

Supporting the Private Sector as One of the Mechanisms In The Fight Against Poverty In Bosnia And Herzegovina

Amra Babajić¹

Amra Nuhanović²

Faculty of Economics Tuzla

ABSTRACT

This paper is based on the analysis of the relationship between economic policy measures by which the state provides support to enterprises, i.e. affects the development of the private sector, which creates conditions and opportunities for potential poverty reduction. The authors came to the conclusion that the estimated state assistance in reducing poverty in Bosnia and Herzegovina is worse among respondents from the private sector, which leads to the view that the public sector perceives the influence of the state as greater than it really is. The results of the research also show that it is necessary to significantly intensify all activities of the state in terms of poverty reduction, because the current level of action is not satisfactory.

KEY WORDS: *poverty, private sector, economic policy, Bosnia and Herzegovina.*

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I. INSTEAD OF INTRODUCTION

Poverty can be defined as not having enough money or property to buy the minimum amount of goods and services necessary for a normal life. Poverty manifests itself through its four dimensions: Spiritual and material circumstances; experience of one's own condition; how others see the poor; and sociocultural time - a space that affects different understandings of poverty. (Zaks, 2001, p. 236) Spiritual circumstances refer to a lack of happiness or self-confidence, respect and love. The material aspect of poverty starts from the very definition of the term and refers to material things whose lack constructs poverty. People often take the lack of material and spiritual things tragically, make efforts to end their poverty - and even violence, but often attribute their shortcomings to conditions independent of their will and beyond their control. On the other hand, the lack of material things is not always taken negatively and is considered a blessing or an opportunity to attain higher forms of wealth.

Since living in poverty is often accompanied by feelings ranging from anxiety to contempt and violence, even those who observe the poor often see the embodiment of human misery, and even incurable and inevitable life facts. All these dimensions of poverty are influenced by time and space to which they belong, which explains why, in different communities and in different time periods, the same material circumstances are viewed differently, both by the poor and by society as a whole. About 10% of the world's population, or 736 million people, live on less than \$ 1.9 per day in 2015 (World Bank, 2020). The latest available data for Bosnia and Herzegovina show that the poverty rate according to the national poverty line (% of the population) was 18.2 in 2007, 17.9 in 2011, and 16.9 in 2015 (World Bank, 2021). UNICEF report identified and documented a serious and growing level of poverty and social exclusion in Bosnia and Herzegovina.³ The report showed that more than half a million people in Bosnia and Herzegovina live in relative poverty, and it is possible that the number is as high as one and a half million. Over a million other residents live in a state of severe material deprivation or in a situation of social exclusion defined as living in very low-intensity families. The report cites the 2010 Life in Transition-LiTS survey conducted by the EBRD in 34 countries. The survey used a different spending aggregate compared to the Bah Household Budget Survey, and it was possible to calculate three indicators for the EU Concept of at-risk-of-poverty and social exclusion (AROP⁴): risk of poverty, severe material deprivation and very low labour intensity. The data of that research are shown in the following table.

¹ Associate Professor, Faculty of Economics, E mail: amra.babajic@untz.ba

² Associate Professor, Faculty of Economics, E mail: amra.nuhanovic@untz.ba

³ UNICEF, Analysis of shortcomings in the field of social protection and inclusion policies in Bah, Sarajevo, 2013, p.12-13.

⁴ The index is based on the statistical survey on income and living standards in the EU, i.e. EU-SILC (European Union Statistics on Income and Living Conditions).

Table 1: Persons at risk of poverty and social exclusion in Bah

Category	Number of persons	Population (%)
At risk of poverty	1.514.576	32,4
With severe material deprivation, but who are not in danger of poverty	891.614	19,1
With very low work intensity, but who are not in a state of severe material deprivation or in a household with low work intensity	305.641	6,5
At risk of poverty and social exclusion (AROPE)	2.711.831	58,6

Source: UNICEF, Analizanedostataka u oblastipolitikasocijalnezaštiteinkluzije u BiH, Sarajevo, 2013, p.13

Compared to the surrounding countries, it was noticed that Bosnia and Herzegovina deviates far from the EU-27 AROPA, which amounts to 24.2%, and the new EU members, whose AROPA is 30.6%. Given the widespread phenomenon of poverty in Bosnia and Herzegovina, the aim of this paper is to determine the role of the state, i.e. to determine whether the state through economic policy measures contributes to poverty reduction in Bosnia and Herzegovina. In the context of achieving the research goal, the paper examines the attitudes of respondents from the private and public sector on the role of economic policy measures in reducing poverty through strengthening the private sector.

The paper is organized as follows: After the theoretical concept of the research, which is the first chapter of the paper, the second part gives a brief overview of significant research results that address this issue. The third part of the paper refers to the methodology of the conducted research, and the fourth to the results and discussion. The concluding remarks summarize the main findings of the conducted research.

II. THEORETICAL ASPECT OF RESEARCH AND LITERATURE REVIEW

2.1 Theoretical concept

The fight against poverty and social exclusion in the world is proclaimed, among other things, through the achievement of the Millennium Development Goals (MDGs), which were set by 2015, and through the achievement of the Sustainable Development Goals (SDGs), which have until 2030. In defining and achieving these goals, it is clearly indicated how private sector development contributes to poverty reduction. The starting point is that any national strategy for achieving development goals should contain a clear framework for private sector growth. Clearly defined that in market-oriented economies, private companies can directly contribute to achieving goals through:⁵

- Increase productivity,
- Job creation,
- Increase in wages,
- Seeking opportunities to provide services through public-private partnerships.

In many cases, the private sector plays a partnership role for the government in providing services to broad sections of society. In order to achieve the above objectives, governments must find a way to provide universal access to electricity, roads, water and sanitation, the provision of experts and logistics, with significant assistance from private companies in these efforts. The role of the private sector in reducing poverty is also emphasized by the Monterey Consensus. Namely, the Monterey Consensus is a report from the International Conference on Financing for Development, held in Monterey (Mexico), in 2002, prepared by the United Nations. The report focuses on financing development from six key sources:⁶

- Mobilization of domestic financial resources;
- Mobilization of international sources: foreign direct investments and other private sources;
- International trade as a driver of development;
- Increasing international financial and technical cooperation;
- External borrowing;
- Increasing the coherence and consistency of the international monetary and financial and trade system to support development.

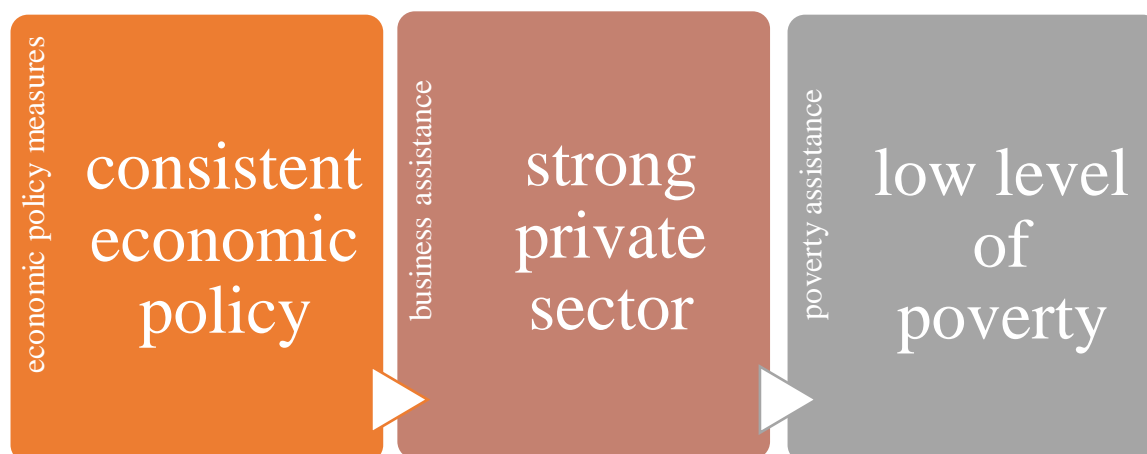
⁵UNDP, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, Millennium Project, London, 2005, p. 137-145.

⁶United Nations, *Monterrey Consensus on Financing for Development*, United Nations Department of Public Information, 2003, p. 3.

The role of the private sector in the context of poverty reduction is highlighted in policies, and is implemented through various European Union strategies. Namely, in 2010, the European Union developed a ten-year growth strategy, called "Europe 2020". The purpose of the strategy is to overcome the financial crisis, but also to correct the shortcomings of the current growth model and create conditions for another type of growth, which will be "smarter", "more sustainable" and "more inclusive". Smart growth has been achieved through the initiatives: Digital Agenda for Europe, Innovation Union and Youth on the Move; Sustainable growth through initiatives: Resource efficiency in Europe, Industrial policy for the globalization era; and effective growth through: the New Qualifications and Jobs Program, the European Platform against Poverty. The entire Strategy is motivated by the concept of creating more competitive economies with higher employment rates. The implementation of the strategy is possible through the achievement of the following five goals:

The importance of the entrepreneurial economy is emphasized in the documents of the European Commission. Namely, the European Commission in its acts gives a central role in the development of the EU economy to small and medium enterprises, i.e. it starts from the fact that the prosperity of citizens and the competitiveness of member states depends on the development of SMEs. In this context, members are required to create a stimulating business environment that will contribute to the development of this sector. Our ability to influence the development and innovative potential of small and medium enterprises will be decisive for the future prosperity of the EU. In an environment of global change characterized by constant structural change and increased competitive pressure, the role of SMEs in our society is becoming increasingly important in providing employment opportunities and as a major player for the benefit of local and regional communities.⁷

The theoretical basis for the subject research is based on the connection between economic policy measures by which the state provides support to companies, i.e. affects the development of the private sector, which creates conditions and opportunities for poverty reduction, as shown in the following scheme.



Entrepreneurship is without a doubt one of the drivers of economic development of any country and the cornerstone of competitiveness of any country as it creates new businesses, creates new jobs.⁸ A statistical analysis by the Goldwater Institute shows that in 50 countries it is indicated that higher rates of entrepreneurial activity have an impact on a higher decline in the poverty rate.⁹ Namely, comparing states during the last economic boom of 2001-2007, it is evident that for every percentage point of increase in the entrepreneurship rate, the poverty rate decreases by 2%. The research recommends that economic policy makers should focus on increasing the number of companies, and that one of the most effective ways to do that is to reduce tax liabilities.

⁷Komisija evropskih zajednica, *Zakon o malim preduzećima za Evropu*, Brisel, 2008., p. 2-5.

⁸Šunje A., *GEM BiH2012*, Centar za razvoj preduzetništva, op. cit., p. 16.

⁹Slivinski S., *Increasing Entrepreneurship is a Key to Lowering Poverty Rates*, Goldwater Institute, Phoenix, 2012., p. 1., www.goldwaterinstitute.org/sites/default/files/PR254%20Increasing%20Entrepreneurship.pdf, February 2021

2.2 Literature review

For almost a decade and a half, the German Development Institute¹⁰ has been continuously dealing exclusively with the issue of promoting the private sector in order to reduce poverty as well as promoting adequate economic policies in order to eradicate the phenomenon of poverty. Namely, GDI research has shown that progress in promoting the private sector and encouraging poverty reduction can only be achieved through adequate economic policies that create the necessary conditions for this. Moreover, the Institute maintains that private sector-centered economic growth seeks to facilitate the participation of an insufficiently integrated population group in techno-organizational learning processes and their functional inclusion in differentiated, specialized and competitive economic sectors. In this context, GDI proposes a concept aimed at a more inclusive pattern of economic growth, which would include the following aspects: 1) in an increasingly open market, sustainable economic growth can only be achieved by competitive private sector. Moreover, highly developed world economies show that small businesses can ensure national competitiveness and innovation, while creating jobs. 2) Without the promotion of the private sector, development economic policy will not be able to fulfil its task - reducing poverty, and 3) Development economic policy can better contribute to improving the framework needed for economic growth, for more consistent targeting of financial resources.

The African Development Bank (ADB)¹¹ reaffirms, in many of its studies, its commitment to its overarching goal of poverty reduction. Achieving this goal implies the integration of the poverty problem through all the Bank's activities and the development of appropriate operational mechanisms and institutional arrangements. The Bank's policy takes into account the lessons learned in national economies for poverty reduction and experience with international economic development assistance. It is thanks to this, but also to the understanding of the concept of poverty, that he has spawned a wide range of economic policies to reduce it. At the same time, the ADB worked to develop an approach to assisting strategic development frameworks and planning instruments in order to reduce poverty, in predominantly African countries.

The Department for International Development¹² points out in its study that economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Their case studies provide vast evidence that rapid and sustainable economic growth is crucial for faster progress towards the Millennium Development Goals - especially poverty reduction. Growth can create virtuous circles of prosperity and opportunity. In this regard, for example, the study states that strong growth and employment opportunities improve incentives for parents to invest in their children's education by sending them to school. This could lead to the emergence of a strong and growing group of entrepreneurs and self-employment, which should create pressure to improve governance and strengthen the entrepreneurial spirit.

General approaches to promoting private sector development according to OECD policy would include the following¹³: 1) encouraging entrepreneurship and investment by reducing business risks and costs, including removing barriers to formalizing business activities. 2) Identify the potential for economic development in sectors and regions where the poor are predominantly concentrated. 3) Use market-based approaches as a way to address barriers to market development - including support for the promotion of competitive markets and financial market development 4) incorporate private sector development strategies into national development frameworks as potential and possible instruments for poverty reduction. 5) Link private sector development and governance programs in all national economies vulnerable to extreme poverty. 6) Enable structured, inclusive and efficient public-private dialogue as a key element in institutional reform, 7) Integrate private sector development in each of the so-called Creditor strategies, and 8) Improve and formalize effective mechanisms for coordination and harmonization of creditors. In the European Union, in 2019, 21.1% of the population, or 92.4 million people, were exposed to the risk of poverty or social exclusion, which is a slight decrease compared to 2018 (21.6%).

With this in mind, according to the EU and the European Commission¹⁴, they mean that all EU member states and its potential candidates are obliged to prepare Economic Reform Programs, in the context of adequate economic policy, in terms of social inclusion, poverty reduction and equal opportunities. For example, the Republic of Croatia in its strategy to combat poverty and social exclusion focuses on the use of EU funds and international resources to reduce this problem. Minor efforts have only just been made in Bah, as can be seen from previous Bah social inclusion strategies, which are mostly older (2010).

¹⁰ German Development Institute, 2010, Briefing Paper no. 4, GDI.

¹¹ African Development Bank (2018), *Bank Group Policy On Poverty Reduction* , African Development Fund, ADB

¹² Department for International Development (2017), *Growth Building Jobs And Prosperity in Developing Countries*, DID.

¹³ OECD (2015), *Promoting Pro-Poor Growth: Policy Guidance for Donors*, OECD.

¹⁴ EC (2019), *Economic Reform Programmes: Western Balkans and Turkey*, available at <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-erp-factsheet.pdf>, February 2021

From the aspect of research by international financial institutions¹⁵, it can be stated that the private sector is recognized as a partner in economic development, "a provider of income to improve lives and help people avoid poverty." In this regard, we can state that international financial institutions play a significant role in supporting the private sector, especially in developing countries. They provide capital, knowledge and partnership, and also support entrepreneurial initiatives aimed at achieving sustainable economic growth.

The situation in Islamic countries on this issue is very interesting to analyse¹⁶ For example, research from the Department of Foreign Affairs and Trade shows that the private sector is the engine of growth in Islamic countries. Successful companies drive growth, create jobs and pay taxes that finance services and investments. In Islamic countries, the private sector generates 90% of jobs, finances 60% of all investments and provides more than 80% of government revenues. The private sector provides an increasing share of basic services in Islamic countries, such as banking, telecommunications, health and education. Sustainable and inclusive private sector-led growth can contribute to poverty reduction, however, it cannot act alone. The government plays a central role in supporting economic growth and poverty reduction. In this regard, the government must provide good economic policies, strong institutions and efficient public goods and services to ensure that the private sector can thrive and benefit society as a whole.

Villanger&Ivar (2015) in their research point out that productive self-employment is a major means of reducing poverty and is the most important determinant of living standards worldwide. Encouraging the economy to create productive jobs is a key challenge in reducing poverty in most developing countries. However, there is a heated debate about the role that governments, creditors and foreign aid can play in stimulating these changes. This means that some lenders use the private sector as a means to achieve other goals. The British Ministry of International Affairs, for example, not only sees the private sector as a development approach; then sees it as a means of enabling other activities, such as health and education, to be sustained through partnership arrangements with the public sector.¹⁷

Peter's study (2016) focused on the so-called "Countries in transition", which are defined as a set of middle-income countries in which the long-term prospects of the poor are generally good, but not necessarily secure or sustainable.¹⁸ Middle-income countries often have markedly uneven, inclusive economic development. As a result, poverty levels often remain high or in some cases even worsen. Therefore, creditors are aware that these countries in transition need different support. The challenge for countries in transition in transforming economic development into lasting poverty reduction stems from a number of factors. First, when a country relies on a small number of basic products for its economic success, it is more vulnerable to shocks such as falling commodity prices. Another challenge is infrastructure. Third, too much manpower is an advantage only if it is well qualified and if there are (self-) employment opportunities. Fourth, the development of institutions capable of good governance, the rule of law and transparency is vital. Thus, countries give confidence to both foreign and domestic investors that their investments are secure and that all challenges related to expanding the economy, building infrastructure and providing education and training will be properly addressed.

Byiers&Rosengren (2012) address the issue of "encouraging" the private sector through development financial institutions, to improve the business environment and promote entrepreneurship, and what economic policy measures should be promoted to remove obstacles to private sector development to reduce poverty.¹⁹

Anderson et al (2016) explore the links between public investment, economic growth, and poverty reduction. Namely, the aim of these authors is to provide an overall view of existing theories and methods for providing better guidance to economic policy makers to implement adequate and transparent measures to reduce poverty through public investment. According to Anderson et al, this issue is insufficiently researched, but still, the views of these authors are based on the fact that there must be a better understanding of the dynamics of economic policy-making in poor countries.²⁰

¹⁵ IFC (2015), *International Financial Institutions And Development Throw Private Sector*, IFC.

¹⁶ Department for Foreign Affairs and Trade (2017), *The role of the private sector in supporting economic growth and reducing poverty in the Indo-Pacific region*. DFAT

¹⁷ Villanger E., Ivar L. (2015), *Private sector development for poverty reduction: Opportunities and challenges for Norwegian development aid*, Oppedal Berge CMI

¹⁸ Davis, P., (2016). *Private sector development in countries progressing from poverty*, Final report Client: Department for International Development, UK.

¹⁹ Byiers B., Rosengren, A., (2012), *Reflections On The Private Sector (For) Development Agenda*, ECDPM No 131

²⁰ Anderson, E., et al. (2016). *Role of Public Investment in Poverty Reduction: Theories, Evidence and Methods*, Overseas Development Institute, London.

III. RESEARCH METHODOLOGY

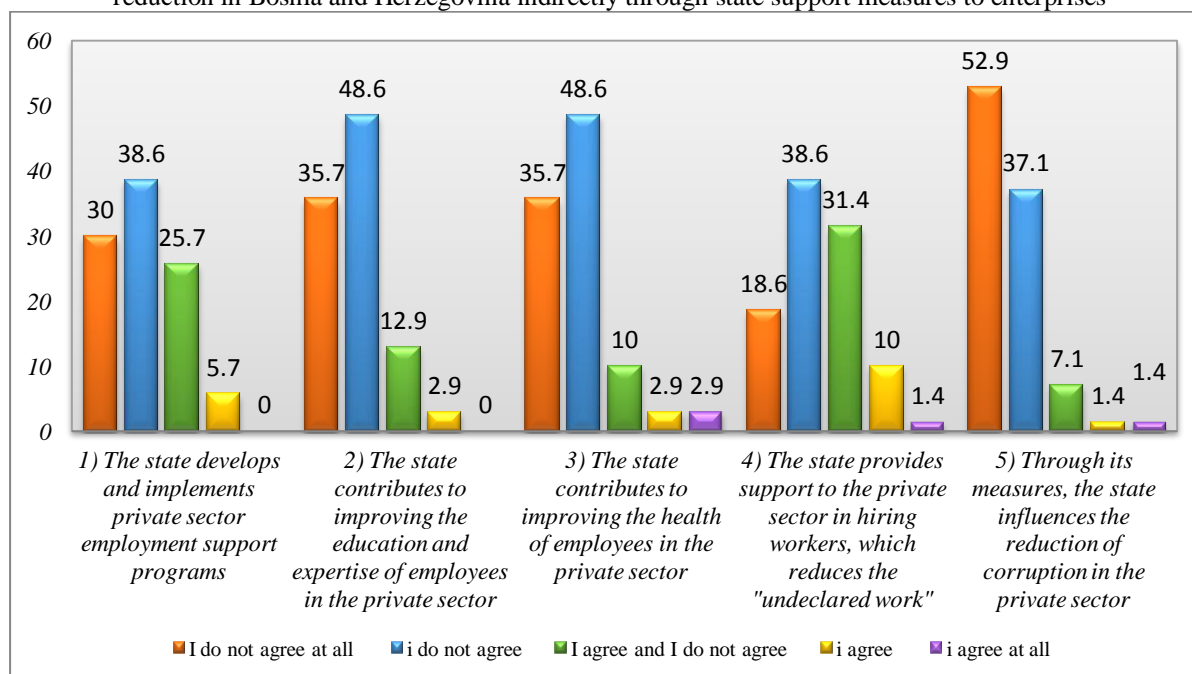
The paper collects primary data on the role of economic policy measures in poverty reduction in Bosnia and Herzegovina. Data collection was performed by the survey method, i.e. by a structured survey or a questionnaire. The survey questionnaire consisted of two parts: Part I, which is filled in by the management in companies, and Part II, which is filled in by representatives of state institutions. The questionnaires were constructed and adapted to the subject research based on the following documents: OECD, Promoting Pro-Poor Growth: Private Sector Development, France, 2006, and The European Commission, The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion, Brussels 2010.

When it comes to respondents from the private sector, during their selection, the Register of Companies provided from the database of the Indirect Taxation Authority of Bah (ITA) was used. The use of the Register of Enterprises enabled the implementation of primary data collection based on a proportional stratified sample. The size of the enterprise determined by the number of employees in the enterprise was used as a criterion for population stratification. Pursuant to EU regulations, companies in the Statistical Business Register of Bosnia and Herzegovina are classified into the following classes: micro (0-9 employees), small (10-49 employees), medium (50-249 employees) and large companies (250 and more employees). The entire population is divided into four strata: micro, small, medium and large enterprises. Large companies were excluded from the observation because they were not the focus of this research. 250 companies that entered the sample were selected from the stratum of micro, small and medium enterprises by the method of random selection. As part of the survey of state institutions, the survey was conducted in the following Ministries of Bosnia and Herzegovina: Federal Ministry of Development, Entrepreneurship and Crafts, Federal Institute for Development Programming, Republic Agency for Development of Small and Medium Enterprises (RepublikaSrpska), Brcko District Government or Development Guarantee Fund Brcko District, the Federal Ministry of Energy, Mining and Industry, the Ministry of Foreign Trade and Economic Relations of Bah, and 10 cantonal ministries in the field of entrepreneurship. The rate of return (completed) surveys by state institutions is 62.5%.

IV. RESULTS AND DISCUSSION

The attitudes of the respondents regarding the role of economic policy measures in reducing poverty in Bah, indirectly through state support measures to companies, are shown in the following figures.

Figure 1: Attitudes of private sector respondents about the role of economic policy measures in poverty reduction in Bosnia and Herzegovina indirectly through state support measures to enterprises

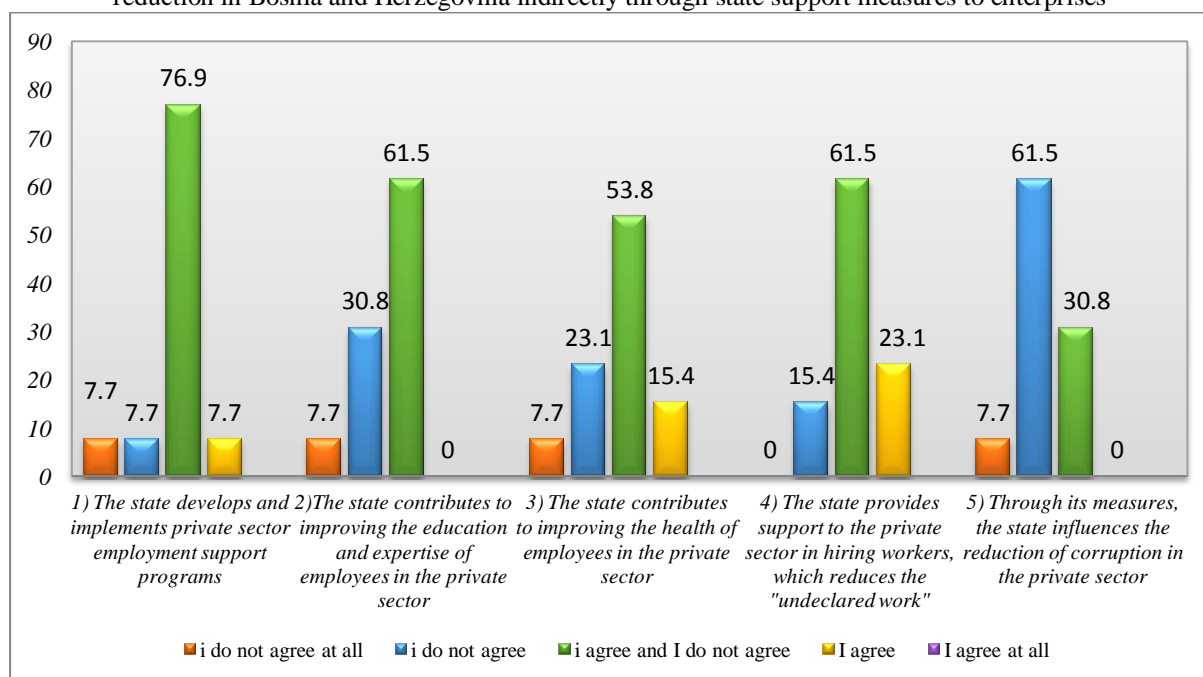


Author's creation

When it comes to the attitudes of respondents from the private sector on the role of economic policy measures in reducing poverty in Bosnia and Herzegovina indirectly through measures of state support to enterprises, descriptive statistical analysis showed the following: 1) In the first statement, 30.0% of the answers

“I do not agree at all”, 38.6% of the answers “I do not agree”, 25.7% of neutral answers, and 5.7% of affirmative answers were recorded, while there were no strongly affirmative answers. . 2) In the second statement, 35.7% of answers "I do not agree at all", 48.6% of answers "I do not agree", 12.9% of neutral answers, and 2.9% of affirmative, while highly affirmative answers, as and in the previous claim, it was not. 3) In the third statement, 35.7% of answers "I do not agree at all", 48.6% of answers "I do not agree", 10.0% of neutral answers, 2.9% of affirmative, and 2.9% of answers were recorded. I completely agree". 4) The fourth statement recorded 18.6% of answers "I do not agree at all", 38.6% of answers "I do not agree", 31.4% of neutral answers, 10% of affirmative, and 1.4% of strongly affirmative answers. 5) The fifth statement recorded a high 52.9% of answers "I do not agree at all", 37.1% of answers "I do not agree", 7.1% of neutral answers, 1.4% of answers "I agree", and 1.4% of answers "I completely agree". Thus, the largest percentage of respondents from the private sector “disagree,” or “disagree at all,” with claims that state measures support businesses in order to ultimately affect poverty reduction. For example, the vast majority of respondents disagree with the statement The state with its measures affects the reduction of corruption in the private sector (37.1% of answers "I do not agree" and 52.9% of answers "I do not agree at all"), as well as The state contributes to the improvement of the health of employees in the private sector (48.6% of answers "I do not agree" and 35.7% of answers "I do not agree at all"), and the statement The state contributes to improving the education and skills of employees in the private sector % of answers “I do not agree” and 35.7% of answers “I do not agree at all”). Respondents took the most neutral views on the claims. The state provides support to the private sector in hiring workers, which affects the reduction of "undeclared work" (31.4%) and the state develops and implements programs to support employment in the private sector (25.7%).

Figure 2: Attitudes of public sector respondents about the role of economic policy measures in poverty reduction in Bosnia and Herzegovina indirectly through state support measures to enterprises



Author’s creation

When it comes to the attitudes of respondents from the public sector on the role of economic policy measures in reducing poverty in Bosnia and Herzegovina indirectly through measures of state support to enterprises, descriptive statistical analysis showed the following: 1) To the first statement 7.7% of respondents gave the answer "I do not agree at all", 7.7% of respondents gave the answer "I do not agree", high 76.9% of respondents gave a neutral answer, 7.7% of respondents gave the answer “I agree”, while the answers “I completely agree” were not recorded. 2) In the second statement, 7.7% of respondents gave the answer "I do not agree at all", 30.8% of respondents gave the answer "I do not agree", and 61.5% of respondents gave a neutral answer, while affirmative answers were not recorded. 3) When it comes to the third statement, 7.7% of respondents gave the answer "I do not agree at all", 23.1% of respondents gave the answer "I do not agree", 53.8% of respondents gave a neutral answer, 15.4 % of respondents gave the answer "I agree", while the answers "I completely agree" were not recorded. 4) When it comes to the fourth statement, 15.4% of respondents gave the answer "I do not agree", 61.5% of respondents gave a neutral answer, 23.1% of respondents gave the answer "I agree", while the answers "Completely I agree”are not recorded. 5) In the fifth

statement, 7.7% of respondents gave the answer "I do not agree at all", 61.5% of respondents gave the answer "I do not agree", and 30.8% of respondents gave a neutral answer, while affirmative answers were not recorded. The analysis shows that respondents from the public sector, in this set of claims, take the highest percentage of neutral attitudes when it comes to economic policy measures by which the state affects poverty reduction, and through state aid to enterprises: as many as 76.9% of respondents implements employment support programs in the private sector, while 61.5% of respondents took a neutral position on the claims The state provides support to the private sector in hiring workers, which reduces "undeclared work" and the state contributes to improving education and skills of employees in the private sector.

Table 2: Results of discriminatory analysis on the role of economic policy measures in reducing poverty in Bosnia and Herzegovina indirectly through state support measures to enterprises

F	λ	% variance	Cumulative % Of variance	r_c	Wilks λ	χ^2	df	p
1	0,207	100	100	0,414	0,829	14,746	5	0,012

As can be seen from the table there is a statistically significant difference in the attitudes of respondents regarding the role of economic policy measures to reduce poverty in Bosnia and Herzegovina indirectly through state support measures to enterprises (The state develops and implements private sector employment support unemployment in Bosnia and Herzegovina (financial and other benefits in hiring workers), the State contributes to improving the education and skills of employees in the private sector, the State contributes to improving the health of employees in the private sector, the State provides support to the private sector (e.g. by providing benefits) which affects the reduction of "undeclared work", the State through its measures affects the reduction of corruption in the private sector) at the multivariate level. The existence of one discriminatory function was determined, which is in line with expectations because two groups based on the sector of action (public and private) participate in the analysis, with the function explaining 100% of the total intergroup variance. The squared canonical correlation (r_c) shows that the discriminant function explains the low 41.4% variation within the grouping variable. The Wilks λ of the discriminant function is high (Wilks $\lambda = 0.829$) and indicates that the discriminant power of the discriminant functions is low. The χ^2 test for function 1 is statistically significant, $\chi^2 = 14.746$, $p = 0.012$. This indicator proves that the discriminatory model is significant, i.e. that the measures are adequate to differentiate belonging to the group, but that the differences in reality are small.

Table 3: Coefficients of discrimination and centroids of groups

	Coefficient of discrimination	Group	Centroids
The state contributes to improving the health of employees in the private sector	0,796	Private sector	-0,194
The state contributes to improving the education and expertise of employees in the private sector	0,762		
The state develops and implements private sector employment support programs	0,726	State sector	1,042
Through its measures, the state influences the reduction of corruption in the private sector	0,642		
The state provides support to the private sector in hiring workers, which reduces the "undeclared work"	0,469		

The table shows the largest differences between the private and public sector groups. It was found that the largest difference, at the multivariate level, is in the case of the State's contribution to improving the health of employees in the private sector, with the private sector giving a lower average score (1.89) than the public sector (2.77). A difference was also found in the case of Contribution to the improvement of education and expertise of employees in the private sector, with respondents from the private sector giving a lower average grade (1.83) to the role of the state than respondents from the public sector (2.54), and in the case of Program Development and Implementation. Support for employment in the private sector, which directly affects the reduction of unemployment in Bosnia and Herzegovina (financial and other benefits in hiring workers), with the private sector assessing the role of the state as smaller (2.07) than respondents from the public sector (2.85). There is a difference in the case of measures by the State to reduce corruption in the private sector, where the private sector considers that the role of the state is smaller (1.61) than in the case of the public sector (2.33), and in the case sector (e.g. by providing relief) in the employment of workers, which affects the reduction of "undeclared work", while the private sector (2.37) gives a lower assessment of the role of the state than the state sector (2.92). It should be emphasized that although there are differences at the multivariate level between the public and private sectors, with the private sector regularly giving lower assessments of measures implemented

by the state to reduce poverty in Bah, these differences are not extremely large as evidenced by the average values which indicates that the discriminatory power of discriminatory functions is low.

V. CONCLUDING REMARKS

From the presented analysis, it is possible to conclude that the estimated state assistance in reducing poverty to Bosnia and Herzegovina is regularly worse among respondents from the private sector, which leads us to the conclusion that the state sector perceives state influence as greater than in reality. From all indicators it can be concluded that it is necessary to significantly intensify all activities of the state in terms of poverty reduction because the current level of action is not satisfactory.

Respondents took rather negative attitudes when it comes to the role of economic policy measures in improving the status of the poor in Bah (improving the status of pensioners, the unemployed, improving the education and health system, etc.), and expressed great dissatisfaction with the role of economic policy measures in poverty reduction in Bah, indirectly through state support measures to companies (reduction of corruption in the private sector, financial support to companies in hiring workers, improving education and skills, and improving the health of workers, employment support programs, etc.). It is clear that a greater role of the state is needed in terms of improving the status of the poor, and greater support to companies in terms of encouraging employment / self-employment.

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