

Occasional Budget Brief No.2:

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Impact of the adopted Rebalance of Canton Sarajevo Budget for 2020 on women and vulnerable categories

Based on the Proposed Rebalance of Canton Sarajevo (CS) Budget for 2020, UN Women Office in BiH made an initial overview on how the rebalance will affect those who have been most affected by COVID-19 pandemic, including women and vulnerable categories¹

The Rebalance of Canton Sarajevo Budget for 2020 was adopted in the Cantonal Assembly on May 7th, 2020. The total budget expenses are 1.114.597.584 KM.

1. General overview

- The Budget **does not contain** an overview of how budgets have been reduced or changed by ministry or institution;
- From a thorough analysis, the following is noted:
 - The budget of CS Ministry of Interior Affairs (amidst pandemic) was **cut by 7%**, including a **cut of 13,4% on salaries**, Police Administration also had a **cut on salaries by 4,2%**. The total **reduction** of the budget for these purposes is **3,2 million KM**. Furthermore, The Administration for Civil Protection's salaries were **cut by 1,5%**. **This despite an explanation of the Budget Rebalance that states that salaries in these institutions would not be reduced;**
 - The budget of CS Ministry of Labour, Social Policy, Displaced Persons and Refugees was **cut by 2%: cash transfers to individuals (protection of families with children, social protection) to the amount of 1.6 million KM were cut;**
 - Budget of the CS Ministry for war veterans: **cash transfers to war veterans were increased by 2.1 million KM**, which is also planned to be funded from **EU assistance;**
 - Budget of the CS Ministry of Education, Science and Youth: **Transfers to NGOs were cut by 6 million KM (including the transfer for science which is cut by 3.3 million KM)**; the same amount of money will now be used for reconstruction and increase of energy efficiency of pre-schools;
 - Budget of CS Ministry of Culture and Sports: funds planned for sports and cultural institutions were reduced by 2 million KM; **instead 3 million KM will be transferred to the City of Sarajevo and municipalities;**
- At the same time the financing of political parties was reduced by 50%.

¹ Anita Bhatia, UN Women Deputy Executive Director: *Women and COVID-19: Five things governments can do now*. <https://bit.ly/2wWGpeP>

2. *Other relevant issues*

- **Sharp increase of capital expenditures**

→ In a crisis, one would expect to see capital expenditure reduced, as governments seek to cope with a decrease in revenues, as was the case in FBiH where significant reductions were made in the budget for capital projects.

→ In Canton Sarajevo Amendments to the Budget planned funds for capital projects are significantly higher, (increased from 170.6 to 267.5 million KM), and relate to the procurement of buildings and equipment, remittances to the City and municipalities for capital projects, reconstruction and investment maintenance. Strangely, the Government states in its budget explanation that these expenditures are in fact reduced, referring in technical terms to reduction in its financing from taxes.

→ It is unclear why there was a need for additional capital investments of this magnitude compared to March 2020, when the original Budget was adopted, since this budget rebalance should be linked to reality of the current pandemic.

→ It is important to note that CS cannot borrow on the domestic market (i.e. loans from domestic banks) for current expenditures, such as salaries, materials and services, but rather can only borrow for capital projects, this was mentioned several times during the discussion at the Assembly session.

→ Thus, it would appear that this approach by CS Government provides additional budget funding for current expenditures.

→ Investments in infrastructure can certainly help the development and adaptation to new business conditions during and after the pandemic, but it does raise the question of whether the planned investments are in line with such an objective. We note that a new item "Other current expenses - court judgments for fees - Fee for arranging city construction land" is planned at the Institute for Construction of CS to the amount of 5 million KM and an additional 5.5 million KM for arranging city construction land.

- **IMF Loan for payment of debts**

→ We note that the IMF loan to the amount of 36.9 million KM are planned to support to the economy through transfers and guarantee fund, however also to be used for payment of debts (to the value of 7 million KM).

3. *Impact on women and vulnerable categories*

The adopted CS Budget Rebalance is **completely gender blind**.

- Although the CS Government in November 2019, adopted the Operational Plan for Implementation of Gender Action Plan of BiH, for the period of 2019-2021, the adopted Budget Rebalance **does not reflect this commitment** of the Government;
- **There is a need for the Government to be transparent** in all newly planned budget allocations **based on the assessed priorities** and the need for **efficient use of budget and non-budget resources. This specifically relates to planned international assistance as well as applying a gender lens when it comes to criteria for assistance to businesses.**