

# Article by Larry Butler, Principal Deputy High Representative “More Jobs and Higher Living Standards by the End of 2007?”



## More Jobs and Higher Living Standards by the End of 2007?

As my mandate in Bosnia and Herzegovina draws to an end I remain optimistic about this country's future, not least because of the resilience shown by entrepreneurs here. In many cases these are people who have successfully driven their business forward *despite* the shortcomings of the business environment. In the long run I believe their resilience will triumph over the inflexibility that all too often characterizes the administrations' attitude to business development.

In a properly functioning market economy investment creates jobs and jobs raise living standards. We can all agree that this isn't happening fast enough in Bosnia and Herzegovina.

I believe this is because the people in charge of the business environment – the same people who have just spent three months arguing over who gets to run which government ministry – have focused on *allocating* wealth instead of helping to *create* it.

During the election campaign politicians told beautiful tales

about how they will, if elected, create jobs, slash bureaucracy, strengthen social protection and improve the quality of life.

Now the time has come for the governments to translate election promises into concrete action. If they do the right things, real improvements could be visible already by the end of 2007. If they *don't* do the right thing, the opposite will happen – more poverty, more crime, more emigration, fewer services and fewer jobs. What, then, has to be done?

The international financial institutions are agreed that restructuring and privatising government companies must be a priority; amending labour laws so that employers and workers can cooperate more effectively should also be at the top or near the top of the new governments' to-do lists, and the relevant authorities have to get serious about simplifying and speeding up the steps to get hold of all the necessary permits to start doing business in this country, and at the same time make it easier to wind up unsuccessful companies.

What is unacceptable is that Bosnia and Herzegovina is currently bottom of all the European transition economies in the European Bank for Reconstruction and Development's transition index. And it slipped from 91st to 95th place in the World Bank's 2006 rankings of how easy it is to do business in different countries.

It is therefore a matter of the utmost urgency that the new governments speed up privatisation, amend labour laws and simplify business bureaucracy. This will strengthen Bosnia and Herzegovina's competitiveness and help create a business environment that starts to attract a much higher volume of foreign investment.

How quickly positive results can be achieved can currently be seen in some areas of Bosnia and Herzegovina. In the Federation, however, with the exception of Energopetrol, not

one large company has been restructured or privatised in the past two years. Even companies that are *de facto* bankrupt have been allowed to continue running up public debt and dragging down the business environment in which competitive companies have to operate.

The new governments do not have to reinvent the wheel. The steps that must be taken have already been mapped out – through general consensus reached by the coalition partners and through the requirements of the Stabilisation and Association process and the European Partnership. These steps include:

- Enacting the Law on Obligations, so that a single commercial code can be applied, transparently and easily, across the entire country;
- Making the National Fiscal Council fully operational and agreeing an efficient and fair mechanism for allocating public funds;
- Centralising banking supervision so as to strengthen guarantees for savers and free up more capital for investment in jobs;
- Enacting the Salary Law, which will make Bosnia and Herzegovina's institutions more cost effective and prepare them to operate in Europe;
- Developing a State-level capacity to gather usable statistics, without which effective economic planning and expanded cooperation with European institutions are exceptionally difficult;
- Completing the two-year long initiative to reduce the time it takes to register a company in Bosnia and Herzegovina, from more than a month to less than a week
- Implementing the Bosnia and Herzegovina Law on Settlement of Liabilities for Frozen Foreign Currency Accounts, without proposed amendments that would drive the country into bankruptcy; and
- Repealing the Federation laws on Rights of Demobilised

Soldiers and their Family Members and Civilian Victims of War, hastily enacted pre-election legislation that, if maintained, will divert scarce resources from pensioners, education, and health care as well as undermine the Federation's economic viability.

These initiatives are not rocket science – they are common sense, proven in every new member of the European Union. All they require from the incoming administrations is the will and the organisational ability to steer them through the legislative process.

This spring, the High Representative and EU Special Representative will chair a major economic policy conference bringing together government leaders and representatives of workers, entrepreneurs and major companies. The object will be to agree a timetable for enacting and implementing these and other economic reforms.

The choice facing the new governments is simple: more jobs and higher living standards, or more crime and more poverty by the end of 2007. I truly believe it is within their power to choose jobs and higher living standards.

*Ambassador Lawrence Butler is Principle Deputy High Representative.*