

# High Representative imposes package of laws to boost economic reform in BiH

The High Representative, Wolfgang Petritsch, today imposed a wide-ranging package of laws and amendments to ensure Bosnia and Herzegovina maintains the momentum of economic reform, which is so vital to all citizens' future well-being and security.

The standstill in government activities following the elections in Bosnia and Herzegovina and the urgency of economic reform persuaded the High Representative to take decisive action and impose these laws and amendments. A consistent legal framework based on market economy criteria and European practise will send a positive signal to foreign and domestic investors and businesspeople.

The laws and amendments meet long-established deadlines and accession criteria for the country's eventual integration into European structures. They also meet the demands of the international financial institutions working in Bosnia and Herzegovina and will ensure continued access to international funding.

## Dismantling of the Payment Bureaux

The Peace Implementation Council (PIC) called for the elimination of the payment bureaux at its meeting in 1998 in Madrid and repeated this call when it meet in Brussels in May this year. The payment bureaux make financial transactions in BiH cumbersome and operate in a non-transparent manner, scaring away potential investors. Their abolishment is also one of the requirements of the "EU Road Map", the fulfilment of which is the condition for a feasibility study with regard to a Stabilisation and Association Agreement between Bosnia

and Herzegovina and the EU. Lastly, the payment bureaux's elimination is one of the measures Bosnia and Herzegovina has to take to qualify for membership of the Council of Europe.

As part of this dismantling process, the International Advisory Group for Payment Bureaux and Payment System Transformation, which is chaired by the United States Agency for International Development (USAID) and also comprises the US Treasury, the World Bank, the International Monetary Fund (IMF), the EU, the Customs and Fiscal Assistance Office (CAFAO) and the Office of the High Representative, has been working closely with the BiH authorities. However, some legislation necessary for a smooth transition within the appropriate legal framework and the establishment of an operational banking sector was still outstanding. At the request of the International Advisory Group, the High Representative decided to impose the laws and amendments, which were missing:

- **The RS Law on Payment Transactions** will regulate rights and responsibilities of all participants in the payment system.
- **The RS Law on the Internal Payments System** will regulate internal operations within the payment system and define important governance and management issues.
- **The RS Law on Financial Operations** establishes a clear legal foundation for payment operations by businesses in RS.
- **Amendments to three Federation Privatisation Laws (to the Law on Claims in the Privatisation Process that are based on the Difference Between Pension Amounts Received and Pension Amounts to be Received by Beneficiaries of the Rights Stemming from the Pension and Disability Plan, secondly, the Law on Recording and Settlement of Citizens' Claims in the Privatisation Process and thirdly, the Law on Privatisation of Enterprises)** will transfer payment bureaux responsibilities in the area of

privatisation to the Federation Privatisation Agency.

- **Amendments to the Federation Law on Wage Tax** will give the Tax Administration greater powers to enforce tax collection and strengthen budgets in cantons and municipalities.
- **Amendments to the Federation Law on Contributions** will boost the powers of the Tax Administration to collect contributions for social security funds and improve the financial health of the social safety net.

The RS Law on Payment Transactions was on the agenda of the RS National Assembly in mid-October, but taken off for technical reasons and never put back on again. The RS Laws on the Internal Payment System and on Financial Operations were finalised by the RS Ministry of Finance in early November, but due to the elections, the RS Government and RS National Assembly did not have the chance to pass them. Similarly, the Federation Ministry of Finance did not send in time the Amendments to the Federation Laws on Wage Tax on Contributions to the Federation Government for approval – an urging letter by Principal Deputy High Representative, Ralph Johnson, in October remained unanswered. Lastly, the need to amend the three Federation Laws on Privatisation – changes of purely technical nature – emerged when Government and Parliament activities had already subsided due to the elections.

These Laws and Amendments complete the legal framework of the payment bureaux transformation. The new payments system will, via commercial banks, begin operations on 5th January 2001. It is essential that all organisations and businesses open a bank account to enable them to carry out payments from this date. They will also be responsible for paying taxes themselves and pro-actively. The tax administrations will control and enforce the collection of taxes.

### **Customs**

**Amendments to the BiH Law on Customs Policy** will update customs regulations to be consistent with current EU customs

policies and procedures and thereby facilitate trade between Bosnia and Herzegovina and the EU. They will also enable refugees to return to BiH without having to pay customs duties on their personal belongings, or having to show at the border detailed lists of these belongings previously approved by BiH Consulates. This should support returns to Bosnia and Herzegovina, which is an OHR priority. In addition, the Amendments will close a series of duty free shops at border crossing points to crack down on smuggling and improve the collection of revenues. The continued reform of the customs system was also a requirement of the PIC Brussels Declaration of May of this year.

The IMF, the World Bank and CAFAO had encouraged the BiH authorities to adopt these amendments for over a year, but they were passed back and forth between the Council of Ministers and the BiH Parliament without resulting in their adoption. Finally, these international organisations asked the High Representative to impose the Amendments.

**Employment****The Federation Law on Job Placement and Social Security of the Unemployed** is part of a package aimed at bringing BiH labour legislation in line with European market economies. It will put the Federation Employment Bureau on a proper legal footing and do away with inefficiency and non-transparency in the unemployment benefit system. The Law is the last piece of a series of requirements in the field of labour and social legislation, which BiH needed to meet in order to qualify for the World Bank Social Sector Adjustment Credit of 20 million USD. Like in the case of the other laws and amendments, the PIC had urged for a broad-based reform of the labour legislation in Bosnia and Herzegovina.

The need for the Federation Law on Job Placement had been discussed with the Federation Labour Ministry for two years, but the proposal was withdrawn from the agenda of the Federation House of Representatives in mid-October following a heated debate, and not re-submitted due to the election void.

**The BiH Law on Assets of the Employment Bureau of Bosnia and**

**Herzegovina** enables the transfer of assets from the former Socialist Republic of BiH Employment Bureau to the Federation Employment Bureau and the Cantonal Employment Services for the proper exercise of their competence and the preservation of an Employment Bureau at the State-level.

Today's package brings economic reform in Bosnia and Herzegovina yet another step forward. The OHR and its international community partners will continue to push for economic reform as Bosnia and Herzegovina must urgently become economically self-sustaining, for which an attractive business climate and the appropriate legal framework is the precondition.

But Bosnian citizens will only enjoy economic prosperity if they – and their political leaders – put their own weight behind these reforms and build a sound market economy, based on the rule of law. Economic transition is a tough challenge. But it is one that Bosnians and Herzegovinians can and must tackle if they want to secure a stable, secure future for themselves and their children.

The High Representative today also issued a Decision extending by three months the validity of his 27 April 2000 Decision that banned the re-allocation of socially owned real property, in particular socially owned land. The 27 April 2000 Decision would have expired on 31 December and will now remain in force until 30 March 2001.