

Remarks by Principal Deputy HR Donald Hays At a Diplomatic Forum

Organised by the BiH Foreign Ministry

Ladies and Gentlemen,

I have come here this morning directly from a meeting with the Federation and State prime ministers and the leaders of the two parliaments. Tomorrow I will repeat the meeting with the Prime Minister and leadership of the RSNA in Banja Luka . The message that we in the International Community are trying to get across I believe is an important one for this audience as well. This country is faced with an incredible opportunity, but it will take an historic effort to capitalize on this opportunity. The BiH authorities must fulfill some serious conditionality in order to qualify for membership of PfP and to satisfy the preconditions established to begin negotiations with the European Union on a Stability and Association Agreement.. If this country fails to meet this challenge there is no assurance that the offer will remain as it is: that will be up to NATO and the EU. The loss of this exceptional opportunity would be a serious blow to this country's aspirations and to the hopes of its people..

It is important to emphasize that this is not just about meeting conditions set by external organizations. It's about making life better in Bosnia and Herzegovina, for this generation and for future generations. It goes without saying that membership of PfP will have a broad and positive impact on BiH competitiveness because it will remove uncertainty about the country's security and allow BiH to focus on catching up with the rest of Europe economically. The economic conditions laid out in the European Commission's Feasibility

Study are in themselves a blueprint for competitiveness.

The accomplishment of these conditions is fundamental to a functioning state. Among the sixteen steps laid out in the EU Feasibility Study are the following economic preconditions:

- implementing the indirect tax reforms and getting the new Indirect Tax Authority up and running, collecting customs and preparing for the timely introduction of VAT
- creating a single business registration system recognized throughout BiH
- adopting and implementing a coherent BiH trade policy
- establishing certification procedures that will help producers here export their products to the EU
- enacting a Statistics Law
- enacting a budget law and adopting proper budget practices

Now I know that this is a “diplomatic” forum, but please allow me to be undiplomatic for a moment – I must ask the question: Why should I, a representative of the International Community, be standing here reciting this list of urgent reforms? Why isn’t this being done by every single elected representative of the people of BiH at every single public meeting they attend?

These reforms aren’t for the benefit of the people of *my* country; they’re for the benefit of the people of *this* country, the people of Bosnia and Herzegovina. Why must the IC constantly exert pressure on BiH politicians at all levels to pass laws and implement programs that will benefit the citizens of BiH?

Well, it seems that without external pressure, not enough political will can be mustered to pass legislation and implement these programs.. All of you will be familiar with the case of the State Veterinary Office, It took over a year to pass the legislation and once established in 2002 had to

wait more than a year for the final appointment of a director by the Council of Ministers. The SV0 is now beginning to function adequately, which means it should soon be able to provide export assistance to BiH agroproducers, including the certification necessary for export to the EU. Yet, this is being done years after the European Union concluded a free-trade agreement with BiH – years in which BiH producers could have been selling their products in Europe if certification procedures had been up and running. This delay was not due to a lack of necessary funds, and there was no shortage of qualified candidates. It was a matter of the parliament and the political leadership failing to understand the importance of these steps; it was a result of the disconnect between politicians in this country and their obligations to citizens. This comes up time and time again. The case of the SV0 is, unfortunately, more the rule than the exception. In terms of delivery and organization, the BiH authorities continue to show themselves remarkably disconnected and unresponsive to the needs of the ordinary citizen of this country..

I have reason to believe that some of the politicians are beginning to get the message though.. Perhaps just in time, but I remain concerned that there is sufficient political resolve in the political parties that rule this country to move decisively and rapidly enough to implement the necessary reforms in time.

In my discussions with the leadership of this country this morning, I came away with a clear sense that they shared that concern and were conscious of the danger that a failure to meet these requirements represented both for them politically and for this country. They were clear in stating their resolve to take the necessary steps to avoid it. They will be judged however, on their *ability* to deliver these reforms not on their *desire* to do so.

What will success in this endeavor mean for BiH's

competitiveness? Well, a great deal. I want to emphasise one thing. As I travel the length and breadth of this country visiting businesses – from the largest to the smallest and everything in between – I am constantly impressed by the entrepreneurial verve that exists here in such abundance.

I don't believe we have to *invent* competitiveness in BiH; I believe we have to *unleash* it.

And that is what the reforms which the governments and parliaments have committed themselves to enacting are meant to accomplish. They will unleash the competitive potential of BiH.

Once that potential is unleashed, we will witness a remarkable economic turnaround and a renewal of confidence in the future of BiH on the part of citizens in this country and by your European neighbors.

The macroeconomic reforms which come under the umbrella of the EU accession process introduce standards for economic governance that have proved beneficial elsewhere on the continent. When it comes to the nuts and bolts of business legislation and business regulation every country is different. It's not a case of one size fits all. To find out what kinds of business legislation are suitable for BiH business we have to consult BiH business people. This until recently struck many people in this country as both unnecessary and unwise. As a result of the Bulldozer Initiative more and more of your politicians are now reaching out to cement this dialogue, but the relationship is far from normal even now. The people who have had to live in this country with inadequate business protection are now demanding a voice in the reform of the commercial sector. These people know what they need and have a keen awareness of what doesn't work in this country.

This afternoon I want to dwell on the positive, but we all

know only too well how damaging the status quo has been economically for BiH. For too long, politicians have looked on the corporate world as a place to raise funds for themselves and their parties. Public corporations have served as a traditional source of ready money for parties in power. The result has been that millions of KM of taxpayers' money has gone missing. However, I am pleased to report that the prime ministers made a public commitment regarding their determination to take corporate governance reforms forward. That determination is well founded. These reforms, encompassed by the laws on Public Enterprises, Investment of Public Funds, and Accounting and Auditing Standards, will safeguard public funds – ie they will protect the money of the citizens of this country from those who would abuse the public trust, and they will ensure that public companies work as they are supposed to, as engines of economic growth.

The EU accession reforms, the Bulldozer reforms, the reforms that are now underway in the field of corporate governance are just the tip of an iceberg. BiH is only going to be competitive if its education system is modernized, if professional training is brought up to date and schools are properly equipped. We hear again and again that high school graduates and university graduates routinely have to be trained in basic skills when they enter the workforce, even though these basic skills – languages, mathematical competence, strategic thinking, awareness of economic and commercial procedures – could or should have been part of their academic course work. Vocational training is likewise neglected. Let me emphasize that it isn't the students who are uncompetitive it is the schools and the education system. What is needed here is a fundamental rethinking of educational policy and a reallocation of funds to education.

The capacity of BiH entrepreneurs and BiH companies to compete – and compete effectively – in the global market is huge. The benefits of this for the country are incalculable. As I've

already said, it's a matter of unleashing energy and expertise that already exist. Opportunities have been squandered in the past because of political failures not entrepreneurial ones. Now, we have a chance to make up for that. In the words of the Blues Band

Better take it while you can

Before that midnight chime

Why don't we seize the time

This is our last chance to dance

It may not be our last chance, but it's an excellent chance.

Let's take it while we can.

Thank you