

# An open letter to the Pensioners of BiH from the High Representative

Dear Pensioners,

As the winter is knocking at Bosnia and Herzegovina's door, my office is flooded with letters from you, worried that you will not have enough money for food, medicines or heat.

I understand your concerns. I know that it is very difficult to make ends meet with the pensions that you now receive. This is especially worrying to me since you have worked hard your whole life and would expect a pension to see you through your retirement.

But you must be aware of two things: firstly, Bosnia and Herzegovina is a poor post-war country with little money. It is now starting to reform its economy and create conditions for economic growth. But it will take time until these reforms bear fruit. Until then, the little money there is to distribute must be spread evenly between all groups: you, but also invalids, war veterans, displaced people, the unemployed and others.

Secondly, everybody will have to tighten their belts and work hard to improve the situation. Like you, I grew up in a country which faced tough times after the Second World War. You have to face the hard task of reconstruction twice over.

The international community can only help those countries that help themselves. It has an important role in Bosnia and Herzegovina but it is not willing to run the country. The level of international aid to this country in the last five years is unprecedented. Now it is necessary for Bosnia and Herzegovina to create its own economic growth, which again

will generate more money for pensions.

This requires political will to push through the straightforward reforms necessary to bring this about. It requires a spirit of enterprise not only from the country's political leaders, but from every citizen here. Nobody denies that reforms, mainly the economic ones, are painful, even in wealthier countries than BiH. But they are necessary and unavoidable if the country is to join the ranks of the developed countries. The OHR, working with the EU, the United States, the International Monetary Fund, the World Bank and others, has a clear vision of what needs to be done to revive the economy. In short: a market economy and the creation of conditions that will attract domestic and foreign investment.

On the specific pension issues, I can only repeat what I have said many times before: where there is no money, no money can be spent. The pension funds can only distribute what they collect. Before, there were promises of higher pensions. As a result, some pensions were simply not paid out. There was perhaps enough money in the fund to cover one month, perhaps even a second one, but then the fund was empty and the third month was skipped, creating arrears.

The new amendments make sure that you will now receive your pensions on time, ensuring that you will not go without pensions for months on end, as is the case now. Your authorities must find the cash to pay outstanding arrears.

Pensions will increase when the economy takes off. For this to happen, Entity governments must tackle the grey economy, tax evasion, benefits to arbitrarily selected social categories and intransparency in the management of pension funds. I hope your newly elected governments will push measures to increase the amount of collected pension contributions, so that the payment level will increase in a relatively short time. To achieve this, your governments will need to implement the Amendments and Laws as imposed. The IC is ready to assist

them:

- the World Bank and the OHR are studying the situation for exempted categories, such as soldiers and police officers, to work out ways of bringing them in line with international standards. But along with BiH's tax base, I believe there should be as few exemptions as possible
- the necessary audit of the Sarajevo and Mostar pension funds, before their merger, will bring to light any problems. Transparency should be the first priority of a newly merged pension fund

The amendments ensure continued access for BiH to hundreds of millions of dollars of international funding.

Your pensions will only rise if the people of BiH and their leaders work to push economic reform and increase real, sustainable economic activity in this country. The money for higher pensions cannot be conjured from thin air.

BiH's newly elected political representatives have no time to lose and must hurry to form working governments.

I hope to show you the respect you deserve by addressing you frankly. These are difficult words for difficult times.

Yours sincerely,

Wolfgang Petritsch