

# **Op-ed by Principal Deputy High Representative Donald Hays: “Cleaning up business in BiH”**

In 2003 the Special Auditor issued a series of indepth reports on the operations of Public Companies listing various instances of fraud, theft and waste that were costing BiH citizens millions of KM. There were cases of straightforward stealing, with a few individuals enriching themselves, and there were even more frequent cases of institutionalised inefficiency and incompetence.

Contracts were being awarded in many cases on the basis of personal or political cronyism – and of course it was at the expense of the public. When you consider the fact that the bigger public companies in BiH issue contracts worth tens of millions of KM every year the cost to all of you runs in the millions. Costs for substandard goods and services that benefited a few insiders .

Because the public companies were being improperly managed, whether for private or political gain, they weren't having the kind of positive impact on society as a whole that they should have been (and should be) having. Public companies should be engines of economic growth. They provide business for small and medium-sized companies. If public companies prosper, then the economy as a whole starts to prosper. They are flagships – if they are efficient, if they establish a solid and positive reputation outside the country then they begin to generate a positive image for the country, and that results in more investment, which in turn means more jobs.

This positive evolution wasn't (and isn't) happening in BiH.

It isn't happening because public companies rather than being looked upon as engines of growth are looked upon as convenient cash cows for individuals and political insiders.

This distorts their role and impoverishes the country..

Let's be clear. Not all managers of BiH public companies are bad. The Special Auditor came across managers who were trying hard to run their departments honestly and efficiently – but these managers had an enormous burden, they simply didn't have the tools they needed to clean house.

Your governments are committed to changing all of this and very soon, if they live up to their public commitments, honest managers in BiH public companies will have the tools they need to turn their companies around and make them work in the public interest.

In October last year, Prime Ministers Terzic, Hadzipasic and Mikerevic committed themselves publicly to a package of laws that will put an end to the rampant mismanagement that the Special Auditor had uncovered. The five laws are:

- The BiH Framework Law on Auditing and Accounting
- The BiH Law on Public Procurement
- The BiH Law on Registration of Businesses
- Entity Laws on Investment of Public Funds
- Entity Laws on Public Companies

The Laws on Public Enterprises, Investment of Public Funds, and Public Procurement all have in common the principle that public companies should apply the same standards and practices as private companies. They should be run for the benefit of their owners and the consumer. In the case of public companies both of these happen to be you.

This means that senior managers are accountable for their actions. It means, for example, that there can be no more interest-free, short-term loans to certain friends and

relatives (or to themselves).

The Prime Ministers agreed in October to take these laws forward, and they gave their public support when the drafts prepared by local and international experts were presented at the beginning of December.

Since then they have been “reviewed” by government ministries.

I am sorry to say that the Ministries responsible for supervising most public companies – ministers of Finance, Energy, and Transport & Telecoms – have not shown the same enthusiasm for these laws that the Prime Ministers had in October..

But now it is time for the governments’ to act and to do so in your interest.

These laws will protect BiH citizens from corruption and mismanagement.

These laws will help BiH public companies act as engines of growth – the kind of growth that can create jobs.

In the coming weeks you must demand that r parliamentary listen to your voice, a voice for good government and pass these laws.

If you see that members of the government and the political parties are reluctant to support these laws, there can be only one reason, they prefer business as usual. That means that you pay and they play.

If the government is to act on your behalf it must hear your voice. I call on the media to open a public dialogue on this issue and shine the spotlight on this process. That might help to change attitudes, which, in the end, is as important as changing the law. This is not a narrow political issue. It’s not something that affects just a handful of senior managers. We are talking about companies that belong to citizens – not

to politicians or senior managers. We are talking about the economy as a whole – and the state of the economy dictates the way citizens live.

Honest effective managers at Public Companies in BiH support this package of reforms. It's time those honest managers, and their colleagues on the shop floor, and citizens at large saw some corresponding support from ministers and parliamentarians. That will indeed be the beginning of a revolution.