Statement by PDHR Don Hays on the Occasion of OHR Business Forum

Ladies and Gentlemen,

We came here today to address the challenges facing businesspeople in BiH and to find ways of overcoming those challenges.

Why is this a priority? Because when businesses grow they generate prosperity, they create jobs, they deliver goods and services that help raise living standards. Everybody benefits.

The return of refugees to their homes and the consolidation of a normal democratic society in BiH depends on economic recovery. All of the political reforms which have been introduced, and all of the reforms now underway in the legal system and the education system depend on economic recovery. The money to sustain these reforms – the money to keep this country running and to make it run better – isn't going to come from the International Community, it's going to come from BiH business and industry.

The bottom line is – you have to make money before you can spend it.

That's why we are here today – because getting the economy up and running is a matter of the utmost importance to every man, woman and child in this country.

And the people we have been speaking to this morning – businesspeople who are actually setting up and operating successful companies – are at the cutting edge of economic growth. They know what needs to be done.

We came here to find out how we can help them.

I think it is interesting that in meetings with politicians we have to devote a great deal of time to promoting, for example, the Single Economic Space. But the people we spoke with this morning don't need to be told that the Single Economic Space makes sense, that it sets the conditions to generate wealth, create jobs and raise living standards. They are already doing business throughout BiH. All they want is for the politicians to catch up – and get rid of the absurd barriers, contradictory tax systems, and corrupt bureaucratic practices that prevent businesses in both Entities from reaching their full potential.

We will be delivering this message to politicians, at any and every opportunity. The days when they could keep this country poor and get away with it are over.

Our discussion was not – in essence – about what the government can do for business. Our discussion was what the government can do to stop making it difficult for businesses to be profitable.

Take the Agricultural Sector. BiH farms, agroindustrial enterprises and food-processing companies could be hugely profitable. They could employ thousands of people more than they do at present. The raw material is there – plentiful agricultural resources, a broad and competitive skills base, and a pool of labour that is crying out to get back to work.

So what stands in the way?

To export agricultural products to the European Union you must first have them properly certified so as to ensure that they meet EU health and hygiene standards.

Is this complicated, time-consuming, expensive? No.

All it requires is that BiH establishes a fully functional

State Veterinary Office. This could be done at little cost, tomorrow. The State Veterinary Office would then set up a certification system. The system wouldn't require huge amounts of manpower and money because most activities will still be performed by the Entities with existing personnel. It would simply have to be organised and administered competently.

Once the system is in place and approved as a competent authority by 3rd countries including the EU, agricultural exports can start flowing from BiH to EU markets. Once that happens, money starts flowing back into BiH. That's investment money – it can go towards expanding businesses and creating more jobs.

The BiH Veterinary Law, which will consolidate the legal basis of the State Veterinary Office, expand its activities and make it fully functional, was approved by the COM on June 6 – a full two years after the EU opened its markets to BiH products. It has been introduced to the Parliamentary Assembly under urgent procedure. Until it is passed, further negotiations with the EC over the export of meat and fish products to the EU will remain blocked. This is also true for fish even if the requirements by the EU are easier and can be fulfilled more quickly.

No exports means no export earnings. No export earnings means no investment. No investment means no jobs.

Now, let me ask you. How many politicians have you heard talking about this law? How many party leaders have made it their priority to get this law through the Parliamentary Assembly?

The truth is, that politicians are getting the message, but much too slowly.

Businesspeople, of course, got the message long ago. They live in the real world. This afternoon I will visit a company,

Norfish Blagaj, very near here. It operates a fish farm and fish-processing plant and produces, at a profit, fish products for domestic sale and export. It could hugely expand its operations if it were able to export its products to the EU.

It is a microcosm. There are hundreds of companies in a similar position throughout BiH. They could make money and create jobs if only the politicians would let them.

And all the politicians have to do is apply themselves to passing a law which all political parties agree is sensible. Let us see how quickly they can get this legislation onto the statute books.

This morning we also spoke about the need to develop a pro-business attitude in BiH.

Banking reform has already produced a more stable and efficient banking system. Interest rates are down compared to the pre-reform period, banks are profitable and they are beginning to form the kind of capital base that will be needed if they are to finance economic regeneration in this country.

But they remain stubbornly cautious when it comes to extending loans to entrepreneurs – particularly start-ups.

Here again the government can help. A bankruptcy law is currently in preparation and a draft should be ready in July – both Entities could pass a harmonized version before the election, given the necessary political will. The law should streamline the bankruptcy procedure and facilitate the rational disposal of bad debts, through partial write-offs, for example, and restructuring plans. This, in turn, would offer a measure of protection to lenders.

We need to take steps to develop the capacity of banks and other interested parties to check companies' and investors' credit worthiness. We want the banks to partner those who are going to start businesses and create jobs. The banks are

entitled to demand that their partners disclose their track record. A commercial credit rating service is currently in development, and ideally we would like to see the development of competing credit-information companies, as elsewhere in the world, so as to encourage fairness and efficiency.

Business registration is an issue that I have raised many times in the past. Among many of Bosnia and Herzegovina's competitors for foreign investment, new businesses can be registered in a matter of days. In this country, that same process can take up to three months or more, and there is no BiH-wide harmonized registration system. In addition, after businesses have completed the laborious registration process, the authorities are apparently unable to deliver useful information, such as existing firms' addresses and the particulars regarding their management.

Under a program currently being implemented by Britain's Department for International Development, a countrywide company registration system is being established which will allow companies to register, at various locations around the country, in weeks rather than months, and will provide a corporate database that offers practical benefits to business people. Among other things, this database will discourage the attempted registration of fictitious companies. The fact that such a database will shortly be online is to be welcomed – but we should bear in mind that this simply gives BiH business people and foreign investors a service that is standard elsewhere.

Similarly, entrepreneurs and investors make the unanimous plea for the establishment of an efficient land registry listing clear ownership titles. A Law on Land Registers is currently before the RSNA and the Federation Parliaments. The OHR expects that these laws will be passed before the end of July. It's not a case of this legislation *helping* businesses in BiH to prosper and create jobs. The fact is that this legislation is *indispensable*. Clear ownership titles are necessary to

start mortgage lending.

A properly administered system of commercial law – in particular company law and contract law – is another such precondition.

The costs and inefficiency of all our public utilities is another major impediment to investment in BiH. In both the telecom and electricity sectors, monopolies exist, and this has led to a situation where high prices and poor services are allowed to persist.

In the transport sector, commercial air service is underdeveloped because the civilian aviation authority at the state level is not fully functional, the railways are unprofitable and inefficiently operated and the roads are not in any fit state to carry the commerce of a growing economy.

We expect the

BiH Amendment of Aviation Law;

BiH Communications Law;

FbiH and RS Electricity Laws;

BiH Law on Roads; and

BiH Law on Railways

to be passed by the State and Entity parliaments to address these important issues.

A fully functioning BHDCA with the establishment of formal bilateral air services agreements with other countries (these do not exist at present) will create a basis for the expansion of commercial air services with other countries.

The Communications Law will give the necessary tools to the CRA to become an impartial referee/watchdog of the telecom operators. Furthermore it will allow citizens to choose among

the best and cheapest operators, instead of having to depend on the whims of a monopoly.

The Communications Law is a prerequisite for successful privatisation and will provide the necessary tools to get competitive utilities/telecom services, and trigger overall economic growth.

The Electricity Laws will increase the transparency of the electricity providers and reduce the amount of cross-subsidization from business consumers to residential consumers.

A state Law on Roads with a fully functioning BRIC is an absolute requirement for the management of the BiH road network. The re-structuring of the management of the roads sector in BiH is a pre-condition for overall development of Corridor Vc, which could create employment and economic benefits worth billions of KM's.

A state Law on Railways is required to establish state level authority over the railways in BiH, which are inter-Entity and international transport operations, first and foremost introducing safety oversight. It will provide the basis for re-structuring the rail sector and will improve coordination for more efficient operations. Improved operation of the rail sector will help reduce subsidies by both Entity governments, which last year amounted to 45 million KM.

These are details, workaday laws. They are not radical or controversial. They set in place the practical conditions that businesspeople need so that they can get on with the job of creating wealth in the country, expanding trade and employment and raising living standards. The politicians have to do their job first. We will be watching to see how they progress.

Thank you.