

Article by Donald Hays, Principal Deputy High Representative: “For Internal Debt there is no better solution then the Law before Parliament”

The Federation House of Peoples will finally take up the legislation on Domestic Debt that has been mired in debate in the House of Representatives for months. The fact is that while they debated the issue the economy did not improve and neither did the chances for a better arrangement. The RS, Brcko District and the State agreed to the package of austerity measures drafted to ensure that sovereign commitments could be met within this country's financial means. Only the Federation found this plan unacceptable and has stated that there must be a better plan than the one that the IMF and your own government drafted.

I want to assure you there are no other plans for a country with a debt as large as this one and with an economy at its stage of recovery. That is a fact, hard, tough but a fact nonetheless. Failure to pass this law will without a doubt undermine efforts that have been undertaken to stabilize the BiH economy and bring about macro-economic stability. But it will also put off addressing the debt not for weeks but for months and perhaps years. That will mean that no one effected by this bill will get their debts paid. Is that what anyone wants. I understand that people who worked hard in Europe feel that they should get all of their money back now. However, does anyone really believe that that money exists after four years of war and eight years of recovery? Of

course it doesn't. The governments took on the responsibility for this debt and the plan being considered by the House of People's represents the only fiscally responsible way for the government to meet that responsibility.

It is now time for everyone to put aside their hopes for a better solution and support the only real option and that is the one being considered by the parliamentarians in the Federation. The House of Representatives showed real courage in the face of serious opposition and voted for it. It is now time for the House of Peoples to demonstrate similar courage and adopt the debt settlement bill on behalf of all citizens of the Federation and BiH.

This Bill already offers the best possible opportunity to settle the nearly 3 billion KM in debt, including the 1.1 billion KM in claims for Frozen Foreign Savings Accounts. The truth is that it provides for the full cash payment over 4 years for over 80% of claims for frozen currency accounts - specifically those with accounts of 1,000 KM or less. The rest will get cash and bonds. But even this situation could be made better if after the verification process outlined in the bill, the savings accounts prove to be smaller than the current records indicate. (This was the case in Serbia Montenegro.).

In the past the courts have found that the Federation violated property of Frozen Foreign Currency Savers and urged parliament to adopt balanced solutions to resolve this issue.

This is a sovereign debt but ultimately it can only be paid with taxpayer funds and it must be within the means of this country's economic capacity. Obviously, if the economy gets better in the future, if tax receipts rise, the jobless rate improves and income rises, then the government will have more funds to direct for this purpose.