

Demobilised Soldiers' Law Undermines Fiscal Sustainability of the FBiH

By passing the Law on the Rights of Demobilised Soldiers the FBiH Parliament has made a promise that will either not be kept, or that will bring substantial financial hardship to the FBiH Government.

The European Commission, the International Monetary Fund, the World Bank and the Office of the High Representative/EU Special Representative have all in the past warned that, together with existing obligations, the implementation of this law would mean that total annual transfers to veterans and families of fallen soldiers would amount to around half of the Federation budget. This Law was passed today in the absence of Croat representatives.

Since no new revenues are planned, the Law directly threatens the administration's capacity to provide healthcare, education and other public services. This level of revenue allocation to veterans is unsustainable in the absence of deep expenditure cuts elsewhere in the budget or tax increases. Such action at the end of a parliamentary mandate is fiscally irresponsible. In addition FBiH's Parliamentarians this week chose to increase their benefits.

The FBiH Government and the members of Parliament who voted for the law must explain how they intend to fund what appear to be unsustainable and irresponsible allocation of revenues.