PDHR Hays Lays Out Economic Priorities for 2004

If the authorities in BiH are to show they are serious about creating the conditions for new jobs and rising prosperity, they will need to tackle the difficult structural reforms that other transition countries have faced, Principal Deputy High Representative Donald Hays told reporters in Sarajevo on Monday.

Ambassador Hays was speaking during a visit to Kana Textile Co. a successful start-up that began with five employees in 1998 and now employs 21 people. Ambassador Hays cited Kana as an example of the kind of export-oriented enterprise that can generate jobs in BiH over the long term. But he warned that unless the BiH authorities take practical, determined and immediate steps to implement an ambitious reform strategy during 2004, SMEs will not be able to generate jobs on a large and sustainable scale, BiH will not be able to start generating a measure of prosperity through increased exports, and the chance of real economic integration in Europe will be lost.

Ambassador Hays listed the reforms that the BiH authorities have promised to implement in 2004 and challenged the authorities to keep the promises they have made to their electorate to show that they are serious about more jobs and better pay.

The PDHR set out the following specific challenges which must be met in the first half of 2004:

- Implementation of indirect tax reforms – merging the Customs Agencies and introducing VAT – two developments that will make it easier and fairer to do business in BiH.

- Creation a single business registration system: The BiH framework law on business registration which is about to be sent to the Council of Ministers will make it easier and quicker for foreign and BiH investors to set up companies and create new jobs, resolving the current expensive, bureaucratic and time-consuming system that discourages economic recovery.
- Implementation of a coherent, comprehensive trade policy: In addition to indirect tax reform, the authorities must move ahead with judicial reforms, and also with liberalizing the telecom and power sectors. EC certification procedures have to be established to help companies get the CE marking that lets them sell their goods in the EU.
- Improve Institutions and Services to Support Business and Promote Exports: An efficient and responsible, single statistics service has to be established, to give potential investors an overview of the BiH economy. FIPA, the State Veterinary Office, and the Institute for Standardisation must be properly financed so that they can help BiH companies compete in the global export market. A BiH Investment Guarantee Agency must be established.
- Implementation of domestic debt package agreed by the State, Entity and Brcko authorities, who must draft and implement legislation by June, verify all claims and make arrangements for repayments and the issue of bonds.
- Unblocking of the privatization process by May, making it easier to tender and privatize strategic enterprises. Measures should include making the Entity privatization agencies stronger, more efficient and more transparent.

“Some say we will have to endure more pain before we start to get results,” Ambassador Hays remarked. “I say the faster these priority steps can be taken, the sooner the benefits will materialize.” The speed with which reforms are implemented depends on citizens – who must demand change – and

their representatives in government and parliament. “If they act; if they implement these measures – as they have publicly promised to do – then BiH will move forward towards economic recovery. If they don’t act; if they break their promises – as a result of a lack of commitment or party-political manouevres – then the pain will be prolonged. If that happens, voters will know who to blame.”