

# The Impact of Rising Food and Energy Prices on Household Livelihoods in the Western Balkans, with a Focus on Bosnia and Herzegovina



**Policy Brief**  
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## INTRODUCTION

The Western Balkans, comprising Bosnia and Herzegovina, Albania, North Macedonia, Serbia, Montenegro, and Kosovo, is witnessing substantial inflation in food and energy prices. These inflationary pressures, particularly acute from 2020 to 2023, are driven by a convergence of global crises including the COVID-19 pandemic, ongoing disruptions from the Ukraine-Russia conflict, and broader supply chain issues. While all socioeconomic groups in the region feel the impact, the most significant burden falls on vulnerable households, which spend a large share of their income on basic needs. Recent data highlights how sharply rising prices have strained household budgets, forcing many to prioritize essential

costs at the expense of education, healthcare, and other needs important for long-term well-being.

This brief examines the dynamics of rising food and energy prices and their impacts on household welfare, with a focus on Bosnia and Herzegovina. It further highlights gaps in current policy responses and offers recommendations to address the challenges faced by households, particularly low-income and vulnerable groups. This brief summarizes findings from the study *Food/Energy Security and Household Livelihoods in the Western Balkans*<sup>1</sup>, developed as part of the regional project “The Perfect Storm: Food and

Energy (In)Securities Threaten the Economies of the Western Balkans,” financed by SmartBalkans – Civil Society for Shared Society in the Western Balkans and implemented by WEBecon network. Alongside the study, this brief integrates insights from the national event in Bosnia and Herzegovina held under the project<sup>2</sup>. Special acknowledgments go to Ms. Ajla Sijarić from CENER 21 and Professor Alen Mujčinović from the Faculty of Agriculture and Food Science at the University of Sarajevo, who contributed to the panel discussion, as well as other participants for their valuable perspectives.

<sup>1</sup> <https://credi.ba/wp-content/uploads/2024/05/CREDI-Study-Final-Version-for-Publishing.pdf>

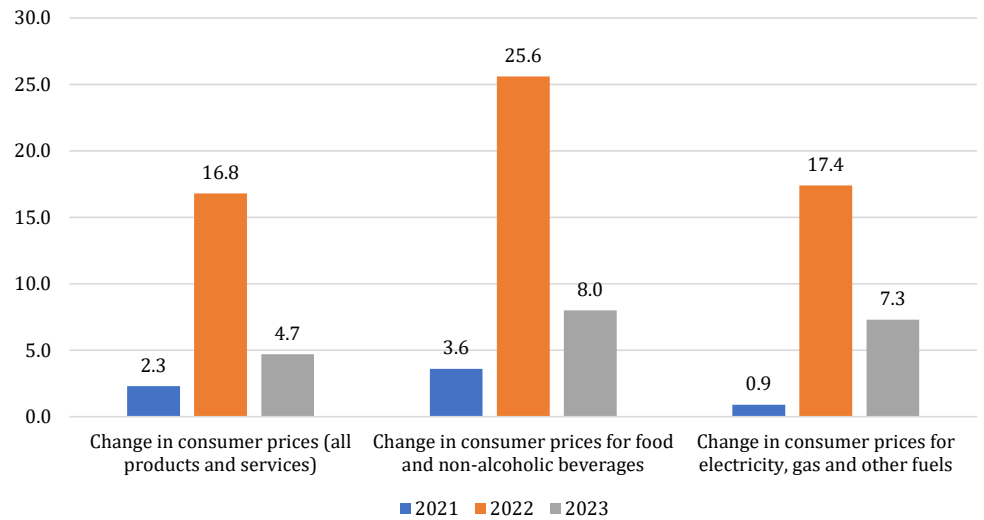
<sup>2</sup> <https://credi.ba/en/2024/10/30/tackling-food-and-energy-insecurities-key-insights-from-national-event-in-bosnia-and-herzegovina/>

**KEY FINDINGS**

**Inflation and its impact on household budgets**

Inflation has had an unprecedented impact on household budgets in the Western Balkans, with Bosnia and Herzegovina experiencing the highest consumer price increases in the region. Inflation rates in Bosnia and Herzegovina reached nearly 16.8% in 2022, and food prices alone surged by up to 25.6%. (see Chart 1) These increases disproportionately impact households in lower-income brackets, where a larger portion of disposable income is already devoted to food and energy costs.

Chart 1: Change in consumer prices in BiH between August 2021, 2022 and 2023



Source: Own calculation based on Consumer Price Index data from Agency for Statistics of Bosnia and Herzegovina

**Disparities in household expenditures on essentials**

Data shows that households in Bosnia and Herzegovina, like those across the region, allocate significant portions of their income toward essentials such as food, water, electricity, and heating. This financial strain is further compounded by the high percentage of income that already goes toward energy costs; in some cases, low-income households spend up to 80% of their disposable income on food and energy alone, leaving little room for savings or discretionary spending. The resulting reduction in purchasing power undermines overall quality of life and makes these households particularly vulnerable to future economic disruptions.

**Socioeconomic characteristics and vulnerability**

Low-income households, rural communities, and those living in energy-inefficient housing are disproportionately affected by rising costs. In rural areas, where energy poverty is more prevalent, households are less likely to have access to the

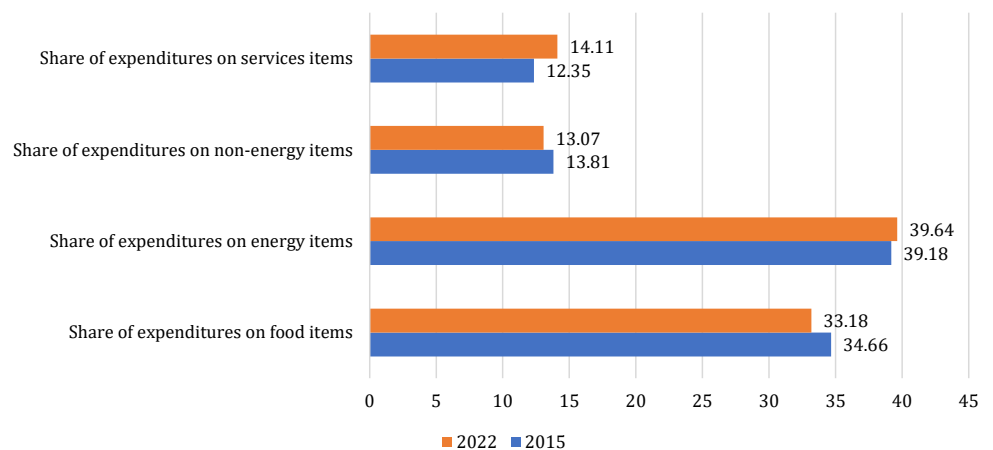
resources and infrastructure needed to make energy-efficient upgrades, increasing their dependency on costly heating sources. The lack of adequate infrastructure and support mechanisms for rural households exacerbates these vulnerabilities, driving higher rates of energy poverty and increased food insecurity.

**Adaptation strategies and household resilience**

In response to escalating costs, households are adopting various adaptive strategies. Common adjustments include reducing discretionary spending, such as on

education and healthcare, reallocating income towards essential goods, and, in some cases, reducing food intake or switching to less nutritious options. For example, in BiH the share of expenditures on food items on average decreased from 34.66% in 2015 to 33.18% in 2022 (see Chart 2). In rural areas, subsistence farming and home gardening are also becoming more common as households seek to supplement their food supplies and reduce dependency on market prices. While these adaptations demonstrate resilience, they are ultimately reactive and do not offer long-term solutions for economic stability.

Chart 2: Average shares of expenditures per group of items by year, 2015-2022



Source: Authors own calculations

## POLICY GAPS AND CHALLENGES

The current policy environment in the Western Balkans is ill-equipped to address the immediate and long-term challenges posed by rising food and energy costs. While some initiatives and subsidy programs exist, they often lack the scope, targeting, and funding required to make a meaningful impact. Key challenges identified for Bosnia and Herzegovina that may be applied to other countries in the region, include:

### 1. Insufficient targeting of support programs:

Most social support programs are broad and do not target households that are the most affected by rising prices, particularly low-income, rural, and energy-poor households. Without targeted support, many vulnerable households are excluded from benefits designed to mitigate their economic strain.

### 2. Limited infrastructure for energy efficiency:

Energy poverty remains a pressing issue, exacerbated by the lack of affordable energy efficiency options. Programs aimed at improving energy efficiency in homes are often inaccessible to low-income households due to high upfront costs or stringent eligibility requirements. Current subsidy programs typically cover only part of the cost, requiring households to fund the remaining expenses—a barrier for many low-income families.

### 3. Inadequate social data for policy design:

There is limited data on the socioeconomic characteristics of households in Bosnia and Herzegovina, which impedes the design of targeted policies. A comprehensive social data infrastructure, such as a social registry or a detailed annual

national survey of household income and expenditure, is essential for developing policies that accurately reflect household needs and vulnerabilities.

### 4. Overreliance on short-term measures:

Current policy responses, such as price controls on basic goods and ad hoc subsidies, provide only temporary relief. While beneficial in the short term, these measures fail to address the underlying structural issues that make households vulnerable to price fluctuations, such as low energy efficiency, high unemployment, and low agricultural self-sufficiency in rural areas.

## POLICY RECOMMENDATIONS

To effectively address the impacts of rising food and energy prices on household livelihoods, policymakers should prioritize targeted, long-term interventions that address the specific needs of vulnerable households. The following recommendations aim to guide policy design to improve household welfare, support resilience, and enhance economic stability in Bosnia and Herzegovina and across the Western Balkans.

### Establish targeted subsidy programs for food and energy

Implementing targeted subsidy programs for essential food and energy needs would help alleviate the financial burden on the most vulnerable households. These programs should:

- Focus on households below a certain income threshold, particularly in rural and energy-poor areas.
- Be designed to cover a significant

portion of household food and energy costs to ensure real economic relief.

- Simplify the application process to ensure accessibility for all eligible households.

Such a subsidy program would relieve immediate economic pressures and help stabilize household finances, reducing the need for drastic budget reallocations.

### Expand access to energy efficiency programs

Energy efficiency improvements are crucial for reducing household energy costs. Policymakers should:

- Introduce fully subsidized or low-cost loans for energy efficiency upgrades specifically aimed at low-income households.
- Develop incentives for landlords to invest in energy-efficient renovations in rental properties, as many vulnerable households live in rental housing with outdated heating and insulation.
- Support community-level energy efficiency projects that enable bulk purchasing of energy-saving appliances and materials, thereby reducing costs for individual households.

By improving access to energy-efficient housing, these initiatives can reduce long-term energy expenditures for low-income households, increasing their financial resilience.

### Strengthen data collection and introduce social registries

A comprehensive social data infrastructure would significantly enhance the ability of policymakers to target and support vulnerable

populations effectively. Actions to strengthen data collection include:

- Establishing a social registry that tracks household income, energy use, and other indicators of vulnerability, updated annually to capture changes in household circumstances.
- Coordinating with local municipalities to gather data on household characteristics, including energy and food expenditure patterns, through surveys and local records.
- Using data from the social registry to design tailored interventions and measure the impact of policies over time, ensuring that resources are allocated efficiently, and policies are refined as needed.

This infrastructure would facilitate evidence-based policy decisions, improve targeting, and enable more effective use of public funds.

## Promote local food resilience and agricultural support programs

Supporting local food production and resilience is vital for reducing household dependency on fluctuating food prices. Key measures include:

- Providing subsidies or low-interest loans to small-scale farmers, especially those in rural areas, to promote sustainable agricultural practices and increase local food availability.
- Encouraging urban households to engage in home gardening and community farming initiatives, offering resources such as seeds, soil, and gardening tools at reduced prices.
- Developing local food networks and farmer markets to facilitate direct transactions between producers and consumers, fostering trust and lowering food costs.
- Building trust in the products of small local agricultural producers through certification and promotion of their domestic products.

Increasing local food production and promoting self-sufficiency will reduce household exposure to price volatility and enhance food security in the region.

## CONCLUSION

Rising food and energy prices in the Western Balkans have created substantial economic strain, particularly for vulnerable households. Policymakers must prioritize comprehensive, targeted solutions that address the unique needs of these populations. The proposed recommendations, including targeted subsidies, expanded energy efficiency programs, enhanced social data collection, and local food resilience initiatives, offer a sustainable pathway to alleviate economic pressures, stabilize household livelihoods, and foster long-term resilience across the region.

In conclusion, while short-term measures such as price controls provide temporary relief, only through structural changes and targeted support can the Western Balkans create a resilient, inclusive economic environment that protects household welfare and improves overall socioeconomic stability.



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