

Article by Donald Hays, Principal Deputy High Representative: “Stop the Theft of Public Funds!”

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On 23 November the Federation House of Peoples will finally be able to debate the merits of the Law on Investment of Public Monies. This law is long overdue, as we all know.

It is crucial to everyone, since it it will

- protect the individual interests of each and every citizen
- help improve the economy, and thus help create desperately needed jobs

The Law makes it harder for anyone – high or low within the government – to misuse public funds. It will finally provide accountability for taxpayers’ monies and open the financial books in town halls and government departments to public scrutiny.

The aim is not simply to deter those who would misuse your money but to tackle the problem of misguided civil servants who don’t know any better. It will introduce mechanisms to scrutinize the placement of funds – something that will make it much more difficult 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 or political allies.

In addition, it establishes the requirement that government investment of funds can only be made by an investment manager,

who must be authorized and identifiable, and the law also requires that banks bid competitively for government contracts. In other words, a Minister or a civil servant cannot simply decide to deposit large sums of public money in a particular bank because he has a personal connection with that bank.

And the law also requires that government departments report all investment decisions to the Entity Finance Ministry. The Minister in turn is responsible for ensuring that the decision to invest the money is a wise one.

Among other things, the law will help protect citizens' health and pension benefits, by rationalizing – and opening up to scrutiny – the system through which the Finance Ministry, the municipalities and the Health and Pension Fund invest their funds.

As soon as this law is passed, all public funds will have to pass the simple test: is the investment being made in the interest of the citizen.

That may sound obvious.

But it hasn't been at all obvious up until now. In fact the opposite has often been the case. Public funds have regularly been invested in the interest of well-connected individuals, and not in the public interest.

For example, in 2002, a decision was made to place more than 10 Million KM in long-term deposits with a bank in BiH. The interest rate for this deposit was agreed between the bank and the government making the deposit. The interest rate received by the government was for some reason lower than the market rate. The result was that the government budget in question was reduced – and therefore the money available for public services – by more than 300,000 KM. Who benefited in this case?

A similar case happened recently. Despite the fact that one of the banks in BiH was already insolvent, one of the municipalities deposited 2.2 million KM in the bank. That money belonged to the citizens of the municipality but due to poor judgment on the part of the municipal government in question the money is now lost.

This practice is simply unacceptable. But up until now, loopholes in the law have allowed ministers and other officials to move money around at their own discretion without accountability. The Law on Investment of Public Monies will put a stop to this.

The RS government has already adopted the Law; it was published on 9 November and is now in force in that part of BiH.

So it only remains for Federation parliamentarians to give their constituents the same kind of protection of public revenues that is now in place for the citizens in the RS.

The law was adopted by the Federation House of Representatives under urgent procedure – which shows that they took on board the urgency and importance of this piece of legislation. The House of Representatives made two amendments, which could usefully be considered in the House of Peoples' debate.

It is impossible to overestimate the importance of this legislation. It puts a check on the private interests of public officials.

The sooner it is enacted the better.