinship chain used for family co-beneficiaries may also be beyond what can reasonable be expected within a veterans' benefit scheme.

51. The primary element of veterans' services at the entity level is cash benefits. In the long term, for most of the veterans reintegration into society is the key goal. This includes employment, health, property, and accessibility, as indicated by the veterans' associations. Currently in FBiH what may be viewed as most important element of serving the veteran population is located at the cantonal or

²⁴ The paper "Legislation on Social Welfare for Veterans in BiH" (May 2000) by Igor Tomas is a base from which this can be further developed.

municipal level, where there are large differences in resource availability leading to “patchy” solutions to the issue. In RS the focus has been almost solely on cash assistance, with limited resources for other programs.

52. Recommendations:

- To further assist the veterans' administrations in the compilation of administrative data of their users, and provide assistance to the ministries in increase their ability to use this information as a basis for further reform of their system.
- To develop strategies to support the integration of veterans into mainstream life by shifting some of the programs focus from cash assistance to services, particularly for those with under 60% invalidity.
- To examine the methodology for identifying program beneficiaries (war veterans, peace-time veterans, invalids and families) in light of overall social protection schemes, making a clear distinction between what may be a “legitimate” benefit for a veteran and what needs may be more appropriately met within other social protection programs.
- To do a comparison of the criteria used to determine disability in all three systems, aiming at harmonization. This comparison must also take into account the identification systems for other types of disabled people in the country.
- To explore ways in which the beneficiary assessment process can be integrated across the social protection system, in order to promote both efficiency and effectiveness. For example, forming one “commission” for assessing disability, be it for a civil victim of war, a work invalid, a war invalid, or a social assistance beneficiary.
- To develop mechanisms to inform the public about veterans' issues in the context of the overall social protection strategy in the country.

Financing

53. Finally there needs to be a clearer division of responsibilities and transparent movement of finances. In terms of the FBiH relationship between the two parts of the ministry, and the ministry of finance, the concerns are obvious, and hopefully will be solved in part with the agreement between Croatia and the FBiH and the formation of a unified ministry. However beyond this, benefits seem to be given with little co-ordination with the appropriate corresponding ministries.²⁵ Current policy developments are carried out with little co-ordination with the Ministries of Finance, and little real understanding of the amount of resources available. With the lack of resources, the concerns of the veterans associations should be carefully considered to ensure that whatever money is available is used where it is most required.

54. Beneficiaries of veterans' benefits may also have access to other social protection schemes. Some of them may be active, or potentially active in the labor force. As noted reintegration into society and the possibility to work is highlighted as a priority area by the associations. A suggestion, therefore, is to provide for those with under 60% invalidity with a lump sum payment equivalent to 12 or 24 months of benefits. This would provide the vets with some capital to, for example, start their own business. This would also in the longer term remove them from the public books. In RS, for example, this would add up to a saving of approximately 7.5 million KM per year. In the RBiH areas this would be 1.25 million KM per month or 15 million KM per year. Considering that the HVO average benefits are about 75% higher than RBiH it can be assumed that in HVO areas the savings would be about 2.2 million KM per month or 26.4 million per year²⁶. In total a saving of almost 50 million KM per year. Considering the additional benefits available to these beneficiaries, the total for such a reform is possibly double that which is indicated. This same program could be optional for other categories of veterans including families.

²⁵ A more complete explanation of the cross-transfer of funds can be found in the report by Mike Whippman “Social Protection Spending in BiH” November 1999.

²⁶ In the case of the HVO veterans the figure indicated is based on their current system which does not separate from the FBiH budget resources and other sources. Therefore this amount of savings would not be made on the FBiH budget but probably a savings slightly higher than RBiH vets.

55. Providing regular cash benefits to only those with over 60% invalidity would bring the veterans' programs in a more comparable position with the civil victims of war programs which only provide regular cash benefits to those with this level of injury. Reforms such as this should be carefully considered so that the issues are solved rather than patched over, with little support to promote integration of the veterans into society and limited support for those who are most in need.

56. Recommendations:

- To require that clear accounting practices are in place for the accounts of the entity budgets.
- To introduce systems for budget requests and spending which are transparent and accountable to the Ministry of Finance.
- To consolidate cantonal and municipal spending on veterans benefits such that the ministries have a clear idea of the needs identified at the local level and a more complete range of information from which to make policy decisions.
- To further assess the possibilities of providing a one-time lump-sum cash benefits to those with less than 60% disability in order to promote their reintegration into society.

ANNEX: IMF Comments submitted to FBiH Prime Minister 9 November 1999

FEDERATION OF BOSNIA AND HERZEGOVINA: DRAFT LAW ON VETERANS' AND THEIR FAMILIES' RIGHTS--COMMENTS

The present comments aim to address the flaws of the draft law based on the principle that **the law should achieve the following goals:**

- I. Recognize and honor the sacrifice made by soldiers who gave their life or have become disabled, albeit with the understanding that such sacrifice cannot be truly compensated for.
- II. Compensate the loss of income-earning capacity due to disability acquired in fighting during the war, as well as the loss of financial support of a family member who died fighting in the war or as a consequence of fighting in the war.
- III. Provide government coverage of the most basic needs of disabled veterans, their dependents and the dependents of soldiers killed in action in all those cases where they are unable to otherwise secure a minimum of living standards.
- IV. The goal under III is an obligation under all circumstances, but the observance of the goals under I and II are subject to resource availability.

In keeping with these four goals, the provisions of the law should be altered as follows:

(1) All **references to military non-war related invalids should be dropped** from the present law. The military may wish to grant its members privileges over and above those granted by the Pension and Disability Insurance Law (Pension Law), but this is an internal military matter and should be financed from the military budget. Accordingly, after defining the term "military war invalid" in the first paragraph of Article 3, paragraphs 2 and 3 of this Article should be dropped and all references to "military invalids" throughout the law should be replaced with references to "military war invalid" or, if referring strictly to military non-war related invalids, they should be dropped.

(2) The **entire Section X of the law (Other Rights)**, covering the right to non-pecuniary benefits such as priority in employment and rental of business premises and the right to free housing, **should be dropped**. Such privileges are excessive and easily subject to abuse. The Federal law may allow for the possibility that local and cantonal governments grant such privileges, but in that case it should also provide safeguards against their abuse. At the minimum, the IMF would insist that such privileges be timebound, granted for at most another year or two.

(3) The **structure of pecuniary entitlements needs to be rationalized**, and a clear correspondence needs to be built between entitlements and the goals that the law strives to achieve. Rationalization would allow for a transparent structure and the straightforward comparison of the level of benefits offered to veterans and the general population. This, in turn, would facilitate the negotiation of a more realistic level of benefits. We here first describe in summary terms the pecuniary benefit structure in the present draft, and then suggest how it could be streamlined.

The present draft (Articles 9-18) envisages the following pecuniary benefits for families of killed soldiers and deceased invalid veterans:

- disability benefit (accrues perpetually)
- expanded disability benefit (accrues perpetually)
- family pension (accrues perpetually)
- lump-sum death allowance (one-time benefit).

The following pecuniary benefits are envisaged for disabled veterans (Articles 19-33):

- a personal disability benefit
- caregiver supplement for most highly disabled persons
- orthopedic supplement for those that use orthopedic equipment
- disability pension
- for those able to work:
 - rehabilitation coverage (lasts while new skills are being acquired)
 - unemployment benefit (lasts until the beneficiary becomes employed or rejects an adequate employment offer).²⁷

We can identify the following links between the characteristics of the benefits and the four goals listed above. The loss of income is compensated (goal II) by:

- (a) the disability benefit as well as the pension benefit granted to a disabled veteran or survivor family being at least as high as similar benefits granted to the general population;
- (b) the pension/disability benefits being granted regardless of the veteran's work history;
- (c) there being transitional rehabilitation and unemployment benefit coverage for those that can work, aimed at ensuring the recovery of their income earning potential.

The sacrifice of the disabled/deceased veterans is recognized (goal I) by:

- (a) the disability benefit accruing regardless of whether damage to the body has affected the veteran's income-earning potential and regardless of whether the veteran (the family) is also benefiting from a disability pension or any other income;
- (b) pension benefits being granted in conjunction with disability benefits (the general population normally receives either a disability benefit or an old age pension);
- (c) pension benefits being substantially higher than those provided for the general population by the Pensions Law.

Finally, the following provisions seem to represent an attempt to ensure that the essential needs of the most vulnerable beneficiaries are provided for (goal III):

- (a) the expanded disability benefits accrue only to parents without surviving children and children without surviving parents;
- (b) the orthopedic supplement and caregiver supplement accrue to veterans with, respectively, the highest levels of disability and a need for orthopedic equipment.

The goals that the law serves would be met in a more efficient and rational manner with the following benefit structure:

- The law should explicitly **establish how the disabled veterans or survivor families will be compensated for their loss of income**, and determine a mechanism whereby this compensation is determined at a level equivalent to that received by the general population. A link should be built to the provisions of the Pension Law, identifying the benefit that this

²⁷ With the exception of the last two items, disability benefits appear to accrue perpetually. However, Article 49 mentions the possibility of a temporary determination of disability which is subject to review after the lapse of a determined time period. The circumstances under which disability becomes subject to review should be explicitly stated in Article 20..

law would grant for equivalent disability as well as determining the principles that will be used to circumvent the work-life requirements of the Pension Law that the disabled deceased veteran obviously cannot meet. One possibility, for example, would be to determine that families of killed soldiers receive family pensions at the level that would have accrued to them by the Pension Law if the soldiers had died after a full work-life of pension contributions, at an average level of earnings.

- The **exceptional sacrifice of the disabled or killed fighter should be recognized with only one benefit** that is higher than similar benefits enjoyed by the general population. Either (a) beneficiaries should receive a disability benefit on top of the “normal” pension defined above; or (b) the disability benefit should be terminated at the moment when a pension that is higher than “normal” begins to accrue.
 - **Supplements for caregivers** may be retained but **serious consideration should be given to the establishment of a refund mechanism for services provided**, rather than granting two flat rates as presently proposed (Articles 24 and 25). At the minimum, the higher flat rate should not surpass the average wage in the economy, and if a refund mechanism is established, possible refunds should be capped at no more than the average wage.
 - If the disabled are provided with free medical care, there is no need for orthopedic equipment allowance.
 - Disability benefits for categories of disability where the veteran’s capacity to work has not been substantially affected should be settled with lump-sum payments.
 - To ensure that the Federation government provides coverage of the most basic needs of beneficiaries in particularly difficult circumstances and does this efficiently, **a minimum level of means testing needs to be introduced**. For example, in order to claim exceptional disability benefits, dependents of killed soldiers or deceased invalids should be required to show that they have no other means of livelihood; at the very least, they should prove that they were fully financially dependent on the deceased before his/her death.
 - Unemployment and rehabilitation benefits should be time-bound. For example, in paragraph 1 of Article 32, unemployment benefit should not be granted longer than a period of 1-2 years, regardless of whether employment has been rejected or not.
 - The number of invalidity categories should be reduced by a half.
- (4) The law needs to **be more specific in determining implementation criteria**. As it is, wide latitude is left to the director and deputy director of the Federal Administration (Article 56), who decide on the modalities of implementation, ultimately by allowing for wide variation in implementation costs. The basic criteria determining degree of invalidity should be spelled out in the law (Article 23). The criteria and circumstances under which invalidity is declared temporary should also be spelled out.
- (5) The determination of survivor rights should be narrowed down. For example, the circumstances in which grandparents can enjoy survivor benefits should be more clearly narrowly circumscribed to those cases where they have no other sources of income and can be shown to have been the veteran’s dependents in the common household (Article 7).

(6) Even if the basic pecuniary benefit structure was left as is, the relationship between the pension provisions in this law and the Pensions Law should be more clearly spelled out (Articles 16 and 29). Is the level of the pension for invalid veterans that qualify for a pension under the Pensions Law determined by applying the coefficients method determined in the Pensions Law to the higher base mentioned in Article 29? Do invalids capable of working qualify for a pension? Presumably, the answer is no, in which case this should be explicitly stated in the second paragraph of Article 29. Furthermore, provisions in the explanation of the Law under the heading "Basic rights of family members..." are not consistent with the provisions in Article 12.

(7) The law needs to **deal more extensively with safeguards against abuse of the privileges it provides**. As it is, the draft entrusts oversight over the application of the law to the Federal Administration (Article 58); in particular, the director and deputy director of the Federal Administration nominate the members of the special medical committee with oversight over local medical committees. Recall, that they also adopt the implementing regulations for the law. Yet, the law is completely silent on questions of how are the director and deputy director of the Federal Administration nominated/elected, and how is their independence and integrity ensured. Is this regulated by a separate law? If not, mechanisms ought to be devised to ensure their full accountability and included in the present law.

(8) Finally, the law needs to make an explicit recognition of the principle that all benefits other than those securing the minimum needs of particularly disadvantaged beneficiaries have to be made in accordance to available resources. It is possible that the actual cost of the law would surpass available resources even after benefits have been rationalized and after a bona fide effort to bring entitlements to affordable levels. To ensure the operability of the law under any circumstances, **a separate section needs to be designed explicitly establishing an adjustment mechanism whereby actual benefit payments are brought into line with available resources**. Note that the section would need to clearly and unambiguously specify that benefit payments are final, and beneficiaries have no right to claim the value of benefits before the application of the adjustment mechanism.

The inclusion of a separate section dealing with affordability would have several advantages: (a) it would enhance the credibility of the government while protecting it from the accusation of insensitivity to the merits and needs of beneficiaries; (b) it would make the present, necessarily austere, package more acceptable to beneficiaries, because it would represent an explicit commitment that the just level of entitlements will be met in full when the economic situation of the country improves; (c) if the entitlement structure is rationalized along the lines suggested in this letter and a gap continues to exist between the mass of entitlements and available resources, the existence of an explicit adjustment mechanism, one that is expected to become unnecessary with time, may make it easier to mobilize financial support to cover the gap.

In order to secure broad acceptance of the procedure, the mechanism would need to be transparent and simple, and its every aspect would need to be clearly specified in the law, leaving no room for discretion and interpretation in its application. The modalities of such a mechanism would depend on the reformed structure of the benefits. An example of a simple adjustment mechanism would be that, if benefits remain anchored to an average wage, the level of the average wage be adjusted with the coefficient of the total available resources and the total cost of entitlements. If recalculation of such adjustments in line with the true available resources and entitlements for each pay period were too costly, calculations could be done semi-annually or annually on the basis of a conservative historical coefficient; at the end of the period, any surplus resources could then be distributed. Clearly, in practice, the mechanism would need to be further elaborated along obvious lines in order to secure the minimum payments for the neediest beneficiaries.