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

Factory Forum

Federation Prime Minister Ahmet Hadzipasic, RS Prime Minister Dragan Mikerevic and Principal Deputy High Representative Donald Hays will visit Zenica, Tuzla and Bijelina tomorrow. They will tour Metalno Company in Zenica and Sava Company in Bijelina and meet managers and workers. At both companies they will be briefed on the practical impact of privatisation, already completed in the case of Metalno and scheduled in the case of Sava, and the effect of incoming capital on safeguarding existing jobs and creating new jobs.

In Lukavac, near Tuzla, the Prime Ministers and Ambassador Hays will participate in a Factory Forum with representatives of trade unions from across BiH on the theme of

- boosting exports
- cleaning up the business environment; and
- relaunching the privatisation process.

The aim of this meeting is to create a fresh dialogue between workers and government, that focuses on resolving practical problems. Particular emphasis will be placed on building consensus between workers and government on implementing the near-term priorities defined by the governments at Mrakovica in June. The object of the Mrakovica Action Plan is to alleviate poverty and reduce unemployment. It’s a near-term plan because its timeline runs only as far as the beginning of next year and it should start having an impact in a period of months.

There is widespread scepticism about reform – because citizens have been promised a great deal by successive governments and in large part these promises have not been kept. Part of the problem is that an inefficient governing system has been unable to deliver results – that is now changing, because the governments have longer mandates and because a range of administrative and institutional reforms aimed at making government more effective are starting to have an effect. The problem has also been caused by an absence of real dialogue between would-be reformers and those whom their reforms will affect most. Tomorrow the unions and the government will explore ways in which they can work together in order to make reforms work. The venue for the meeting is a disused factory shed – which highlights the present state of the BiH economy and points up the urgency of taking radical and effective steps to make life better for citizens.

Indirect Taxation System Law

Ambassador Hays is meeting members of the state and Entity governments and parliamentary leaders this week to discuss the timeline for enacting the Indirect Taxation System Law. As soon as the law is passed it will be possible to move forward with practical steps to modernise the BiH fiscal system, bringing it into line with Europe and securing hundreds of millions of KM in revenue every year which can be spent on improving government services to citizens.

The provisions of the law have been approved by the three prime ministers, and meet IMF, World Bank and EC standards. The law will be debated in the BiH parliament in September, while the Entity governments will make arrangements to facilitate its implementation. Efficient parliamentary procedure could see the law enacted as early as October – speed is important because enactment of the law, in particular setting up the countrywide VAT system, will require a huge amount of organisation and preparation. If the target of introducing VAT by the end of 2005, or the beginning of 2006,

is to be met, work will have to start straight away.