Remarks by Principal Deputy HR Larry Butler at a Conference Marking the Third Anniversary of SERDA

Ladies and Gentlemen,

As all of you are well aware, Microsoft Corporation announced in late February the opening of a branch office in BiH. One of this new office's core tasks will be to help boost the number of BiH software engineers trained in Microsoft technology, from 400 to 1200. The company also claims that its renewed focus on the BiH market can produce an astonishing increase in software-related jobs in this country — in the retail, marketing, and support sectors — from 3,000 to 9,000.

This news is positive on a variety of levels, not the least of which is Microsoft's fundamental assessment that BiH is now a place where it is worthwhile to do business. This assessment — I don't need to tell anyone in this room — is based on hard-headed commercial criteria: Microsoft is not in the charity business.

One of the tasks facing SERDA and similar organisations is to get the word out that — no matter how hard-headed investor criteria may be, BiH now merits closer examination.

The overall commercial operating environment is improving — interest rates are falling, investment is climbing, and the stability of the currency continues to act as a major source of business confidence. The introduction of VAT has been remarkably problem-free and now the dividends in terms of more assured government revenue and better regulation of the commercial sector are beginning to be felt.

So, things are looking up.

The prospects for business in Bosnia and Herzegovina are getting visibly better.

Problems remain, of course, and now that we are seeing forward momentum in the economy we must tackle these problems with renewed energy.

Outdated and conflicting commercial legislation (depending on which part of the country you are doing business in) is a major drag on business expansion and job creation.

A massive step forward in resolving this will be the enactment of a new BiH Law on Obligations. As you will know, preparation of an entirely new BiH commercial code has been underway for several years and is now practically complete. . The sooner the present mishmash of competing legislation is replaced with a modern, European-standard BiH commercial code the better it will be for companies and investors. I urge you to lobby for the enactment of this law before the end of 2006.

However, while we are looking for significant improvements in the steps being taken at the state level to improve the BiH business environment, we must also look for renewed confidence, creativity and energy on the part of the regional agencies.

SERDA and the other development agencies were established on the principle that regional synergies are self-evident — they *transcend* political boundaries. Theoretically, then, the RDAs are pushing at an open door — the thrust of your initiatives makes absolute economic sense. It is therefore important to highlight results. What degree of success are you able to point to in terms of job creation and raising living standards? Do you have a barrage of statistics that demonstrate your region is emerging decisively from the economic doldrums?

To date, I would say, SERDA has led the way in translating paper strategies into tangible programmes that have helped foster new businesses and have offered valuable and targeted assistance to existing companies — but, overall, we have not yet set in place the kind of mechanisms that can help SMEs get from start-up to profitability in the shortest time possible. Some of our competitors in the region are already providing this kind of help for their SMEs.

I would urge SERDA and the other regional development agencies to keep up the pressure on the various layers of government to show greater sensitivity to the needs of investors and entrepreneurs — because these are the people who are creating jobs. I would also urge you to keep exploiting the natural synergies that exist in the regions. Politicians do not always understand economic logic, so it is important that those involved in business development keep this logic to the fore.

Thank you