

# Interview: Donald Hays, Principal Deputy High Representative for BiH

*14 August 2004*

Deputy High Representative to BiH, Donald Hays, believes that the domestic government should be relying more on domestic forces, and less on the donors' or other kind of assistance of the international community, so that it would not become totally passive. According to his opinion, the state government has proven to be capable in the aviation and financial sectors for it is carrying out these tasks without the international assistance, but in some segments the assistance is necessary.

Hays: There are few moves forward made in the commerce and agricultural sectors. The European Commission, USAID and some donors, for instance, the Swiss and the Dutch, are offering a technical assistance in that segment. This is good.

**Vecernji List: IMF helped create the strategy to settle the internal debt of the country, which is considered by the general public here as detrimental. That is why great tensions occurred in the parliament.**

**Donald Hays:** IMF was governed by the statistical data i.e. trends, in accordance with which the internal debt has to amount to 10% of the GDP. The debt simply had to be reduced by a large amount in order to avoid more considerable consequences. I am not sure whether one may say that this is the best solution, but it is the outcome that might be accepted. I've told the Federation Parliament delegates that if it is to be established, after the debt settlement has started, that it may be brought down to 25 percent of the GDP,

then this possibility should be reexamined as well.

**Vecernji List: Will that happen?**

**Donald Hays:** I don't know. But if the process doesn't start, there can be no revision too. RS is already working on that, as well as the Brcko District. The state law will go through the procedure because it is not controversial. Tomorrow (Friday August 13) I will talk to the parliamentarians and hear their proposals. Next week I'll talk about that with the representatives of the US Treasury in Washington and I'll explain to them what's happening here. I will present the results of the talks in the Parliament. There is no perfect solution for the internal debt of the country.

**Vecernji List: How to convince citizens that there is no money for them, and there is money for politicians and their expensive dinners, thousands of convertible marks for presents, suits...?**

**Donald Hays:** I've often heard citizens of this country claim that they are fed up with this government. This is also confirmed by the polls. People do not respect local politicians. I think it is sad. But it is sadder that politicians do not feel any shame on account of such an extravagance, which has been found in the review of the business operations of institutions. I suggested to the BiH Presidency to reduce its budget because the funds may be better used. Although they claimed that the funds could not be reduced, it turned out in the end that the money was not managed properly.

**Vecernji List: There is even worse information for the citizens which is that the VAT on essential victuals will amount to 17 percent as of next year.**

**Donald Hays:** There is fear of inflation, but every effort will be invested so that it does not occur, for the inflation would have an influence on the domestic currency, which is pegged to

Euro. The inflation would be detrimental, and if we realize that there is fear of inflation, the reduction of the tax rate would be undertaken. The issue of the tax rate has been misunderstood. There are two rates, zero rate and 17 percent rate. A significant number of products will not be taxed in that way.

**Vecernji List: The local authority announces VAT as of next year, and EC from the beginning of 2006. Who's right?**

**Donald Hays:** The time will tell. I'll be in the situation to give an exact answer in the fall, but I think that politicians like to gamble, 2005 or 2006... For me, the goal is clear.

**Vecernji List: How close are we to the entry into the WTO?**

**Donald Hays:** I would call for caution. We have to be serious. We have China , USA in that association, and BiH does not even have the precise statistical data as to its GDP. I do not believe that the world powers will be willing to accept a promise on the fulfillment of conditions after the entry into the association. Still, the fact that we can negotiate about that is encouraging. For that BiH needs a functioning statistics agency, state procurement agency and the like.

**Vecernji List: How much does the Office of the High Representative spend annually?**

**Donald Hays:** The annual budget is 20-21 million Euro. Previously it was between 25 and 26 million Euro, which means that it is being reduced and I expect its further reduction. This money is provided by the peace implementation council countries and calculation mechanisms are based on percentages and voluntary donations.