OHR’s Statement at the International Agency’s Joint Press Conference

Some commentators have criticised the Special Auditor for publicly identifying mismanagement and corruption at BH Telecom, Telekom Srpske and HT Mostar – on the grounds that by highlighting these shortcomings, the auditor has lowered the value of these companies, or worse as an attempt to discredit the findings themselves by people who have a personal financial interest in keeping things as they are.

I want to highlight that the value of the three companies has been diminished by the incompetence of their managers and will only rise when the Entity governments implement the reforms they have announced. The objective of these reforms is to improve the running of public companies in BiH, eliminate fraud and mismanagement, and *raise* the companies’ value. Just covering up the mismangement in the telecoms companies will not make them more valuable.

Let me just highlight what this management and inefficiency means for you, the citizen:

– It means that Bosnia and Herzegovina has some of the highest charges for phone services in Europe – charges that you have to pay from your salaries.

– It means that Bosnia and Herzegovina does not have access to the new services and technologies available elsewhere in Europe.

– It means that Bosnia and Herzegovina is not attracting the investment that creates new jobs – that investment is going elsewhere: Slovenia, Hungary, Poland.

– It means that Bosnia and Herzegovina is losing around 100 million KM to inefficiency and fraud – money that comes from your pockets, your salaries.

Now let me just tackle some of the misunderstandings, deliberate or otherwise, that we've heard over recent weeks:

- The Entity governments and the International Community want to reduce the value of the telecom companies in order to sell them off cheaply

The Special Auditor's outlines reforms that when implemented will raise the value of the telecom companies. The telecom companies have been earmarked for privatisation under the Entity privatisation laws. The object of this privatisation is to allow the telecom companies to operate profitably in a free market that will improve services to BiH citizens (including lowering prices) and encourage inward investment that will generate jobs.

The International Community has encouraged the Entity governments to begin preparing the telecom companies for privatisation this means taking action to ensure that they generate the greatest possible profit for BiH's citizens, but this is a process that will take some time – the idea that these companies will be sold off cheaply is simply and clearly at odds with reality.

- Critics contend that the Auditor singled out one BH Telecom business partner for attention because its owner is Syrian.

The auditor singled out this company because it serves as a middleman for BH Telecom in millions of KM worth of contracts which BH Telecom appears capable of negotiating on its own behalf, without incurring middleman charges that add 19 to 24 percent to the procurement price. Using the companies does not provide any obvious benefits to BH Telecom or its customers.

- The Special Auditor has been accused of wrongly claiming that the three companies are not profitable.

The auditor has demonstrated that by adopting modern management practices and eliminating corruption the three companies could be *more* profitable. BH Telecom could add 40 million KM, Telekom Srpske could add 38 million KM, and HT Mostar could add 16 million KM to their profits respectively if they addressed their own management shortcomings. The result would be a more efficient telecom sector – which means lower phone charges and more investment to create jobs.

- It has been suggested that the Special Auditor found no evidenced of criminality

Not true. In each company the Auditor documented potential cases where the law was broken or circumvented, particularly in regard to procurement. Criminal allegations stemming from the audits have been turned over to the prosecutor's office.

- Another criticism currently making the rounds is that the telecom companies are among the few profitable companies in the country and should be used by the authorities to finance government payment obligations, such as pensions.

The truth is that in a market economy successful companies pay dividends to their shareholders, pay taxes to the government and plough back funds into improving their products and services. The government doesn't simply dip in to company coffers and take what it needs. If that is allowed to happen, people pay taxes twice, once directly to the government, and once through their phone bills, part of which go to the government.

In the long run, the governments will be able to fulfil their responsibilities to pensioners and everyone else when they receive appropriate tax revenue from a growing number of companies in a vibrant economy.

I think, therefore, it would be wise to ask why – in the face of overwhelming evidence of mismanagement and corruption at the telcoms company, so many commentators are rejecting the obvious conclusion – these companies have been run for the benefit of a few politically well-connected insiders instead of for the benefit of the citizens of BiH. That must change. The International Community supports that change.