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Child Rights Impact Assessment of Economic Policies in Bosnia and Herzegovina: A Case Study of Proposed Electricity Price Increase

Introduction

In 2006-07, UNICEF and Save the Children UK in Bosnia and Herzegovina (BiH) supported the government and non-governmental organisations to develop and pilot a Child Rights Impact Assessment (CRIA) to assess the impact of electricity sector reform on children. The CRIA exposed the negative impact on children's access to health, education and social protection. Household strategies would also negatively impact on children's health, increase child labour, reduce children's access to information and increase girls and women's workload. The pilot proposed child well-being/rights indicators for monitoring and reinforced the need for mitigation measures.

This article summarizes the CRIA approach and discusses the potential role child impact monitoring can play in informing the development of new policies by the BiH government in the context of the European Union (EU) accession process driving economic and social reforms in BiH, especially since the EU and BiH initialled the Stabilization and Association Agreement in December 2007. The EU has extensive policies on social inclusion and child poverty reduction and child impact monitoring may become an important tool for BiH to fulfil EU conditionality on social inclusion.

Why assess impact of economic policies on children?

In 2002, Save the Children UK in BiH published a study arguing that children's rights to education, health care, social security and an adequate standard of living will be jeopardised if the macroeconomic policies promoted by the international community and government in BiH

are implemented unamended.¹ Similar policies of rapid privatization, particularly of public utilities, foreign direct investment, fiscal restraint, liberalised trade and the simultaneous accumulation of foreign debt in the Central and Eastern Europe and the Commonwealth of Independent States regions resulted in significant increases in inequality and poverty and child poverty in particular.²

This, however, did not spark concern among policy makers in BiH developing the BiH Medium Term Development Strategy (MTDS) for 2004-2007. While the revision of the MTDS in 2006 indicated that the pro-poor, human rights and sustainable human development discourses are gradually being endorsed by the BiH policy makers, links with macroeconomic and social priorities remain weak. The weakest link is in the lack of understanding of the interaction between economic and social policies and their combined impact on socio-economic development in BiH in general and child poverty in particular. BiH MTDS viewed poverty reduction as dependent on economic growth and the links between macroeconomic scenarios and public spending on social sectors were not made explicit.³ BiH government's own assessment of the MTDS-PRSP has echoed many of the same shortcomings.⁴

The CRIA was developed in response to a failure of the BiH MTDS for 2004-2007 to integrate child rights. This failure reflected not only a weak understanding, but also generally little documented evidence on how weaknesses in socio-economic policies are linked to child poverty and deprivation.⁵ Despite the Committee on the Rights of the Child recommendation for state parties to undertake child impact studies to inform policy

development on its effect on the rights of the child, only Sweden, Belgium and the United Kingdom provide recent examples. Existing tools, including Poverty and Social Impact Analysis (PSIA) developed by the World Bank, rarely consider the impacts on children.

In 2006-07, and Save the Children UK in BiH and the Directorate for Economic Planning of BiH (DEP), in cooperation with DFID, developed a CRIA model to provide BiH policy makers with the means of assessing the impact of economic reforms on children. The CRIA built on the PSIA methodology and used the Convention on the Rights of the Child to develop child-focused methodology and standards. The aim of the CRIA model and a pilot on the potential electricity price increases in the context of proposed privatisation of electricity under the MTDS was to help provide information on groups that could be adversely affected by reform measures. CRIA was intended as an instrument to influence the development and implementation of corresponding policies.

Child Rights Impact Assessment approach and methodology

The CRIA used a mixed approach combining sector analysis with quantitative survey, qualitative participatory research with children and their parents, existing data source analysis (e.g. Multiple Indicator Cluster Survey and Household Budget Surveys) and econometric analysis. CRIA approach was unique in that it: 1) focused on the effect on social service institutions as direct implementers of the children's right to education, health and social protection; 2) it assessed impact on children within the household by examining intra-household expenditures and coping strategies; 3) CRIA was conducted with participation of children and families, giving them a rare opportunity to express their views in the context of economic and social policies reforms; 4) it provided an initial set of indicators for monitoring the impact of the reform and resulted in the creation of an income-expenditure baseline against which impact of various reforms, not just electricity price increases, can potentially be monitored.

Negative impact of electricity price increases on children

CRIA focused on the electricity price increases in the context of the proposal to privatize electricity. The reform and privatisation of the electricity sector are a priority for the government in the context of the EU accession and are generally associated with the substantive increases in the electricity prices. The research explored the impact of potential price increases of 15 to 50 percent as an indication of the range of price increases that may be necessary as the sector is reorganised.

The CRIA pilot research results exposed the negative impact of the proposed reforms on children, especially the **reduced quality and access to health, education and social protection**. The qualitative research examined existing service utilisation patterns and the potential impacts of electricity price increases among: kindergarten, primary and secondary schools; primary health care clinics; children's residential institutions; centres of social work; youth centres and organisations providing children's' leisure activities. The surveyed institutions pointed out that the electricity is used all the time and that it is essential for normal life, from lighting and administration to hygiene, food preparation, heating, operating medical equipment and for children's activities. The research suggests that even modest electricity price increases might lead to cuts in the quality of services, reduced availability of these services, and/or increases in the prices they charge users, and hence reduced accessibility for poorer families.

Schools expected serious negative consequences on quality of education as the electricity is one of the largest items of expenditure of educational institutions. Levels of kindergarten attendance are already very low in BiH (approximately five percent of children attend kindergarten⁶, and these tend to be of higher socio-economic groups) and electricity price increase would further decrease the kindergarten enrolment due to increase costs of cost co-sharing by parents. Similarly, although the impacts on children's homes may be

significant, a relatively small number of children in BiH live in these institutions. As the children in institutions are among the most vulnerable children, the children's homes must be considered for special tariff mitigation measures.

Of particular concern are the potential impacts on health care institutions, since their financing, availability and quality of services affect the whole population and children are one of the most significant user groups. Furthermore, ill-health can both affect children's future prospects and the current economic status of adults and thus is strongly linked to poverty.

The CRIA also provided insight into the intra-household dynamics of income and expenditures for households with children. Households' strategies to cope with the electricity price increases would be to increase household income, reduce use of electrical appliances, use alternative fuels and reduce other expenditures on food, children's pocket money and adults' personal or social needs. These household coping strategies would increase children's engagement in paid and **household work, adversely impact children's education and health and reduce access to information, entertainment and organized leisure activities and even put children's safety at risk.**

Electricity price increases would have several important consequences for children's time use as *children would spend more time working*. In particular, more children would be engaged in paid work (10 percent of survey respondents expected that older children would need to find paid work), and others would take on more household work to enable their parents to earn more income. Girls would have to do more household work; boys would probably have to spend more time obtaining and cutting wood. Reduced use of electrical household appliances would have a disproportionate effect on women and girls, who principally engage in housework activities.

Electricity price increases would negatively impact educational outcomes as a result of constraints on education expenditure and reduced evening

study. While most parents stated they would try to protect spending on children's education above all, some particularly disadvantaged families (refugees, single parent families) might not be able to afford the costs of school education and their children might drop out. Reducing the use of electricity for lighting in the evenings was of the most common responses (31 percent of respondents) meaning reduced opportunities for leisure or socialising, or less opportunities to study which could affect their education. Furthermore, increased household duties and, for small proportion of children, paid work may also adversely affect children's education.

A number of the strategies outlined by participants in response to electricity price increases may *negatively affect health*: reduced use of hot water, reduced heating, less frequent washing and sanitary problems (including risks of lice infections, scabies, skin diseases, caries and parasitic diseases), greater use of solid fuels (particularly wood), and a shift to consuming less nutritious food. Reduced heating may lead to increased respiratory infections, as could greater use of wood-burning stoves, particularly if ventilation is limited.

Children's access to information and entertainment would be reduced. Currently, surveyed children aged 7-18 in BiH watch an average of two hours of TV per day, while one third of children use a computer for an hour or more daily, and 10 percent access the Internet every day. 24-27 percent of households would attempt to reduce electricity bills by reducing TV watching. Another seven percent would reduce computer usage⁷. Both adults and children also indicated that reducing the use of or even cancelling telephone subscriptions. Furthermore, youth centres and other organisations that provide access to computing may reduce their working hours or increase user charges.

The combined effect of families needing to reduce spending and children having more household work to do and less free time may *reduce children's involvement in organised (and paid) leisure activities* (sports, computer classes,

attending youth centres, etc). This would particularly affect children in urban areas where such facilities are more common.

Children's safety may be put at risk by two other possible responses to increasing electricity prices: illegal connections and reduced street lighting. Both adults and children taking part in the focus groups considered illegal connections very risky because of the technical knowledge required and the inherent dangers of electricity. Although none of the municipality representatives stated that they would reduce street lighting in the event of higher electricity prices, having lived with limited street lighting during the war, this was a common concern of parents and older children. They felt it would lead to increased criminal activity and make life less safe for everybody.

Both adults and children felt that a 50 percent price increase of electricity would be completely unmanageable. Most children and adults felt that they already would have undertaken all possible economising measures and that the only option that remained would be to continue using electricity, but getting increasingly indebted to the electricity companies until they were disconnected. A few said that they would disconnect themselves. The adults interviewed also predicted increased social unrest and that the number of suicides or suicide attempts would increase. A 50 percent increase in electricity prices, however, is not untenable given that transitional European countries have experienced such magnitudes of energy price increases in recent years.⁸

Two broad recommendations emerged from the CRIA study: reduced tariffs for public service providers and poverty reducing measures to cushion the impact of increase of electricity prices on vulnerable households.

Reduced tariffs for public service providers.

The qualitative research suggested some considerable difficulties in public institutions and NGOs working with children ability to meet commercial rate electricity bills. There is also some unease about the seasonal changes to tariffs which mean that costs are higher at times

of year when the need is greatest. Hence, CRIA recommended the use of specialised discounted tariffs⁹ directed at institutional bodies that work with children.

Poverty reducing measures to cushion the impact of reforms on vulnerable households.

CRIA recommended lifeline tariffs¹⁰ to help the most vulnerable consumers. Such tariffs have the benefit of relative simplicity¹¹. They impact on the problem of high electricity prices directly and are likely to have fewer adverse general economic impacts. The measures can also be partly funded by increasing the marginal costs to bulk users. The next best alternatives are likely to be earmarked cash transfers¹² to help vulnerable consumers pay electricity bills or general income support¹³ to help cushion the overall impact of price increases. In addition, it may be useful to consider support for energy conservation measures. These might include grants to help people insulate better, or use more energy efficient appliances.

The qualitative research has also gathered opinions from children, families and service providing institutions and civil society organisations on what the government should do to prevent negative impact on children. These included both, economic and social protection mitigation measures: disbanding electricity sector monopoly, promoting alternative energy sources, regulating electricity prices, introduction of subsidies for electricity consumption for poor households, introduce subsidies or exemptions from price increases for child care institutions. In addition to cash transfers for families with children, government should provide additional assistance/ investment into children's education.

The CRIA study also proposed a set of **indicators for monitoring the effects of electricity reforms on children** which may be calculated as a baseline. The initial set of indicators was based on the Convention on the Rights of the Child and was partially derived from the existing data. The CRIA's survey research was designed to fill gaps in existing regularly-collected data, such as Multi-Indicator Cluster Survey, the Household Budget Surveys and administrative data. With

data collected through CRIA, various other indicators may be formed, some of which are more closely attuned to assessing the impacts of the changes on children's welfare.

Potential role of CRIA in formulation of key BiH policy documents for EU accession

The CRIA provided a model for assessing the impact of economic reforms on children and produced concrete evidence of negative impact of planned price increases in the context of the electricity reforms in BiH. Although appreciated by key stakeholders, the influence of CRIA on policy has been limited so far. However, CRIA has the potential to emerge as a critical tool to establish the effect of economic pressures on children during the process of formulation of the new national strategies required by the EU accession process.

Currently, the prospect of EU accession is the prime driver of the socio-economic reform in BiH. The new BiH Development Strategy for 2008-2013 will be the basis for the National Development Plan and an Action Plan by which funds will be drawn from various EU pre-accession and structural funds. At the same time, the government is preparing a Social Inclusion Strategy, also a precondition for EU integration which will feed into the Joint Inclusion Memorandum (JIM) to outline the principle challenges in tackling poverty and social exclusion and identify policy priorities.¹⁴ The BiH Directorate for Economic Planning, tasked with the preparation of both strategies, has already acknowledged that various components of CRIA pilot research provide important inputs for the preparation of the Social Inclusion Strategy. Although it is not clear whether CRIA will have any effect on the National Development Strategy that will primarily focus on the economic reforms, it is important to note that the development of the two strategies is envisioned as complementary and that the Social Inclusion Strategy's chapters on labour market, employment and industrial development, employment policies as well as chapters on human development, social development and social protection will be linked with the National Development Strategy.

CRIA could be the first step in linking economic and social policy to promote child well-being in

BiH. Integrating critical elements of CRIA into existing BiH monitoring systems is a key. The income and expenditure analysis derived from CRIA and the Multiple Indicator Cluster Survey 3 conducted in 2006 created a baseline on the economic status for families with children (desegregated by number of children, gender and other factors) for the first time in BiH. This will enable future monitoring of impact of inflation and increase in consumer prices on households with children and on children within households.

This can be achieved via periodic replication of CRIA as a cost-effective research on selected economic policies or through further developing child impact indicators for regular monitoring of potential impact of commodity and services price increases on households with children. Both approaches would require institutionalisation and further sensitisation and capacity development for evidence-based policy planning in order to strengthen research-policy links. The new BiH National Development and Social Inclusion Strategies are planned to have strong monitoring and evaluation components and integrating child impact monitoring will ensure BiH government capacity to monitor/analyse impact of economic policy proposals on children and consider mitigating actions in cases where policies threaten to harm children.

Notes

- 1 Save the Children UK, *Diminishing Returns: Macroeconomics, Poverty and Children's Rights in Bosnia and Herzegovina*. 2002.
- 2 Mihaly Simai, *Poverty and Inequality in Eastern Europe and the CIS Transition Economies*. UN Department of Economic and Social Affairs, DESA Working Paper No. 17, ST/ESA/2006/DWP/17, February 2006 (http://www.un.org/esa/desa/papers/2006/wp17_2006.pdf).
- 3 A prime example of this was that while the social sector proposals implied additional resources allocations, Medium Term Expenditure Framework prioritised reduction of public expenditure, especially expenditure on social sectors. See *Bosnia and Herzegovina Medium-Term Development Strategy – MTDS-PRSP 2004-2007* (<http://www.dep.gov.ba/>

en//content/view/55/86/) and Revised document of MTDS for 2004-2007 (<http://www.dep.gov.ba/en//content/view/37/86/>).

- 4 The main shortcomings of the PRSP include poor prioritization of the measures, little connection between macro goals and local planning, ineffective connection with budgets, information related to administrative measures rather than impact on service delivery or people, limited capacity to manage implementation and monitor. See Ljerka Maric, BH Council of Ministers, Department of Economic Planning, presentation to the Fourth Poverty Reduction Strategy Forum in Athens, Greece, 26. June, 2007. (<http://siteresources.worldbank.org/INTECAREGTOPPOVRED/Resources/Maric.ppt>)
- 5 UNICEF, *Global Study on Child Poverty and Disparities 2007-2008: Guide*. Global Policy Section, Division of Policy and Planning, New York, September 2007. p. 1-6.
- 6 The percentage on kindergarten attendance was derived from the CRIA quantitative survey. The percent of children attending preschool derived from MICS3 Survey is at 6.8 percent, which is an acceptable statistical difference given the difference in sizes of the survey samples.
- 7 This relatively small percentage reflects the fact that computer ownership is not particularly widespread in BiH (36 percent of households own one).
- 8 See, for example, the case of Slovakia where energy prices have risen on average 16.8 percent each year over the period 1997-2005. Anton Javcak, *Energy prices in Slovakia – still a risk factor*, ECFIN Country Focus, vol3, issue 15, December 2006 (http://ec.europa.eu/economy_finance/publications/publication1280_en.pdf).
- 9 *Specialised discounted tariffs* usually involve charging lower tariffs for electricity use at certain non-peak times (e.g. late night). This is already in operation and widely known about in BiH, with many respondents stating that they already try to use electricity at the weekend when it is cheaper. They can also include lower tariffs for customers who agreed to an interrupted

service, though this is less relevant for BiH.

- 10 *Lifeline tariffs* involve providing for a block of electricity consumption, calculated to enable people to meet their basic needs, at a discounted rate. Any use of electricity over the 'lifeline' block is charged at a higher rate. World Bank analysis for BiH suggests that 200 kWh per month would enable people to meet basic electricity-related needs, given that average household consumption is 291 kWh per month.
- 11 The information required to provide lifeline tariffs is likely to be less than other income based measures (since consumers of 'essential' electricity effectively select themselves) and they can be easily adjusted to accommodate changing needs since they are based on tariff rate changes.
- 12 World Bank, *Assessment of the Social Status of the Consumers of Electricity and Corresponding Programmes of Social Protection in Bosnia and Herzegovina*, 2004 (unpublished report). This World Bank report prepared for BiH Elektroprivredas suggested such a mechanism, which would be administered by the Elektroprivredas and take the form of discounts on electricity bills for low-income customers. Centres for Social Work would be responsible for developing and providing lists of eligible customers to the Elektroprivredas.
- 13 This would take the form of increasing the amount of social assistance payments to low income families or increasing the number of people eligible for it. Eligibility would be determined by Centres of Social Work
- 14 JIM is supposed to prepare BiH for participation in the Open Method of Coordination of Social Inclusion upon accession. Under this process, member country has to prepare a National Action Plan for Inclusion every two years based on common EU goals. See http://ec.europa.eu/employment_social/spsi/enlargement_en.htm

This article is an extract of a paper which was presented in April 2008 at the UNICEF/New School University Conference on Child Poverty Policies in New York.

Etude de l'impact des politiques économiques sur les droits des enfants en Bosnie-Herzégovine : examen de la proposition d'augmenter le prix de l'électricité

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En 2006-2007, l'UNICEF et Save the Children UK en Bosnie-Herzégovine ont apporté leur soutien au Gouvernement et à des organisations non gouvernementales pour l'élaboration et la conduite d'une étude de l'impact sur les droits des enfants (Child Rights Impact Assessment, CRIA) de la réforme conduite dans le secteur de l'électricité. La CRIA a mis en évidence des répercussions négatives sur l'accès des enfants à la santé, l'éducation et la protection sociale. Les stratégies des foyers pourraient aussi avoir des effets préjudiciables sur la santé des enfants, entraîner également une augmentation du travail des enfants, réduire leur accès à l'information et accroître la charge de travail qui incombe aux filles et aux femmes. L'étude pilote proposait des indicateurs du bien-être et des droits des enfants à des fins de monitoring et soulignait le besoin de mesures d'atténuation des effets.

L'article résume l'approche choisie par la CRIA. Il examine l'importance potentielle de cette étude qui fournira des informations que pourra mettre à profit le Gouvernement de Bosnie-Herzégovine pour le développement de nouvelles politiques dans le contexte des réformes économiques et sociales entreprises dans le cadre du processus d'adhésion à l'UE – en particulier depuis la conclusion de l'accord de stabilisation et d'association entre l'UE et la Bosnie-Herzégovine en décembre 2007. L'UE a développé d'importantes politiques en faveur de l'inclusion sociale et de la réduction de la pauvreté des enfants ; dans ces conditions, une évaluation de l'impact des politiques sur les enfants pourrait être, pour la Bosnie-Herzégovine, un outil important dans l'objectif de satisfaire aux conditions de l'UE dans le domaine social.

Analyse der Folgen von Wirtschaftspolitik für die Kinderrechte in Bosnien und Herzegowina: eine Fallstudie zur vorgeschlagenen Strompreiserhöhung

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In den Jahren 2006 und 2007 haben UNICEF und Save the Children UK in Bosnien und Herzegowina (BiH) die Regierung und nichtstaatliche Organisationen bei der Entwicklung und Pilotierung einer Analyse der Folgen für Kinderrechte (Child Rights Impact Assessment, CRIA) unterstützt, um die Folgen der Reform der Stromwirtschaft für die Kinder zu bewerten. Die CRIA stellte deutlich die negativen Auswirkungen auf den Zugang von Kindern zu Gesundheitsversorgung, Bildung und sozialem Schutz heraus. Die Strategien der Haushalte würden sich ebenfalls negativ auf die Gesundheit von Kindern auswirken, den Zugang von Kindern zu Informationen einschränken und die Arbeitsbelastung von Mädchen und Frauen erhöhen. Die Pilotstudie schlug Indikatoren für das Wohlergehen von Kindern/Kinderrechte beim Monitoring vor und unterstrich die Notwendigkeit von schadensmindernden Maßnahmen.

Dieser Artikel beinhaltet eine Zusammenfassung des CRIA-Ansatzes und erörtert die potentielle Rolle, die ein Monitoring der Folgen für Kinder bei der Beeinflussung der Entwicklung neuer Maßnahmen der Regierung von Bosnien und Herzegowina im Zusammenhang mit dem Beitrittsverfahren zur Europäischen Union spielen kann, das die Wirtschafts- und Sozialreformen in Bosnien und Herzegowina insbesondere seit der Paraphierung des Stabilisierungs- und Assoziierungsabkommens zwischen der EU und Bosnien-Herzegowina im Dezember 2007 bestimmt. Die EU verfügt über umfassende Maßnahmen zur gesellschaftlichen Teilhabe und Verminderung von Kinderarmut, und das Monitoring der Folgen für Kinder kann zu einem wichtigen Instrument für Bosnien und Herzegowina werden, um die EU-Bedingungen zur gesellschaftlichen Teilhabe zu erfüllen.