

**RETHINKING ACTIVE LABOR MARKET POLICIES AS A NEW FORM OF AID
TO BOSNIA AND HERZEGOVINA:
THE CASE OF YOUTH EMPLOYABILITY AND RETENTION PROGRAMME**

By

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“We live on a divide between worlds, at the border between nations, always at a fault to someone and first to be struck. Waves of history strike us as a sea cliff. Crude force has worn us out and we made a virtue out of a necessity: we grew smart out of spite.”

The Death and Dervish, Meša Selimović (1910-1982)

Abstract

Motivated by the fact that Bosnia and Herzegovina (BiH) received more than 15 billion dollars in the form of international aid since 1995 and yet made a limited progress in its transition, this thesis has tried to assess whether the Youth Employability and Retention Programme (YERP) as an active labor market policy (ALMP) is a more effective form of aid to BiH. In order to assess the effectiveness of YERP, this thesis draws upon empirical studies on ALMPs' success in raising competitiveness of youth in the labor market, as well as semi-structured interviews with UNDP's stakeholders in BiH. Findings of the in-depth study suggest that the adverse macroeconomic trends and complex political context of BiH significantly limit the success of YERP. Given these findings, the thesis suggests some options of how these obstacles could be diminished or avoided. In addition, the findings may offer a better perspective on effectiveness of ALMPs for policy makers working on development aid or on youth employability issues.

Key words: Bosnia and Herzegovina, UNDP, labor, aid effectiveness, youth

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Abbreviations and Acronyms

ALMP	Active Labor Market Policy
BAM	Bosnian Convertible Mark
BHAS	Bosnian-Herzegovinian Agency for Statistics
BIH	Bosnia and Herzegovina
CBBIH	Central Bank of Bosnia and Herzegovina
CPAP	Country Program Action Plan
DPA	Dayton Peace Agreement
EU	European Union
FBIH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
MDG	Millennium Development Goals
NGO	Non Governmental Organization
OECD	Organization for Economic Co-operation and Development
OHR	Office of the High Representative
RS	Republic of Srpska
SBAA	Standard Basic Assistance Agreement
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNV	United Nations Volunteers
YERP	Youth Employability and Retention Programme
ZZ	Zavod za zapošljavanje (State Employment Office)

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Chapter 1 – Introduction

Since the end of the war in 1995, Bosnia and Herzegovina (BiH) has received between nine to 15 billion dollars of donor assistance as a mean of supporting the country's transition process (Mc Mahon, 2004:571; U.S. Department of State, 2012). For instance, BiH received \$679 aid per capita while much more devastated and economically underdeveloped Afghanistan received only \$57 aid per capita (Waldman, 2008:1). The issue of limited post-war development of BiH has generated a wide interest in effects of billions of dollars given to the country in a form of international aid. The country has become an example of a complex bureaucratic apparatus which would most likely collapse if the international aid stops supporting it. The controversy also arises as the creation and reconciliation of BiH was characterized by a direct and immense involvement of the international community in institution building, economic recovery and overall state-building process. However, in 2012 BiH is still locked into the transition process which imposes the question of effectiveness of international aid in this country so far.

From the late 90s the scholarly debates have focused on the conditions under which international aid works and leads to economic growth (Boone 1994; the World Bank 1998). Several observers argue that a large portion of foreign aid donated by developed countries is wasted and only increases unproductive public consumption because of poor institutional development, corruption, inefficiencies and bureaucratic failures in the developing countries. (Alesina and Dollar, 1998; Burnside and Dollar, 2004). The Paris Declaration on Aid Effectiveness (OECD, 2005) recognized the debates on conditions under which the aid produces better results, and concluded that development depends primarily on efforts at the country level. Inspired by the recommendations following the Paris Declaration, the United Nations Development Program (UNPD) in BiH opted for a comprehensive plan for achieving the Millennium Development goals (MDG) in this country. Within the scope of the first MDG, i.e.

poverty alleviation, an active labor market policy was supported in order to fight huge unemployment by relying greatly on domestic skills.

The Youth Employability and Retention Programme (YERP) was launched in 2009 with an objective to address the high youth unemployment rate and brain-drain by promoting active labor market policies (ALMP). In a broader sense, ALMPs represent a wide range of policies aimed at improving the access of the unemployed to the labor market and jobs, job-related skill and the functioning of the labor market (Martin, 1998:81). The rationale for this approach was explicitly stated by Yuri Afanasiev, the UN Resident Coordinator in BiH, who said how “Most people in the West think today of Bosnia as the post-conflict society with mostly political problems, but the truth of the matter is that Bosnia is the country that actually needs economic development and employment.” (Afanasiev, UNDP in BiH, 2012). Therefore, the first MDG focuses on poverty alleviation by particularly targeting the youth unemployment YERP was expected to assist circa 9,000 young people in finding their first job. However, six months prior to the end of the project activities, the results indicate a very limited success which also varies greatly across the country. The goal of this study is to address the puzzle why ALMPs are having a limited success in BiH.

Over the past few years, ALMPs have been promoted by international agencies and consequentially gained a prominent position among scholars who debate over their effects, types and cross-country success (Martin 1998, Martin and Grubb 2001, Boone and van Ours 2004, Kluve 2006, Daguerre 2009, Bonoli 2010). ALMP are a policy instrument used to intervene in the labor market by helping the unemployed to improve their jobs searching skills. Due to their relative success the 1994 OECD Job study recommends governments to “strengthen the emphasis on active labor market policies and reinforce their effectiveness” (OECD, 1994). However, the concept of ALMPs was unknown in BiH all until UNDP embraced the policy for one of its MDGs, i.e. poverty alleviation through YERP. Despite vast literature on ALMPs, little

has been said on the attempts to use this concept as a form of international aid programs which endeavor to catalyze development.

This thesis will assess the effectiveness of programs supporting ALMPs, focusing specifically on YERP of UNDP's MDGs strategy for BiH. The YERP program aimed to provide new entry points to the labor market by assisting the unemployed youth, but the indicators of final results imply a very limited success of it. The thesis shows that the current limited effects of YERP, and MDGs strategy as a whole, lie in the labor market dynamics and the complex political system of BiH. The case of YERP, which falls into the category of ALMPs, is used to assess the effectiveness of the new approach of giving aid to BiH, i.e. by supporting active measures as a way of assistance to the BiH development process.

This thesis is guided by the following research question:

How does the Youth Employability and Retention Programme of UNDP support the BiH development process?

Sub-question 1: Are ALMP programs more effective form of aid for BiH?

Sub-question 2: What kind of difficulties might influence the implementation of the program?

Sub-question 3: Are the effects of YERP visible on the whole territory of BIH, i.e. Federation and Republic of Srpska?

The program of UNDP offered a new approach in supporting the BiH development process by introducing ALMPs as a way of empowering locals to find a job. Yet, the limited success indicate how even this attempt by UNDP could yield overall insignificant results. Hence this research also has some practical aspirations as it endeavors to point out the obstacles which some future ALMPs, or other development programs in BiH, could face on the spot. It is believed that the paper shall provide additional information on the political and economic

context of BiH which might have been omitted while creating YERP, and which certainly must be taken into account when planning in future. For the purpose of this research, two alternative hypotheses have been developed.

Labor market dynamics in BiH disable a greater viability of the UNDP's mission and diminish the efforts put into YERP.

The political context characterized by a weak central state and a complex bureaucratic apparatus depicted by the two political entities, i.e. the Republic of Srpska (RS) and Federation of BiH (FBiH), prevents a nationwide implementation of YERP and reduces its effects.

Based on the relevant literature on ALMPs and with both quantitative and qualitative data collected during the research conveyed in BiH in April, 2012 this thesis aims to address the limited success of YERP in the crucial moment for BiH. The main finding of the paper is that **YERP as an ALMP has made a limited contribution to the BiH development due to the unfavorable labor dynamics and the complex political system which failed to embrace YERP and utilize its potential.**

The structure of the thesis is the following. The second chapter reviews the relevant literature on ALMPs in order to discuss which programs worked the best, where and for which reasons. Based on that, the third chapter offers an overview of the economic and political context of BiH in order to better understand the UNDP's rationale for choosing YERP as a part of their strategy. The following chapters shall restate the analytical framework and methodology for testing the two alternative hypotheses with empirical data. The last chapter summarizes the findings of the paper, its limitations and gives recommendations for further research.

Chapter 2 – Active Labor Market Policies: What works, when and why? – Literature review

As it was mentioned in the introduction, this part of the thesis aims to review the major literature works on ALMP in order to discuss the emergence of these policies, their leading principles and noteworthy effects in several countries which can serve as a good example for BiH. The previous research on ALMPs has focused mostly on OECD countries, but omitted other regions where these policies were integrated into labor market through international agencies, such as UNDP in BiH. The literature review aims to point out the effects of ALMPs, show why and when these policies work and when they do not. This will give a better understanding of the YERP approach in BiH, its expected and obtained results.

This literature review is organized into two sections. The first part shall present a theoretical framework developed by Calmfors (1995) and the OECD studies (1994, 1996) which shall exemplify how ALMPs work and provide for a clear classification of ALMPs with a particular focus on programs targeting the unemployed youth. The second section shall offer a discussion on effectiveness of ALMPs as presented in works of Martin and Grubb (2001), Kluve (2006) and Bonoli (2010). In addition, the second section shall draw examples from studies conducted by Martin (1998) and Boone and van Ours (2004) in order to show which policies worked the best in which context. This literature review will restate some aspects of ALMPs, their functions and effects and imply how ALMPs could support the BiH development.

2.1. The functions and types of ALMPs

The emergence of ALMPs can be traced back to the 1970s when most of OECD countries started facing high unemployment rates. In 1992 OECD Ministers delegated the Organization to analyze the unemployment bottleneck and suggest measures which could effectively tackle this issue. After the relative success of these policies many countries opted for a

stronger support for measures which would enable the unemployed to find jobs. Yet, the effects of ALMPs vary across countries mostly due to the economic factor and other context-specific issues.

The OECD Job Study (1994) was the first result of the efforts to address the unemployment across OECD countries and suggest how to fight it. ALMPs were supported due to their ability to improve access to the labor market and jobs, develop job-related skills and promote more efficient labor markets (OECD, 1994:36). The essence of activation strategies lies in the fact recognized by OECD (1994) that the new generations of job-seekers will have to indulge into a life-long learning and constantly improve their work skills in order to maintain competitive on the labor market. Furthermore, the Study implies how active policies can strengthen the links between the growth of aggregate demand, job creation and the supply of qualified labor. ALMPs have proved to be cost-effective as well and particularly attractive for the long-term unemployed and first-time job seekers which are more competitive in the job search (Ibid). In 1996 OECD revisited the Job Study restated the basic rationale for ALMPs saying that “it is preferable to help the unemployed get back to work rather than just provide them with income support and thereby risk prolonging unemployment” (OECD, 1996:7).

Calmfors (1995:11-30) points out four basic functions of ALMPs, i.e. raising output and welfare by putting unemployed to work or have them invest in human capital, maintaining the size of the effective labor force by keeping up competition for available jobs, helping to reallocate labor between different sub-markets, and alleviating the moral-hazard problem of unemployment insurance. OECD insists that ALMPs are crucial to minimize the risk that high or long-lasting unemployment may have on reducing work incentives (OECD, 2007:208). Moreover, Boone and van Ours (2004:4) argue that ALMPs could eliminate mismatch in the labor market, promote more active search behavior on the part of the job seekers and have a screening function because they substitute for regular work experience in reducing employer uncertainty about the

employability of job applicants. However, Boone and van Ours point out that an adverse side effect of ALMP is that workers are locked-in training and job-creation programs: because of their participation they reduce their search intensity (Ibid).

The literature recognizes several types of ALMPs depending on target group or the results to be yielded. The OECD made a general categorization of ALMPs including placement services and job search assistance, labor-market training, public-sector job creation and subsidized work (OECD, 1994:31-32). Kluve clearly points out that all ALMPs are “geared towards increasing the efficiency of the job matching process” (Kluve, 2006:4). However, depending on a target group there exist specific programs created especially for youth or disabled, which are usually at a much higher risk of being unemployed due to high rates of job separation. Since context-related programs usually combine two or more of these categories, a strict classification of ALMPs cannot be made. Kluve (2006) adds that in general, training programs, wage subsidies and direct job creation entail aspects that encourage desirable behavior, which are often called "carrots". In contrast, benefit sanctions that exert threats and impose sanctions on undesirable behavior are often called "sticks". In fact, Bonoli points out that ALMP is a “particularly ambiguous category of social policy” (Bonoli, 2006:10).

2.2. The effectiveness of ALMPs in fighting unemployment

There is an extensive literature which deals with evaluation of the outcomes of ALMPs in specific programs which enable analysis of the programs' effects. Martin (2000) divides them into two main types. The first type seeks to measure the impact of programme participation on individuals' employment and earnings after they have left the programme by comparing their employability with participants who did not go through the programme. The second type of evaluation attempts to measure the net effects of programmes on aggregate employment and unemployment by estimating what are called in economists' jargon “dead-weight”, “substitution”

and “displacement” effects. Boone and van Ours (2004) present an empirical and theoretical in-depth analysis of over 20 ALMPs in different countries focusing on training, PES and subsidized work. Their major finding is that even if training does not influence the job finding rate. The authors imply that “by improving the quality of the match between worker and job the inflow into unemployment is reduced” (Boone and van Ours, 2004:26). This is because of its effect on the job separation rate

The effectiveness of ALMPs in OECD countries has been discussed in detail by Martin (2000) and Martin and Grubb (2001). The authors reflect on many programs conducted after the OECD recommendations and conclude how labor market programs have at best modest impact on participants who seek jobs. They draw this conclusion by establishing a robust econometric relationship between key macroeconomic aggregates such as unemployment or real wages and the actual costs of ALMPs. Martin’s extensive evaluation on effectiveness shows strong effects in terms of lowering the natural or equilibrium rate of unemployment or real wage pressures, others appearing to show zero or insignificant correlations (Martin, 1998:89). According to Martin and Grubb (2001) the OECD evaluations of ALMPs indicate that public training programs are among the most expensive active measures. Moreover, some programs have yielded low or even negative rates of return for participants. The authors argue how ALMPs appear to work for some target groups such as adult women, but not for others like prime-age men or youth.

The literature gives interesting data on ALMP effectiveness on the unemployed youth, which sheds implications to YERP in BiH. Kluve (2006) points out how ALMPs targeting youth seem to work better with those youths with a more advantaged background be it in education or in economic sense. In addition, Kluve’s analysis indicate how many of ALMPs targeting youth do not create much positive effects, but cost a lot of money. Martin (2000) brings even a more grim evaluation of ALMPs targeting youth saying how only training programmes can have some positive effects on unemployment. Grubb (1999) in Martin (2000) suggested five

recommendations for making a youth targeting ALMP successful. The programme should have: a close link to the local labor market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement; contain an appropriate mix of academic education, occupational skills and on-the-job training; provide youths with pathways to further education; *iv)* they provide a range of supporting services, tailored to the needs of the young people and their families; and they monitor their results (Martin, 1998:95).

The evaluation of youth programmes across OECD countries suggest, as Kluve says, that “young people appear to be particularly hard to assist” (2006:28). However, the author also implies how ALMPs may have positive effects on the unemployed youth only if they are appropriately designed. This importance of tailoring the program to context is widely present in literature on ALMPs, both in OECD studies and scholarly debates, which stress out the significance of the macroeconomic and political framework for success of ALMPs. Therefore, the YERP as a programme of UNDP targeting the unemployed youth should be evaluated by taking into the account factor which in-directly affect its success.

Chapter 3 – The position of UNDP vis-à-vis the economic and political context of BiH

The previous chapter presented a literature review on ALMPs in order to understand which policies work the best and under which conditions. The particular attention has been given to ALMPs' effectiveness in fighting unemployment. The previous section serves for a better understanding of the UNDP's rationale for YERP in BiH and the expectations from it.

The role of UNDP in assisting BiH is still remarkable even though the donor assistance to the country has significantly diminished over the time. UNDP has signed the Standard Basic Assistance Agreement (SBBA) with the officials of BiH as early as 7th of December 1995, i.e. seven days prior to the formal ceremony of signing DPA in Paris which officially put an end to the Bosnian war. Since the beginning of 1996, UNPD has been working to assist BiH and in the same time to attract additional international assistance to the devastated country. The primary role of UNDP in BiH is the work on capacity building, promoting participation on local level while increasing possibilities for local initiatives. The advantage of UNDP compared to other development agencies is that it has international expertise and experience across the world. Therefore the role of UNDP bears not only material, but symbolic and long lasting importance as well.

UNDP has always been synchronizing its work with the short, medium or long term national priorities which resulted in several adjustments of the UNDP's mission to BiH. The selection of the current issues supported by UNDP was guided by four specific considerations: the shift in BiH agenda from post crisis to development, the European Union (EU) accession process, the need to ensure that BiH will meet its Millennium Development Goals (MDG) and Millennium Declaration commitments by 2015 and the commitment of the Government to meet their human rights and other international convention obligations. (UNDAF for BiH, 2009:15). As BiH entered the development phase of its complex transition, UNPD has focused its mission

to more tangible issues where its role would be to assist the Council of Ministers of BiH to implement the nationwide goals. From UNDP's side it is expected that the BiH political establishment gained enough skills to lead the country's development forward. Based on this assumption, it would allow for UNDP to decrease its direct presence in the country.

However, as the deadline to accomplish the MDGs approaches, the more questions are raised about the effectiveness of aid in achieving the stated objectives. The case of BiH, which received a significant financial support and utilized it with a limited success, goes well with the scholarly debates which focus on the conditions under which international aid works and leads to economic growth (Boone, 1994; the World Bank, 1998). It seems that there is a consensus on the issue that a large portion of foreign aid donated is wasted and only increases unproductive public consumption because of poor institutional development, corruption, inefficiencies and bureaucratic failures in the developing countries. (Alesina and Dollar, 1998; Burnside and Dollar, 2004). Moreover, Collier argues that it takes "59 years on average for the country with bad governance and policy to come out of stagnation (Collier, 2007:71). Interestingly, UNDP has marked the development agenda in BiH as "complex" (UNDAF, 2009:12), where the political and economic trends represented major obstacles for previous projects. However, the MDGs strategy including YERP has been launched with big expectations.

This part of the thesis will revisit the BiH political division and restate the macroeconomic framework in order to have a better grasp into the UNDP's working framework for implementation of YERP. Both the literature review presented in the previous chapter and the UNDP's internal documents explicitly point out the local context to be of crucial importance for successful projects. Hence, understanding the political and economic context of BiH is essential for answering the research question and the sub questions of this thesis, i.e. what kind of difficulties might influence the implementation of YERP, is it a more effective form of aid to BiH and is programme to bring the same results on the whole territory of BiH.

3.1. A brief overview of the BiH political system and its implications on UNDP

Following three years of war in BiH during which the country suffered huge material and human losses, the Dayton peace agreement (DPA) was signed in December 1995. The DPA recognized a weak central state where political, military and economic authority is decentralized to the ethnically based entities, i.e. the Muslim-Croat Federation of Bosnia and Herzegovina (FBiH) and mostly Serb populated Republic of Srpska (RS). Consequentially, this division created a huge, expensive and asymmetric administrative body. While the RS is centralized, made up of 62 municipalities, FBiH is highly decentralized, comprising 10 cantons and 79 municipalities. In 1999, the municipality of Brcko was given a status of District, i.e. an independent administration under the direct sovereignty of the state. The state, entities, Brcko district, cantons, cities and municipalities all have their own political structures and administration (Dizdarevic et al., 2006:25). To illustrate with digits, with a population of approximately four million, the BiH bureaucratic apparatus counts for exactly 180 ministries, 14 parliaments, 1200 judges and four levels of governance which cost exactly 141 euro per second and absorb more than a half of the country's budget (Public Interest Advocacy Center, 2012).

The international community plays a prominent role in the country as well, with the Office of the High Representative (OHR) being the most proactive international body responsible for the civilian aspect of the DPA. However, the OHR can also impose laws, stop adoptions of certain laws or remove public officials if they work against the peace implementation agenda. Struyk (2002) points out that the international community is largely in charge of political agenda in BiH.

The complex political body represented, and still does, one of the major obstacles for utilizing the donors' assistance. In addition to omnipresent corruption and lack of fiscal transparency, UNDP's previous evaluations have been constantly pointing out "the intricate

political and administrative structure [which] complicates the delivery of development results” (UNDAF, 2009:12). Moreover, the UNDP explicitly stated in 2005 Country Program Action Plan (CPAP) how “securing the political support of all stakeholders is key to the success of any initiative” (CPAP, 2005:6). With so many stakeholders involved in setting the development agenda and implementing it, UNDP has too many times failed to fulfill its own plans (cf. UNDAF, 2010).

Two points are crucial to remember when it comes to the BiH political system vis-à-vis development programs:

- The system is highly decentralized, expensive and often falls under different legislation which has been an obstacle for implementation of micro-scale projects.
- The political system of BiH is heavily influenced by the international community, i.e. OHR, which adds up to the complexity. In other words, every macro-scale strategy must be approved both by the international stakeholders and the national ones, i.e. entities.

In addition to the above mentioned, it must be noted that the last population census in BiH was done in 1991, i.e. before the war. This is due to the lack of political willingness to solve the Constitutional provision guaranteeing the allocation of jobs in public administration based on the prewar census. In other words, it was expected that the refugees would come back to their place of residence after the war ended in 1995, but most of the refugees did not do so. Therefore, population census did not occur in 2001 or in 2011 as the Annex 7 of the DPA which regards refugees was not fulfilled.

Regarding international and national development strategies, including the UNDP’s mission to BiH, the abstinence of population census still represents a huge obstacle for population based figures. For instance, GDP per capita is basic information when it comes to deciding which development strategy to take. Yet, in BiH this essential piece of information is

calculated based upon approximation of the BiH Statistic Agency or the US Census Bureau. For comparison, the BiH data suggests that there were 3,843,000 people in country, whereas the American data counts exactly 4,461,000 people (Rosas et al. in Employment Policy Review for BiH, ILO, 2009: 9). The non-existence of this crucial data has obstructed more appropriate planning of many development strategies. The encouraging fact is that the Parliament of BiH reached an agreement on February 3, 2012 for population census to take place in April 2013 (cf. BiH statistical Agency, 2012). This act will finally remove all doubts on number of people in country and provide for better utilization of development funds.

3.2. Macroeconomic framework of BiH

The previous subchapter aimed to provide a brief overview of the political system of BiH after 1995. The latter section serves for a better understanding of the political constraints affecting the UNDP development strategy. Similarly, the following section endeavors to give a general idea of the macroeconomic framework of the country. It is believed how understanding both political and macroeconomic context of BiH is crucial for gaining a solid perspective on UNDP's work, with a particular focus on YERP.

Table 1 presents the International Monetary Fund's (IMF) basic data on GDP for BiH over the period of last four years. The table includes information on population, GDP per capita, and its comparison based on current prices or on purchasing-power parity. As it was mentioned in the previous subchapter BiH did not have population census since 1991, therefore all data presented must be analyzed with precautions.

The adverse effects of the 92-95 war are still influencing the macroeconomic environment in BiH. The International Labor Organization (ILO) in its Employment Policy review for BiH shows how the real economic growth has remained relatively strong and stable since 2000, although the level "is not comparable to the growth rates experienced in the

aftermath of the conflict, fuelled by massive international aid” (Rosas et al. *in* Employment Policy Review for BiH, ILO, 2009:9). The more recent data for the past four years collected by IMF suggests that GDP seems to be fluctuating annually, i.e. inclining one year, declining the following year etc. The same trend is present with GDP per capita which was higher last year, i.e. US\$ 4,618.10, whereas the estimation for this year is US\$ 4,488.16. However, if we analyze GDP based on purchasing power parity, a light steady growth trend may be observed. This is also the case both for GDP per capita.

Subject Descriptor	Units	Scale	2009	2010	2011	2012	Estimates After
GDP, current prices	U.S. dollars	Billion	17.049	16.581	17.965	17.431	2010
GDP per capita, current prices	U.S. dollars	Units	4,366.94	4,254.77	4,618.10	4,488.16	2010
GDP based on purchasing-power-parity (PPP) valuation of country GDP	Current international dollar	Billion	29.904	30.459	31.638	32.044	2010
GDP based on purchasing-power-parity (PPP) per capita GDP	Current international dollar	Units	7,659.51	7,816.11	8,133.00	8,250.62	2010
Population	Persons	Million	3.904	3.897	3.890	3.884	2011
Table 1: Macroeconomic indicators for BiH Source: International Monetary Fund, World Economic Outlook Database, April 2012							

The 2010 Annual Report of the Central Bank of BiH (CBBiH) should also be taken into consideration as it provides much broader overview of the economic situation. This year is a benchmark for the BiH economy since it can be observed as the beginning of gradual recovery

from the negative impact of the global economic crisis. The economy of BiH experienced a slight growth of GDP of 0.8%, mainly as the effect of recovery of economies of the most important trade partners. However, despite the signed stand-by arrangement with the IMF and declared commitment of all levels of governance in the country, the public spending has been increased to a new record, counting one quarter of overall GDP. This point goes well with the previous subchapter on political constellation of BiH and the administration which follows it. The size and costs of the public sector in BiH is a heavy burden for the BiH economy which should be addressed promptly.

Even though the statistics by the CBBIH suggest how BiH has come out of the recession in 2010, a significant increase of unemployment has been obvious. In 2010 an increase in unemployment of 3% also resulted in the decrease of financial ability of the population and economy. Consequentially, this has led to increased levels of nonperforming loans that amounted to 11.4% at the end of the year and had direct impact on the profitability of the banking sector, which for the first time reported the loss of BAM 124.3 million. The Report emphasizes the need for the environment in accordance with the requirements of market economy. It is explicitly pointed out how adjusting to the market economy and generally raising the competitiveness of the economy “remain as the biggest future duties for all levels of government in BiH” (Annual Report 2010, CBBIH, 2010:10).

3.2.1. Labor market situation: Youth unemployment

The labor market situation seems to be particularly grim due to vast unemployment and extremely low employment rates. The labor force participation rates in BiH, both for RS and FBiH, are the lowest in the region (Rosas et al. *in* Employment Policy Review for BiH, ILO, 2009:16). Furthermore, the official unemployment is 35% but women are in worse position as only 24% of them work.

The most vulnerable group in the labor market is youth, as youth unemployment rate is dramatic 58.5%, the highest of any other age cohort in the country (Analysis of the Position of Youth and Youth Sector in BiH, CCYI/GTZ, 2008:4). Figure 1 below shows that the youth unemployment in BiH is more than twice higher than in Croatia, and almost four times higher than the average among EU countries. It is important to mention that *youth* in BiH is defined as every person between 15 and 24 years of age.

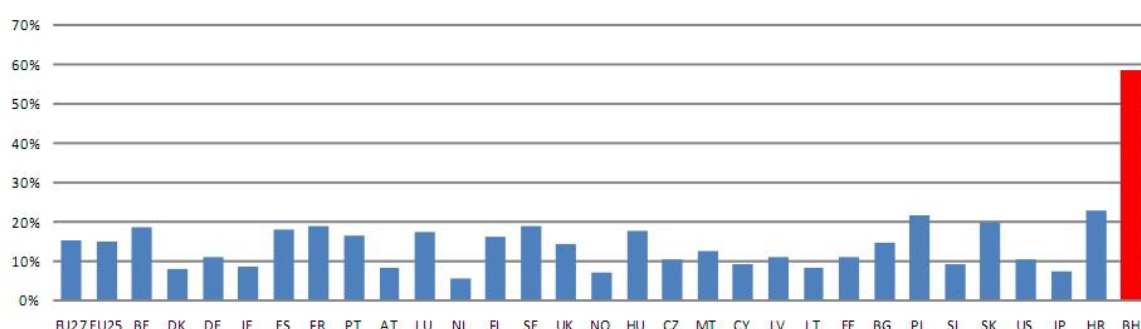


Figure 1: Unemployment rates for 15-24 years old, cross-country comparison

Source: *Analysis of the Position of Youth and the Youth Sector in BiH*, CCYI/GTZ, 2008

If we take a closer look at Figure 2 below, we may notice that youth unemployment *ratio*, which shows unemployed young people as a share of total population, is very negative in BiH. Compared with EU 27 countries, and some countries in the region, the ratio in BiH is three times higher. In percentages, the youth unemployment ratio in BiH is 21.5% whereas some 7% of the youth population is unemployed in the EU at large. The data shown on this chart implies how one of the problems regarding youth unemployment is the mismatch between labor supply and labor demand. In other words, the youth unemployment ratio is useful to illustrate the ability of young people to find jobs in the field they have been educated during their formal education.

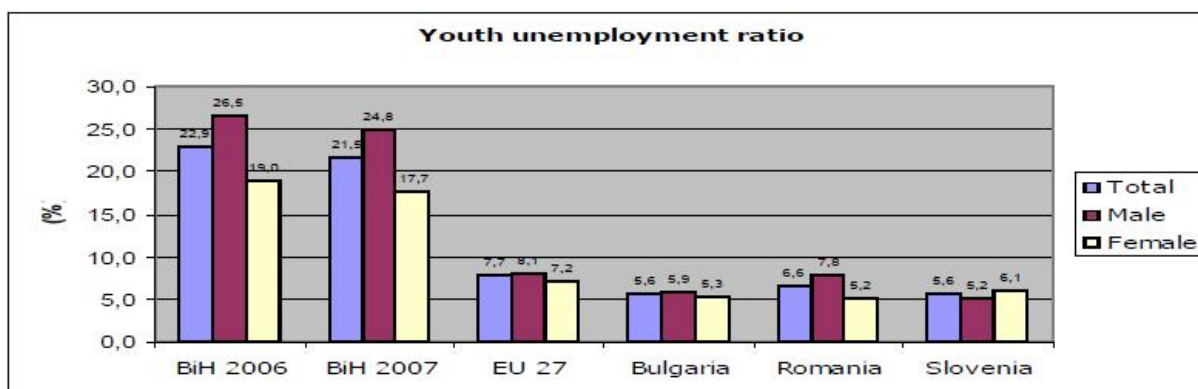


Figure 2: Youth unemployment ratio comparison

Source: *Ibid.*

The very high level of youth unemployment in BiH reflects several serious issues in this country such as poor education system which educates not needed profiles. This comes especially worrying as Employment Policy Review by ILO shows the incidence of long-term unemployment which is throughout BiH almost 90% (2009:23). This practically means the longer one is unemployed in BiH, the probability one is to find and keep a job is below 10%. Differently said, nine out of ten unemployed young persons have been searching for work for one year at least.

The same study by ILO addresses the ALMPs in BiH which try to support the job search process. The portfolio of ALMPs in BiH includes loans for employers to create more jobs, employment subsidies and training programmes. The study explicitly points out the fact of residual allocation for ALMPs, i.e. varying by the entities and also annually. (Ibid, 2009:45). It also raises important issue regarding the existing ALMPs which constantly omit the most vulnerable groups, i.e. youth, individuals with disabilities or the Roma.

However, even though the Employability Review did briefly mention the importance of evaluating ALMPs, it completely omitted youth related ALMPs such as YERP of UNDP. Therefore, the following section aims to introduce YERP and tie it into the previous two

subchapters, i.e. political and macroeconomic framework of BiH, with a particular focus on unemployment and youth.

3.3. UNDP's Youth Employability and Retention Programme

The previous two subchapters briefly made an overview of political and macroeconomic context of BiH, with a focus on unemployment and youth. The latter subchapters serve for better understanding of the position of UNDP's program activating unemployed youth, i.e. YERP. This section shall explain the rationale of YERP, explain its structure and reflect on the program's function and results vis-à-vis the BiH legal framework.

YERP aims to address the high youth unemployment and irregular migration by working closely with Government, the private sector and civil society to improve the employability of BiH youth, while providing new entry points to the labor market. (YERP, 2008:5). The programme is designed in a manner which would enable individuals with employment-seeking skills that can support the pressure on local labor market and assist youngsters in finding jobs. Therefore, based on ALMPs literature this programme may be defined as labor-market training, i.e. policy geared towards increasing the efficiency of the job matching process by providing individuals with skills needed for job entrance (Kluve 2006:5). In other words, the programme itself does not make new working spots except for few people who are short-term employees of UNDP. YERP operates with a concept of assisting young unemployed people in their efforts to find jobs by introducing them with the employees' rights and skills needed for finding a job. The latter includes free language courses, computer courses, job-interview simulations and workshops on writing CVs or motivation letters. Practically, YERP aims to empower young unemployed people who lack experience in finding jobs to do it effectively and efficiently.

The goals of YERP are grounded in national and international development frameworks, including Outcomes 1 and 2 of the UNDAF (2009), "strengthened accountability and

responsiveness of Government to pro-active citizens” and “improved access to and quality of basic education”, MDGs 1, 2, 3, and 8¹, the BiH Medium-Term Development Strategy and the framework for EU integration, among others. The specific Joint Programme objectives are:

1. Increasing capacities of the education system and local communities to improve youth employability by improvement of curriculum in 100 schools (in 14 municipalities) in order to make it more adapted to needs of labor market;
2. Enhancing capacities of the Public Employment Services and Civil Society to develop and deliver an integrated package of youth employability measures by opening 16 centers for information, education and counseling throughout BiH, i.e. CISO centers;
3. Maximizing positive impact of youth migration whilst minimizing impact of irregular migrations.

The project costs are estimated to US\$ 6,700,000.000 million, in addition to US\$ 25 million already given to specific MDGs under which scope YERP falls. The program is implemented jointly by UNDP, UNICEF, UNFPA, IOM and UNV in partnership with the BiH Ministry of Civil Affairs, BiH Ministry of Human Rights and Refugees, Entity Ministries responsible for labor and education, the BiH Agency for Statistics, Entity Agencies for Statistics, Public Employment Service offices across the country, primary and general secondary schools, municipalities and rural communities, individual firms as well as private sector associations, and civil society organizations from the community level to the Diaspora. The main donor is the Spanish government in partnership with the BiH Government.

The most tangible part of YERP is setting up 16 Centers for Informing, Consultancy and Training (CISO)² across the country. Table 2 below lists the locations of CISOs and points out

¹ These MDGs are: End poverty and hunger, Universal Education, Gender Equality and Global Partnership (Source: www.un.org)

² CISO is an acronym based on the name of centers in the local language, i.e. “Centar za Informisanje, Savjetovanje I Obuku”

the affiliation with the official employment services (ZZ)³ which is important to understand due to highly decentralized BiH organization. As it may be seen, the 16 centers are allocated unevenly among entities, i.e. six of them are in RS, nine in FBiH and one CISO center is in Brcko District. The official Employment Offices are funded from local budgets, i.e. entities, cantons or the District which gives an uneven allocation of funds and logistic support from ZZs to CISOs. In addition, special attention was to include those municipalities with potential for developing into best practice cases as well as a mix of rural and urban areas and the presence of significant private sector activities.

<i>Location of CISO Center</i>	<i>Legislation</i>	<i>Affiliated with</i>
Sarajevo	FBIH/Sarajevo Canton	ZZ Sarajevo Canton
Banja Luka	RS	ZZ RS
Gorazde	FBIH/Podrinje Canton	ZZ Podrinje Canton
Livno	FBIH/Canton 10	ZZ Canton 10
Odzak	FBIH/ Posavina Canton	ZZ Posavina Canton
Doboj	RS	ZZ RS
Tuzla	FBIH/Tuzla Canton	ZZ Tuzla Canton
Bijeljina	RS	ZZ RS
Trebinje	RS	ZZ RS
Mostar	FBIH/Herzegovina-Neretva Canton	ZZ Herzegovina-Neretva Canton
Bihac	FBIH/ Una-Sana Canton	
Prijedor	RS	ZZ RS
Zenica	FBIH/Zenica-Doboj Canton	ZZ Zenica Doboj Canton
Brcko	Brcko District	ZZ Brcko District
Istocno Sarajevo	RS	ZZ RS
Vitez	FBIH/ Central Bosnia Canton	ZZ Central Bosnia Canton

Table 2: *Locations of CISO centers*

The project was approved in late 2008 and started in 2009 with the duration of 36 months, which means the project cycles is expected to end by 2012. The initial idea of YERP was to gradually merge CISO centers with the official employment services across the country in order to provide the same service after the project's activities are over. According to Mr. Erol Mujanovic, the national coordinator of YERP, if the project is expected to live after 2012 it is

³ ZZ stands for "Zavod za Zaposljavanje", i.e. Official Employment Service in the local language

crucial to “systematize the CISO centers and make them a part of the ZZs” (Mujanovic, 2012). However, few months before the end of the project, results of YERP vary significantly from one CISO center to another.

While YERP may have some positive effects on the unemployed youth, it remains unclear what its implications may be on the nationwide development goals as supported and implemented by UNDP in BiH. Obstacles to full implementation of YERP – such as different timing of opening CISO centers due to legislation and adverse macroeconomic trends in the country – have to be taken into account when considering whether opting for YERP as a new form of aid to BiH was successful and indeed effective. YERP is a training based ALMP for which the relevant literature suggest that even if are well-led and yield realistic strategies, such obstacles may adversely affect the implementation of project and reduce its significance. These issues will be taken into account when trying to assess whether YERP was indeed effective program, and are the yielded results in fighting unemployment indeed significant.

Chapter 4 – Analytical Framework

As mentioned in the introduction, this thesis aims to assess the effectiveness of YERP as a policy supporting activation of the unemployed youth labor. The broader framework sets this program in the development discourse in BiH in order to analyze the meaningfulness of ALMPs as a new form of aid to BiH. On one hand this research aims to evaluate the effects of YERP and on the other hand to use the findings as a merit for appropriateness of ALMPs in BiH. As Rosas et al. point out evaluation is also important for assessing the cost-effectiveness, relevance and impact of the interventions (Rosas et al. *in* Employment Policy Review for BiH, 2009:47). In this sense, observing the effectiveness of YERP by evaluating its current accomplishments could serve well for drawing lessons for future programmes on this topic, as well as for monitoring existing initiatives and monitoring future ones.

In order to conduct this research, the UNDP's report "Development Effectiveness: Review of Evaluative Evidence" (2001) shall be used for providing the analytical framework for analyzing the effectiveness of YERP. The report is published in the UNDP's Evaluation Office and offers a solid basis for discussing the effects of YERP according to the official UNDP standards. Thus, the overview of YERP and its effects shall include a detailed analysis of how UNDP has succeeded in designing its projects to the local specific context in order to enforce the *development effectiveness*.

The terms *development effectiveness* as well as *criteria of effectiveness* must be further defined and explained. *Development effectiveness* is defined as "the extent to which an institution or intervention has brought about targeted change in a country or the life of the individual beneficiary (UNDP, 2001:11) Development effectiveness is influenced by various factors, beginning with the quality of project design and ending with the relevance and sustainability of desired results.

The criteria of effectiveness include: *relevance*, *performance* and *success*.

Relevance is defined as the degree to which the objectives of a project remain valid and pertinent either as originally planned or as subsequently modified owing to changing circumstances within the immediate context and external environment or that project.

Performance refers to the progress made by the programme or project relative to its objectives.

Success shows the extent to which a project has brought about change to target groups and communities, with a particular focus on impact of the project, its sustainability and contribution to building social capital (ibid, 15-17).

The three expected outcomes of YERP, which are presented in the Revised Standard Joint Programme by UNDP (2008:18-23), shall be evaluated in order to assess the so-far visible effectiveness of the programme. To note, the three expected outcomes are as follows:

- **Outcome 1:** Increased capacities of the education system and local communities to improve youth employability
- **Outcome 2:** Enhanced capacities of the Public Employment Services and Civil Society to develop and deliver an integrated package of youth employability measures
- **Outcome 3:** Positive impact of youth migration maximized whilst impact of irregular migrations minimized

The evaluation framework suggested by UNDP has been modified⁴ to fit the context of this research and integrated into in-depth interviews⁵ conducted with stakeholders: UNDP

⁴ The criteria offered by UNDP have been originally developed to serve for internal evaluators done by the UNDP staff. It involves criteria developed to assess the on-project effectiveness, which is an integral part of the UNDP's development strategies. Some questions such as contribution of YERP to build social capital, or the project's long-lasting impact, have been paid less attention since it would go beyond the scope of this research. The emphasis was on relevance and performance of YERP vis-à-vis the political and macroeconomic framework of BiH (forthcoming).

⁵ Complete interview guide available upon request

representatives, CISO employees, international and local policy professionals as well as donor recipients.

Thus, for the purpose of this study, under *relevance* criteria it shall be observed if the three Objectives managed to maintain its importance from the period of starting the project, until the present day. The relevance comes important due to the local context, particularly political turbulences and macroeconomic trends, i.e. the impact which these occurrences could have had on adjustment of the objectives and consequentially the impact of the YERP overall.

The *performance* criterion is observed by addressing the extent in achieving the results as set up in the objectives. That is, for Objective 1, it is observed the scope of resources offered by YERP to unemployed youth, which differ from the formal education curriculum. For the Objective 2, performance is addressed by the scope of activities of CISO centers and the number of unemployed youth which used the assets of these centers. Under Objective 3, performance refers to number of young people who managed to find jobs, i.e. on that way limited the adverse effects of youth migration towards bigger industrial centers, or places abroad.

Under *success* criterion, the focus is onto the benefitters of YERP and on the Government, i.e. the impact of this way of assistance to people's lives. The success of YERP, i.e. its three objectives, is addressed via the ability of the program to increase the range of choices of the unemployed benefitters in BiH. Moreover, success of any UNDP program is understood as an ability to address the country specific issues. In this case, *success* is also observed as an ability to tackle the BiH issue of limited cooperation between the ethnic groups, increase interethnic tolerance and in the same way address the common burning issue of unemployment. Furthermore, *success* of YERP is observed in the terms if the UNDP assistance had any effect on the ways local governments design and implement the policies towards the youth and unemployed.

Chapter 5 – Methodology

5.1.1. Research Design and Techniques

The thesis has qualitative research design (Gerring, 2007) with an in-depth study of YERP, the program of UNDP which aims to utilize the unemployed youth labor. In addition, the Hypothesis 1 (forthcoming) is to be tested with a range of quantitative data, such as Labor Market Surveys. The case of YERP is used in order to reveal features of larger phenomena of ALMPs as a new form of aid to BiH, its effectiveness to tackle the issues on the field. Primary and secondary research was conducted. Primary research includes semi-structured interviews⁶ conducted in BiH during April, 2012. The interviewees were selected to include professionals who were either involved in creation of YERP, its implementation or they have been directly involved in achieving the three Objectives. The selection of interviewees included representatives of different sectors (donors, municipal, NGO, employees, international organizations etc.) distributed equally in both entities, i.e. RS and FBiH. Secondary research includes reports, documents, memoranda, press releases and other available data on planning and implementation process. The guiding question of this thesis is: ***How does the Youth Employability and Retention Programme of UNDP support the BiH development process?***

In order to better assess the main guiding research question which is put into a broader framework of *development effectiveness*, the following three sub questions were generated:

Sub-question 1: Are ALMP programs more effective form of aid for BiH?

Sub-question 2: What kind of difficulties might influence the implementation of the program?

Sub-question 3: Are the effects of YERP visible on the whole territory of BiH, i.e. Federation and Republic of Srpska?

⁶ See Annex 1 for the full list of interviewees. Recordings of interviews are available upon request.

The temporal framework of this research is from January 2009 – April 2012. The YERP was approved in late 2008, but its implementation started in January 2009. The primary and secondary research covers all the available resources up to April 2012. It is believed that further research should take place after the end of the project cycle which would enable a full overview of the project's implications on BiH development.

5.1.2. Alternative Hypotheses

As elaborated above, particularly in the chapter reviewing the recent literature, authors studying the effectiveness of policies such as YERP have omitted the analysis of ALMPs in non-OECD countries. Furthermore, YERP youth comes as a form of aid from UNDP which is a benchmark in the ALMPs literature, as labor market policies usually emerge from the Government's side. Having in mind the huge amount of money sent to BiH in the form of foreign aid, starting from the mid-90s, this research endeavors to see what the effects of YERP are. The program by UNDP sets a new paradigm in the development discourse as it introduces yet unknown concept of ALMPs in the BiH labor market. The project is expected to achieve its three objectives and in the same way raise employability of youth and enhance local development.

This thesis takes into account the political context in BiH, as well as negative macroeconomic trends related to the staggering youth unemployed rate, which presented major obstacles for former UNDP's strategies (UNDAF, 2009). It is believed that rethinking effectiveness of ALMPs as a new form of aid to BiH must be observed through the UN's official evaluation prism, but with taking into account the local specific context. After detailed analysis of secondary sources, primarily UNDP's documentation the following two alternative hypotheses will be tested vis-à-vis the YERP's effects:

A. *The adverse labor market dynamics* in BiH relative to number of people served via YERP is reason for insignificant rise of youth employment.

B. *Political constellation of BiH* discourages the maximal utilization of YERP in local municipalities and equal success of the program across the country.

It is important to note that this paper does not aim to challenge the literature either on aid effectiveness or ALMPs, but rather to provide for a better understanding of causal factors which may undermine the effectiveness of programs such as YERP. The findings obtained from the case study served to suggest several propositions, which, it is hoped, could be useful for future policy makers as hints for areas which must be paid special attention.

Chapter 6 – Empirical Test of the Alternative Hypotheses

Before going into analysis of the above presented hypotheses, it is important to stress out the limitation of this research. This research has had serious time constraints and did not include a greater number of stakeholders that could have portrayed different results. The research was conducted in BiH with locally available policy analyzers, UNDP staff and donor recipients. Besides that, there may have also been a bias in interviewees as some of them were recommended by each other. Further academic research on this topic should also include the perspective of the major international donor of the project, in this case the Spanish Government, which might yield a different insight.

Additionally, this research focuses on a single programme of UNDP, i.e. YERP, which has been selected due to its innovative approach in activating the youth and assisting the country's development. The forthcoming analysis should not be taken as a proxy for other programmes supported by UNDP or by any mean imply the overall effectiveness of the international organizations in BiH. The latter would demand for a larger N-sample, including spatial and temporal analysis of many stakeholders involved into BiH development process.

Hypothesis 1: labor market dynamics

In order to evaluate the effects of YERP on the labor market for the unemployed youth, statistical data provided by the BiH Statistical Agency (BHAS) was analyzed. Additionally, the data collected from CISO Centers on the number of people who found jobs after being involved into YERP is compared to the BHAS's data. The indicators of unemployment trends from the beginning of the project were particularly useful. The data below shows the effects of YERP vis-à-vis general labor market dynamics.

According to the program coordinator, Erol Mujanovic, since the beginning of the project 25,000 users went through trainings and educations offered via YERP (Mujanovic, 2012).

However, the training itself does not guarantee a job which becomes obvious with the fact that 2,500 are in the process of getting job via internships or actually got job (Ibid). The pace of work in CISO centers implies a discrepancy between the available resources and achieved results. The CISO center in Banja Luka on monthly bases records an average of 15 people who find jobs with the assistance of YERP (Ilic, 2012). The situation in CISO Sarajevo is similar as 75 people found jobs with the center's assistance since January until April 2012 (Suljovic Musa, 2012). Having in mind that Banja Luka and Sarajevo are the two biggest industrial, cultural and administrative centers in the country, it would have been expected that YERP would have more success there due to the number of available positions.

Yet, CISO Gorazde which serves the canton of approximately 30,000 inhabitants managed to employ 259 young people out of 762 which were included in CISO's trainings (Hodo, 2012). This comes particularly encouraging as CISO center in Gorazde opened its doors as late as September 2011. Moreover, the Podrinje Canton comprises only three municipalities which were heavily destroyed during the war in the 90s, leaving Gorazde with practically no industry. Therefore, CISO in Gorazde serves as a good link for prequalification of workers by linking them with companies which are slowly returning to the area. As services of CISO are free, the newly established textile companies find it very convenient as they get skilled workers without having to pay for their additional education. Hence, this Canton is experiencing the decrease of unemployment in the first four months of 2012 on the average basis of 4.3% (BHAS, 2012).

The micro scale results of Gorazde, Banja Luka and Sarajevo are showing different results. In order to assess the impact of YERP on reducing unemployment on the whole territory of BiH, the macroeconomic trends in unemployment for the period 2009-2012 must be taken into account. By doing this, it will become clearer if YERP had impact on macro level efforts to reduce unemployment.

Year	Unemployment rate (overall)	Change from last year (%)	Youth Unemployment (age 15-24)
2009	24,1%	+0.7%	47.5%
2010	27,2%	+3.1%	51.4%
2011	27,6%	+0.4	51.7%
Source: BHAS, 2012 ⁷			

As elaborate in the Analytical Framework (see Chapter 4), *Relevance* refers to the ability of programme's objectives to remain valid throughout the whole period of project. The YERP's objectives vis-à-vis the unemployment trend has indeed remained important throughout the three years of implementation. This comes obvious with the fact that the youth unemployment has been constantly rising since 2009. Due to dramatic percentage of over 50% of youth unemployment, the program which deals directly with employability fits the needs of society perfectly.

Performance is relative to the programme's objectives which are to reduce unemployment and retain young people in BiH. However, with reported 2,500 young people who were able to get jobs with the assistance of YERP, the performance has had a very limited impact on the overall unemployment. Namely, since the beginning of project, i.e. 2009, the unemployment rates have been constantly rising. By 2011 the unemployment percentage was 27.6% of working age population, and more than 50% of young people. While *performance* of YERP counts progress on micro level, such as in Gorazde or to some extent in other municipalities, its effects do not embrace the problematic on the macro level. Moreover, the part of programme is "retention" which is almost impossible to evaluate as there are no precise data on the number of young people who left the country due to unemployment.

⁷ Data for 2012 is not yet available as BHAS announces the unemployment reports by the end of year.

Success of the project is merely limited to the 25,000 benefiteres who were involved in YERP's training sessions. As reported from CISO Centers (Ilic, 2012; Mujanovic, 2012; Hodo, 2012; Suljovic Musa, 2012) the young people found the Centers very useful in explaining and assisting in their quests for looking jobs. The key of success is that YERP via CISO Centers offered services, such as writing CVs or motivation letters, which are not part of the official curriculum and without these job search is unimaginable in modern labor market. In other words, the employees of CISO Centers reported how there were many students with excellent grades and knowledge, but with no practical skills at all. In that sense, the success of YERP is obvious as it contributed to employability of young graduates. On the other hand, the number of people who gained those skills is relatively insignificant compared to the percentage of unemployment.

Hypothesis 2: political constellation of BiH

As elaborated in Chapter 3.3, the CISO are the main institutions working directly on implementation of YERP. The pattern of equally distributing the centers among mostly Bosniak, Serb or Croat municipalities is obvious in this project as the centers are allocated on the following way: six in RS, one in Brcko District and nine in FBiH⁸. While it is positive that the donors decided for including more municipalities, rather than just Sarajevo, Banja Luka and Mostar which is usually the case (Pasic, 2012; Sladojevic, 2012; Kulasic, 2012), the political-administrative division turned against the larger visibility of the project.

This becomes especially striking when it comes to the relationship between CISOs and official employment services, i.e. the absence of cooperation between these institutions. For instance, all CISO centers were expected to start with their work by the end of 2009. However, due to the complexity of administration which differs from one entity to another some Centers were opened as late as September 2011. That is the case with CISO Livno, while only Zenica and

⁸ In FBiH five CISO centers are in mostly Bosniak populated cantons (Sarajevo, Tuzla, Gorazde, Zenica and Bihac) and four are in mostly Croat populated cantons (Livno, Odzak, Vitez, Mostar).

Bihac were opened within the planned timeframe. Due to different legislation and lack of standardized procedure on embracing CISOs with the Official Employment Services, setting up and starting with the work was quite late in many cases.

The least impressive example comes from CISO Banja Luka which was directly sabotaged by the Official Employment Service of Banja Luka, which shares the same office. According to the feedback given from the Official Employment Service of Banja Luka to YERP coordinators, the whole project for them was “irrelevant and not needed at all” (Mujanovic, 2012). The employees of CISO Banja Luka reported how they were observed as “intruders, paid by foreigners who wish to take other peoples’ jobs” (Ilic, 2012). Yet, the example of Gorazde or Vitez suggest that the relationship was more than fruitful, as those municipalities and cantons are small and in a great need for educated trainers. As CISOs were funded by UNDP it benefited several Cantons in many ways. The benefits include: having another channel for collecting data on jobs, working staff paid by external source and greater visibility of municipalities for international investors as CISOs working language is English as well.

While analyzing YERP’s effects vis-à-vis political constellation, the importance of donors’ expectations were raised frequently. It has been noted that many donors have large expectations about achieving results promptly within the timeframe (Tankosic Kelly, 2012). Jusic points out however that the portfolio of previous projects implemented not only by UNDP, suggest that international donors sometimes omit the country-specific context (Jusic, 2012). Additionally, experiences from NGOs which have received donations from the same sources as YERP were described as “impatience of donors to see the results immediately” (Dakic, 2012; Boromisa, 2012). This piece of information is crucial for understanding the pressure of donors to see the use of financial resources. Yet, in the case of setting up CISO centers many local specific problems such as legal background were omitted in the planning period. This has had direct

influence on the pace and work of CISO centers which had to deal with problems *ad hoc* with local communities.

When *relevance* of the project is observed it can be said that the objectives were significantly affected by the political constellation, i.e. varying legislation. The objectives of YERP needed to be modified in several CISO centers due to inability of official employment offices to embrace the new programme. The problem with this is in the fact that agreement to cooperate on YERP was signed by the Council of Ministers of BiH, which is by no means responsible of Employment Services' work. In other words, the signature by the Council of Ministers guarantees the support from BiH, but it does not guarantee on local support.

Performance goes along the above elaborated criterion. Due to unbalanced pace of setting up the CISO Centers and different support to YERP, the results are quite different. The performance of YERP is diverse from one canton to another and among the entities even though all Centers had the same resources available. The lack of coordination among Employment services and local governments with UNDP on YERP has adversely affected the results of this programme.

Success vis-à-vis political constellation is therefore limited. However, projects such as YERP are still one of rare opportunities which bring together citizens of BiH to work on a common goal. In other words, due to highly decentralized governance only large project such as this one can build a platform for cooperation of BiH citizens regardless of their ethnic background. In that sense, YERP has had good impact on building social capital among over 50 employees working in the CISO Centers who are well educated and able to work across the country. These efforts should be recognized and acknowledged and further supported regardless of YERP's final destiny.

Chapter 7 – Conclusions and Recommendations

The previous chapter analyzed the results of YERP vis-à-vis the macroeconomic and political framework in BiH. The official UNDP's evaluation toolbox was used for the purpose of this research. The acquired results indicate limited success of YERP due to several factors, of which two should be stressed out.

The macroeconomic framework is adversely affecting the efforts put into YERP as more people are losing jobs than YERP can assist in finding new working spots. Furthermore, YERP itself does not create jobs as the program is an ALMP which intends to empower young people in particular to find jobs on their own. Furthermore, as the economic growth in BiH fluctuates between slightly positive and slightly negative, the number of available jobs remains very limited. Finally, and disappointingly, the biggest employer in BiH is the administrative sector which has different procedures for employment.

Following the previous findings, **the political context** of BiH prevented a better visibility, hence effects, of YERP. This comes particularly obvious with the problems regarding the CISO Centers. As the Centers had to be agreed on local level, some municipalities expressed more or less enthusiasm for YERP. Consequentially, some Centers were opened almost two years after the time framework and thus yielded limited results. The overall political constellation was not the core problem *per se*, but the lack of cooperation with the local Official Employment Offices. Since full cooperation with the previously mentioned Offices failed on the whole territory of BiH, one of the Objectives of YERP is unlikely to be achieved. The overarching idea of YERP was to merge the CISO Centers with the Offices by the end of the project which is most likely not to happen by the end of 2012.

In addition the research on this topic showed a lack of knowledge on ALMPs in BiH which YERP as a programme essentially is. Moreover, the project is funded by foreign donors who

insist on utilization of funds promptly. The lack of knowledge on ALMPs is once again obvious in the problems with the Official Employment Services which simply did not have any empirical experience on this approach. Additionally, all CISO employees had specific training onto broader UNDP goals whereas the employees of the Official Employment Services did not have chance to learn more about the overarching strategy.

This research aimed to address the effectiveness of ALMP as a new form of aid to BiH. The particular focus was given to YERP, the first policy of such kind and also embedded into UNDP's long-term goals for reducing poverty and achieving universal education. The analysis presented in previous pages identified several obstacles which limit a better use of YERP. Based on findings, this paper offers some recommendations which should be taken into account for programmes such as YERP.

- The future projects promoting ALMPs must take into account that this concept is still relatively unknown in BiH, which implies that it takes time to educate people, particularly employees at the Employment Offices. The latter should be introduced with the concept of YERP *prior* to the project's implementation in order to avoid confusion, conflicts and overlapping of tasks.
- The signature of the BiH Council of Ministers does not guarantee cooperation on municipal level. UNDP and other agencies should use the bottom up approach and discuss with pilot municipalities first on pros and cons of the project.
- The list of 16 participating municipalities on YERP it is obvious that municipalities which gained limited results (Sarajevo, Banja Luka, Mostar) have been constantly receiving huge amounts of money in a form of aid. On the other hand, for Gorazde or Orasje, this is one of rare projects which involved them and benefits them greatly. The future strategies may consider different municipal selection both in RS and FBiH.

- The timeframe for implementation of YERP might be practicable for donors, but the issue of youth unemployment cannot be dealt in only three years. Moreover, as indicated in the analysis of the macroeconomic framework, the unemployment is constantly rising in BiH. This calls for a long term commitment and a constant improvement of YERP as a noteworthy strategy.
- YERP as an ALMP is indeed an innovative way of giving aid to BiH and it should be encouraged further. However, it is highly recommended for future projects to take place after April, 2013. In that month the first population census after 1991 shall take place and finally give reliable and much needed data. Also, this will enable proper strategic planning for timely strategies.

In the bottom line, this research offers a conclusion that YERP does help the BiH development but with a very limited success which were above explained. However, in order to assess the full impact of YERP a further research should take place. Further academic research or policy studies may also explore specific incentives of donors to fund ALMPs as a new form of aid. Additionally, it would be beneficial to analyze the impact of aid in addressing the still present issues of ethnic distrust and weak statehood of BiH.

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Annex 1 – List of Interviewees

Ilic, Bojana. *Employee at CISO Banja Luka*, Banja Luka, April 10, 2012.

Mujanovic, Erol. *National coordinator of YERP, Senior official at UNDP*, Sarajevo, April 12, 2012.

Jusic, Tarik. *Policy professional working at think tank “Analytica”*. Sarajevo, April 12, 2012.

Suljovic Musa, Alma. *Employee at CISO Sarajevo*, Sarajevo, April 12, 2012.

Kulasic, Elmina. *Policy professional at PCRC*, Sarajevo, April 13, 2012.

Tankosic Kelly, Garrett . *Former UNDP representative in Montenegro*, Sarajevo, April 13, 2012.

Pasic, Hana. *Political scientist, Faculty of Political Science Sarajevo*, Sarajevo, April 13, 2012.

Hodo, Nafija. *Employee at CISO Gorazde*, Sarajevo, April 14, 2012.

Sladojevic, Nela. *Ministry for Youth, Family and Sport of RS (executive board of YERP)*, Banja Luka, April 17, 2012.

Dakic, Tihomir. *Senior Official at Center for Environment*, Banja Luka, April 18, 2012.

Boromisa, Tanja. *Manager of Youth Center “Hi Neighbor”*, Banja Luka, April 18, 2012.