Article by the Principal Deputy High Representative, Donald Hays:”Privatising Companies, Creating New Jobs – What Has to Be Done Now”

At the end of last year we brought all of the organizations responsible for privatizing BiH companies – ministries, privatization agencies, international organizations – together in one room. The idea was to find out what has gone wrong with the privatization programme and seek ways to fix it.

We discovered a number of things, some, frankly, outrageous. We discovered, for example, that although the Entity Privatisation Agencies advertise tenders on their respective websites, there is no single website where you can find details of every privatization opportunity in BiH. You don’t have to have a degree in Business Administration to understand that a consolidated website would be much more effective in attracting international funds for job creation than two competing websites. The fact that until now there has been no consolidated BiH website advertising all of the privatisation opportunities in the country is, not to put too fine a point on it, nuts.

We are fixing this problem. Doon a new website, listing all the companies in BiH that are being put up for sale, and providing all the details that prospective investors need, will be launched. It will be hosted by the Foreign Investment Promotion Agency.

Another problem blocking the sale of these companies relates to the financial liabilities that companies have –

particularly their liabilities to their workers. When a prospective investor looks at a company he calculates how much money he is going to have to put in before the firm starts to turn a profit. Once it moves into profitability it can expand, which in due course means that it can create new jobs. In BiH we find a depressingly common pattern where investors agree to a buying price but are then deterred from carrying the deal through because they also have to deal with very significant financial liabilities – they are asked, for example, to pay wage arrears, or backdated welfare contributions.

This is a thorny issue and it has to be fixed. We found that different agencies have been exploring creative solutions to the problem (and the experience of other countries shows that such problems respond well to creative solutions). However, they have been doing this without reference to one another – lots of bright ideas but none of them getting very far. The only way to put these ideas into practice is to get everyone together to discuss them and then enact the right legislation. Now we are trying to forge a solution that can unlock the huge capacity of privatisation to give the BiH economy a decisive boost – and create desperately needed jobs.

On Tuesday 13 January Federation Prime Minister Hadzipasic and I chaired a meeting of all ten Federation canton prime ministers with a view to discussing the kinds of administrative streamlining that would move the privatization process forward. One of the issues we discussed was the setting up of a fund that would act as a vehicle for managing the accumulated debts of privatized companies. While we didn’t reach any conclusive agreement I was pleased by the very clear willingness of the prime ministers to look at the problem in an open-minded and constructive way. They recognize that this issue is holding up privatization – and therefore holding up the creation of new jobs – and they are prepared to think outside the box in order to come up with practical solutions.

We also discussed the role of the canton privatisation

agencies. There is a good case to be made for the continued functioning of privatization agencies at the cantonal level – they are close to the companies in their area, they understand the issues and they can assess quickly the merits of potential investors. But there is too a good deal to be said for rationalizing the privatization bureaucracy in the Federation – there are too many administrative hoops for the potential investor to jump through, too many forms before money is successfully invested in companies to save existing jobs or create new ones. So we proposed that the canton privatization agencies temporarily transfer some of their competencies to the Federation Privatisation Agency. This would make it easier for investors – they could deal with one agency rather than several when asking for information about companies to be privatized and when entering the tendering process. It was a small practical step in the direction of creating jobs for workers. The prime ministers agreed in principle to the move; some were prepared to sign up to it straight away, others wanted to consult their cantonal governments. Very soon, I hope to get the prime ministers to sign up to this proposal.

The essence of all our discussions has been to simplify the privatization process so that it delivers results. This, I believe is an important point to stress, because a simplified process will help privatization in BiH – over the long term – create jobs. That hasn’t happened till now, but it can happen, if politicians take practical steps to eliminate often pointless obstacles to investment and create a privatization process that is transparent, effective and quick.