Remarks by Principal Deputy HR Donald Hays at a Conference on the UN Convention Against Corruption

9December 2004

Ladies and Gentlemen,

You won't find anyone, prepared to stand up and say they *support* corruption. Everyone wants to be on record as a honest hardworking member of society against it, and in support of the fight against corruption.

Unfortunately, you can't fight corruption with words, takes deads. The only way to tackle corruption effectively, in BiH or in my country, or for that matter anywhere is to actually *do* something to confront the problem and change behavior.

You may think that I'm stating the obvious.

But if I am there are certainly a lot of folks out there that don't get it.

Consider the reaction to the Special Auditor's reports into the operations of the Telecoms and Elektroprivredas and other public utilities in 2003.

The Special Auditor, as you will remember, discovered a whole swathe of corrupt practices that were costing the people of Bosnia and Herzegovina millions of KM every year.

If what I have said is so obvious, then all of those who stoutly maintain their opposition to corruption would have been up in arms demanding immediate explanations from the

management of these companies and calling for action to end these abuses.

But as we know that wasn't true. Instead many attacked the audits and the auditors.

The Special Auditor was criticized for having an agenda – as iffinding corruption in public companies was somehow part of a sinister conspiracy. As a matter of fact, the Special auditor was only part of a grand scheme to reduce the companies value so that foreigners could buy the companies cheaply. Well, there is no doubt the value of the companies had been reduced but not as a result of the audits, but rather as a result of the actions that led to the findings.

The Auditor was criticized for misunderstanding the way business in BiH works.

The International Community was criticized for supporting the Auditor.

So I urge all of us to understand here that no pontification here will change anything – vacuous statements are in fact useless, if we want to fight corruption, we have to have a concrete action plan. We have to change attitudes both in the public and within the corporate state. Corruption exists because it benefits a portion of society. These people may be a minority, but they are a very powerful minority – and of course the members of this minority often shout the loudest when it comes to professing their opposition to corruption.

The only realistic way of tackling corruption is to recognize that it is not static – it is dynamic, aggressive, corrosive and it benefits powerful people. Once having recognized this, the record shows that a multi-pronged attack can deliver results.

From one direction you attack corruption with tough legislation, from another side you pursue vigorously

prosecution and finally from the third direction you attack it with a public information campaign.

This has been done in BiH over the course of the last year or so. Here's how.

In the wake of the Special Auditor's reports into the public utilities, the three prime ministers committed themselves to a package of legislative reforms designed to tackle corruption at its roots. A BiH Law on Auditing and Accounting has been enacted – this raises accounting standards and by doing so reduces the margins within which corrupt executives work. A BiH Law on Procurement has been enacted – going to the very heart of an area of business that is routinely undermined to give insiders as corrupt advantage. The law establishes a regime for making tenders transparent and making public officials responsible for their decisions. A BiH Law on Business Registration has been enacted, simplifying and speeding up the registration process and thus encouraging companies to come inside the formal economy rather than staying on the margins, where regulatory supervision is weak and tax evasion and other forms of illegality are the norm. Entity laws laying down in detail the conduct expected of civil servants who are empowered to spend Public Monies have been enacted, as have Entity Laws defining the responsibilities and obligations of senior executives at public companies.

This kind of legislation will work because it is pragmatic, clear and it is focused.

It narrows the ground for argument when senior managers or civil servants are caught with their hands in the till. Rather than questioning the motives of those who have exposed them, the criminals are obliged to explain why they violated specific clauses in the relevant laws.

It took longer than it should have to enact these laws –

despite the fact that the entire political establishment in this country insisted that they were “fully supportive” of this legislation. But getting them enacted is only the beginning. What is urgent now is to apply the laws so that they start cutting into the cancer of corruption.

The authorities must take the lead. Everyone in this country knows that there is too much government – but what we also now recognize is there is too little *governance*. There is an immediate need for greater government accountability to the citizens. The International Community is ready to work with the government in this effort in BiH on a partnership basis, with the aim of improving the overall standard of living of citizens through positive competition with other transition economies, and through an effort to strengthen the business environment and thus enable inflow of new investment and employment generation.

But we know that the government cannot and will not rise to the task without broad popular support. And that brings me to the second prong of the two-pronged attack on corruption – public information.

When the Special Auditor’s reports were published, one of the things that surprised me was the reaction of the press. One would have expected the press to have a field day, to reflect – with energy and commitment – the righteous indignation of the people. After all, the reports revealed that citizens were being robbed blind by some fairly well established figures in the community. Yet in many ways the media came out with a timid response, or bought the line that exposing corruption in public utilities represented an underhand attempt to lower the value of these companies.

To tackle corruption you have to show that there is no such thing as a victimless crime – and the victims of corruption are honest citizens. The media has to understand this and has to articulate it.

And it’s not just the media. Corruption produces inferior services and inflated costs: consumers suffer as a result; workers suffer as a result; patients in hospitals suffer as a result; schoolchildren suffer as a result – the list goes on, and the organizations that defend the interests of groups of citizens have to recognize that corruption damages those interests. If they have to rely on the support of corrupt politicians in order to further their organisations’ aims, they have to make a fundamental choice, but it’s not a difficult choice – because over the long run, corrupt politicians cannot advance the aims of honest citizens.

Finally, when corruption is uncovered it is necessary to vigorously root it out, through management dismissals, and prosecutions – whether it is in Banjaluka, Bihac or Sarajevo . The police, prosecutors, and the courts have to act swiftly to create examples for those who would be tempted.

To sum up, we’re all against corruption, but stating that fact does not deliver a great deal of value to citizens, who are victims of corruption. We have to ensure that the correct legislation is enacted and applied; we have to monitor the performance of civil servants and politicians, we have to punish those involved and we have to change the mindset of the public at large. BiH need not have a culture of corruption; it need not be part and parcel of everyday life. Other countries have tackled this cancer and beaten it, and so can BiH.

Thank you