Remarks By Principal Deputy HR Donald Hays, At A Lunch Organised By HVB Bank

It is my very great pleasure to be here today, particularly as the occasion is HVB Bank's opening of its branch network in BiH. As most of you know, the banking sector is one of the success stories in the BiH economy. The reasons are clear. At the end of 2000 the old socialist-era payments clearance system was abolished and the commercial banks took over the business of settling companies' transactions. This normalised the payments system and led to a rapid and effective shakeout of the banking sector, as banks began to compete with one another to offer improved services to customers. The end result is that for the first time since the end of the war, the banking sector in the Federation turned a profit in 2001, and structural improvements, such as a deposit insurance scheme, have been inaugurated in the Federation and the RS.

The banking sector is now well placed to meet the capital lending requirements of economic growth. Other areas of the economy are performing less robustly, not least because legislators have been slow to pass urgent legislation – laws won't make BiH rich, but they will create the environment in which new companies (and we believe that small and medium-sized enterprises will be the backbone of this) can generate wealth and create jobs.

There has been some progress in getting economic legislation through parliamentary procedure that will establish a positive business environment in BiH. What we want to do is speed up the process and build on what has already been achieved.

Since the beginning of this year, legislation passed by the BiH State Parliament has included laws on Electricity

Transmission, Consumer Protection, Copyright, Industrial Ownership, Free Trade Zones, International and Inter-Entity Road Transportation, and Competition. The Federation Parliament has enacted a Concessions Law, a Law on Foreign Direct Investment, and laws on Excise and Sales Tax, Electricity and Forestry, and the RS National Assembly has also passed legislation on Concessions and on Excise and Sales Tax.

Yet there is an unacceptable parliamentary backlog of essential legislation. The State Law on Concessions is stuck in parliamentary procedure, apparently because some MPs have yet to be persuaded that legislation which would open up possibilities for tens of millions of dollars worth of desperately needeed foreign investment is in the interests of their constituents.

The Aviation Law, which is a central element in opening up BiH's air connections with the rest of the world, has been another victim of parliamentary dithering and is also stuck in procedure.

A Law on Land Registry, which would remove one of the main obstacles to business confidence – by giving prospective investors clear title to property – is making its way with painful slowness through parliamentary procedure in the Federation. The same law is expected to be adopted this week, after very lengthy debate, by the RSNA.

Increasingly, though, we are seeing – albeit with an unsatisfactorily modest sense of urgency – political debate starting to focus on a coherent agenda of economic reform aimed at buttressing the free market and plugging the BiH economy into the global economy.

The International Community has been encouraging BiH voters to ask politicians not only *what* they plan to do if elected on 5 October, but *how* they plan to do it. This one question will

separate the wheat from the chaff. There is a body of politicians who are accustomed to making eloquent promises; they are equally accustomed to breaking these promises and camouflaging this with a smokescreen of rhetoric – customarily nationalist rhetoric. But there are also politicians who are prepared to explain the mechanics of their policies, who can lay out how they plan to create jobs, build roads and hospitals and schools and take BiH from a position below that of Albania in terms of per capita foreign investment to a position in the European political, social and economic mainstream.

More than any election in BiH in the last 15 years, this poll is about the economy. Those who have a coherent economic vision for this country can point to substantial improvements since the last elections and can argue convincingly what needs to be done to build on this improvement.

The electorate can tell the difference between those who only promise and those who deliver. That is why we are urging the people of this country to get out and vote. Participation is Power. Voters have the chance to shape the future of BiH, to make it a place where sensible economic legislation is the rule not the exception and where job creation is a reality not just an election slogan.

I am confident that the voters will make the right choices.

Thank you very much