

OHR's Statement at the International Agency's Joint Press Conference in Mostar

28 July 2004

Laws that Protect the interests – and the money – of citizens

Yesterday, the RSNA adopted the Law on Public Enterprises, and successfully completed the first reading of the Law on Investment of Public Funds. These two laws are part of the five-law reform package that the three prime ministers endorsed at the end of last year after the Special Auditor uncovered a huge amount of fraud and incompetence in BiH public companies.

The Law on Public Enterprises simplifies the management structure of state companies and makes it clear who is responsible for what and who is responsible to whom. The Law on the Investment of Public Funds sets out the terms and manner of the placement of cash that the Government, municipalities and health and other public funds have until it is spent in accordance with the budget. It will rein in the exuberance with which some politicians have hitherto doled out loans and gifts to their friends, family members and associates.

The OHR commends the RSNA for enacting the Law on Public Enterprises. We hope the Law on Investment of Public Monies will be enacted at the next RSNA session.

Unfortunately, the Federation House of Representatives did *not* adopt the Law on Public Enterprises yesterday. Instead, a huge number of amendments were proposed. The Government said that they would hold an extraordinary session to consider these

amendments.

OHR hopes the Federation Government will discuss these amendments without delay. OHR also urges the Federation Government to adopt the Law on Investment of Public Funds, which is still with the Finance Ministry.

These laws are urgent; they are focused; their enactment was promised nine months ago by the prime ministers. They will help reduce theft and incompetence in BiH public companies, and in so doing they will protect the interests – and the money – of citizens. There is no justification for the delay in their enactment.

Economic Newsletter – BiH needs Pragmatism and Optimism – not False Promises and Unrealistic Demands

The OHR Economic Newsletter is published today. I have brought along copies. As PDHR Donald Hays points out in his Introduction, one of the points that emerges from this Newsletter is the fundamental importance of sound public finances – without an efficient and reliable tax system, you cannot have economic take-off

“Politicians and governments can make all the promises in the world, but if they fail to put in place a system of sound public finance first, they cannot hope to fulfill those promises,” Ambassador Hays writes. “Likewise, the public can make all the demands it would like but if a system of sound public finance has not been set in place, those demands cannot and will not be met.”

In this context, Ambasssador Hays stresses the necessity of implementing without further delay the solution agreed between the governments and the IMF to the Internal Debt question. “The solution ensures that the governments can honour their financial obligations to citizens and at the same time lift a

huge burden from the BiH economy, opening the way for investment and job creation. It is a solution based on establishing and maintaining sound public finance so that the governments can start to pay back what they owe. Without an agreement, none of the creditors – including pensioners and workers – can be paid, and the new investment and job growth will be slow if not completely stalled. Now is the time for the Parliamentary Members to undertake their promise to reform and to enhance the situation, not to hide behind short-term popularity and demagoguery.”

Ambassador Hays also points to the importance of moving forward with the enabling legislation for VAT: “Prime Minister Terzic has insisted that the target date for launching VAT should be mid 2005 rather than the start of 2006, and indeed, on 15 July the Council of Ministers adopted the implementing laws on VAT, which will now be debated in Parliament. If the mid-2005 launch date is to be achieved, rapid steps must be taken to make the ITA fully operational (including the provision of adequate budget financing); the ITA must be provided with a suitable permanent headquarters, and it must be properly staffed.”