

# Pension Funds Must Be Reformed

The High Representative, Wolfgang Petritsch, wishes to clarify his position with regard to recent reports, threatening to organise mass protest by pensioners throughout BiH, and particularly in the RS.

The protests in the RS began well before the package of decisions amending the Law on Pension and Disability Insurance in BiH was issued by the High Representative. Thus, the concerns expressed by the pensioners are not directly linked to their approval, but are an indication of the economic problems that persist in both entities. If these problems are ever to be overcome then a positive, fiscally responsible legislative framework is required.

The High Representative reiterates that whilst the authorities of both entities are responsible for regular and fair payment of pensions, as well as the payment of any outstanding arrears, it is necessary to make a distinction between the payment of arrears and regular monthly payments. The High Representative's Decisions do not effect the arrears.

If pension arrears are to be paid it is imperative that the entity authorities identify new sources of revenue so that they can fulfil their commitment to the pensioners. This is an obligation of the entity governments as the pensioners contributed throughout their life to the pension fund. Alternative sources could include a moderate percentage of the proceeds of privatisation.

The level of the regular pension payments must depend on the collected contributions. The contributions depend directly on the economic growth of the country, and the commitment of the government in implementing focused economic reforms. The

Governments false promises will not put more cash into the pension funds, without which pensions can not increase.

A grey economy, informal employment, tax evasion, particularly evasion of pension contributions by companies, arbitrary benefits to arbitrarily selected social categories, unaccountability in the management of the pension funds must all stop if the government is serious about improving the pensioners lot. If the government is to ensure pensions are paid in a timely manner it must implement reforms without delay.

The OHR and many other international organisations have stated that a transparent pension system is one of the preconditions for payment of contributions for national staff. The World Bank and the OHR are analysing the categories of people currently exempted from social security contributions, such as soldiers and police officers, to work out ways of bringing them into the normal social security system. The necessary audit of the Sarajevo and Mostar pension funds, prior to their merger, will bring any problems to light. Any inconsistencies will then be rectified to ensure the transparent management of the pension funds in BiH.

No one would deny that reforms, particularly those in the economic field, are painful, even in countries wealthier than BiH. It is though, a necessary task, and it is the role of the government to mitigate the negative impact of the reforms by finding alternative resources and new ways to balance the short-term effects.