

Article by Donald Hays, Principal Deputy High Representative: “It’s Your Money”

Today the RSNA will debate the Law on Public Enterprises and the Law on Investment of Public Monies.

“Public” is the operative word in these two laws. They are about protecting the public’s interest, protecting the public’s money – that means protecting *your* interest; it means protecting *your* money.

There is nothing obscure about the laws that the RSNA will debate tomorrow. They are absolutely at the forefront of what’s important in politics, because they are at the forefront of an effort to put citizens first and to put an end to the kind of “arrangements” that have been all too common in public companies and public financing in this country – arrangements that put large amounts of money into the pockets of a dishonest few, and that deprive the majority – honest citizens – of the things they are entitled to, like well run public companies that drive the economy forward and generate employment, or properly managed public accounting that ensures the correct and productive use of every pfennig.

Let me remind you of one rather colourful instance uncovered by the Special Auditor last year. It was one of many – a representative example of the kind of thing that prompted this week’s legislation.

In 2002, the RS Ministry of Finance placed 10 Million KM on long-term deposit with Nova Banjalucka Bank. The interest rate for this deposit was agreed between the bank and the Minister of Finance. The government received a lower rate for its

deposit than the average citizen would have for the same deposit. Why? The result was that the RS Budget – the money available for public services – was 304,000 KM lower than it should have been.

That sort of thing takes place because there are loopholes in the existing law that allow ministers and other officials to move money around at their own discretion. History shows that this is far from a satisfactory state of affairs. The purpose of the Law on Investment of Public Moneys is to make sure that deals such as the one described above are clearly illegal, that officials *know* they are illegal, and that individual officials are held accountable for what they do with the public's money. The law is designed to protect the citizens' interests and make it more difficult for citizens to be defrauded by their political representatives.

The law will increase the transparency and accountability of governments and, among other things, help protect citizens' health and pension benefits. It will rationalize the system through which the Finance Ministry, the municipalities and the Health and Pension Fund invest their funds.

It will introduce mechanisms to scrutinize the placement of funds – something that will make it impossible for an official, for example, to place millions of KM in public money at an uncompetitive interest rate in an unreliable bank controlled by his friends.

During the audit of public companies, the Special Auditor found a culture of amorality. Caught in the act of exploiting loopholes in the law, senior managers routinely defended themselves with the line that "I knew it was wrong, but it wasn't illegal".

Often, managers expressed surprise or disdain when called upon to explain shoddy or downright dishonest practices. For decades, the upper echelons of management in public companies

have taken decisions without any apparent accountability to employees or consumers or to their nominal employers, the people of BiH. They simply didn't care about the public's concerns.

The Law on Public Enterprises will change that.

It will:

- simplify the management of public companies, establishing a streamlined, three-tier structure consisting of a General Assembly, a Supervisory Board, and Management;
- establish an Internal Audit Board;
- oblige managers to report violations of the law to the Public Prosecutor;
- make one director and one Supervisory Board member responsible for specific business operations (so that responsibility is clear, in the event of wrong-doing, and overlapping of responsibilities is eliminated).

It should be noted that the drafting process involved consultations with businesspeople, the vast majority of whom are heartily sick of the underhand practices at public companies that have been uncovered – and that for years were accepted as a normal part of business life in BiH.

There is a solid political and commercial consensus in support of these laws. In fact it's very hard to think of any arguments that might be advanced *against* this legislation. Citizens should follow the debate with acute interest. It's *your* money they're talking about – they're voting pattern today will illustrate whether or not they understand this.