

Remarks by Principal Deputy HR Donald Hays Mayors' Conference in Mostar

Ladies and Gentlemen,

We are meeting here today in a time of profound change. Everything is changing, even some things we can not yet perceive, because life is not static; because this country has committed to joining the EU and finally because of actions that have *not* been taken or some that have already been taken. I would like to focus on three of the changes that will effect your mandate.

The first change is political – newly directly elected Mayors have a specific responsibility to and a mandate from citizens, who voted. This puts certain obligations upon you that your predecessors never had. You are responsible directly to the voter that put you in power, not solely to the parties you represent. So you now have very specific power and responsibility.

How you use your authority may well determine the future not only of your municipalities but also of the country as a whole.

A second change derives from Bosnia and Herzegovina's international treaty obligations and its chosen journey along the path of Euro-Atlantic integration. The consequences of this reach into every facet of your political system. They are as relevant – in many ways *more* relevant – at the municipal level as they are at other levels of government.

Bosnia and Herzegovina ratified the European Charter on Local Self Government several years ago and when it did that it committed itself to ensuring that municipalities are given the

appropriate competencies and financing to go with them.

What does that mean to you? Quite simply it means that the BiH government authorities in the tiers above yours are *legally obliged* to ensure that activities and responsibilities appropriate to municipal government are devolved to municipal government. (That, by the way, means a lot *more* activities and responsibilities than are currently identified for municipal government, particularly in the Federation.) And it means that they must provide sufficient funding so that you can carry out these activities and discharge your responsibilities accordingly. As a result of treaty obligations this issue is not discretionary but a matter of right and obligation – your right, and their obligation. Your citizens' rights and the Canton/Federation's obligations.

The Republika Srpska has already taken the first step towards applying the Charter, and the Law on Local Self-Government they adopted is the result of considerable dialogue with the Council of Europe and with the public in the RS.

Last week, at a meeting of Mayors, representatives from Central and Northern Bosnia presented me with their initiative to request publicly that the Federation Parliament pass the law on local self governance as soon as possible and thereby meet their obligations under the European Charter. Failure to do this not only puts a shadow on the relationship between the Council of Europe and BiH, it undermines the intent of the law on direct election of Mayors. Rapid implementation is in the interest of Mayors. More importantly, of course, it's in the interests of the voters who elected all of you.

The last of the changes affecting the nature and effectiveness of local government I want to discuss with you today – derives from a hard fact of life. It is a fact of life that is soon to impress itself upon everyone in the public sector in a manner that will be both painful and difficult.

It concerns the availability of public revenues.

Almost three years ago the World Bank outlined the excessive cost of government and since then little if anything systemic has been done to reduce the cost. So the result is that very soon, probably next year there will not be enough money to meet your budgeted projections.

There simply aren't the funds to continue subsidizing the disproportionate size and cost of government in Bosnia and Herzegovina.

For years the World Bank, the IMF and others have raised this issue and the very real need to restructure government, eliminate redundancies and parallel structures and find ways to streamline government and make it more efficient. Because of the many other things government was involved in, because of unpopularity of the measures that would be required and finally, yes, because of politics these issues have not been dealt with. Now you have no choice, you can't ignore it any longer. The public funds are finite and it simply must be allocated in a more rationale and efficient manner.

As BiH progresses on its path toward integration in the European Union and assumes the kind of institutional configuration that characterizes a normal European State, with an optimal balance between a central government that can competently discharge responsibilities customarily vested in the State and devolved authorities to other levels of government – the cost of government has increased. Since 2000, the Council of Ministers has grown from six to ten ministries. The number of State agencies has tripled from seventeen in 2000 to an expected 53 in 2005. And the portion of the budget devoted to supporting all this institutional development has risen as proportionately.

This has been absolutely essential in order to prepare this country for the accession process and for the citizens of this

country. At the same time using the same criteria – expending revenues on the needs of the citizens – must be applied in the lower tiers of government. The reductions in spending at the Entity level, to compensate for increased spending at the State level, must not result in a reduction in services.

In fact the opposite should be the case.

It is possible in the case of BiH that better service – and more numerous services – can be provided for less money.

The people, who can make this possible, are in fact those of you in this very room, the Mayors. Because the municipalities are in the best position to optimize the value of every KM in public money that they receive. They can do this because they are in the business of delivering services directly to citizens, who are physically close to the town halls.

We have already seen this in many cases in municipalities across the country – with rational spending plans, imaginative approach to management and administration, and an underlying commitment to the community. Some municipalities have been able to turn their communities around, attract investment, expand amenities, contract out selected services, and set up self-sustaining and economically viable business initiatives. The effect has been more services and better services, for less money.

Let me be clear: What we are talking about is the search for excellence in government not cost cutting at any expense. When you are able to provide more for less, you effectively create a strong incentive for others to give you a larger share of the budget. The municipalities can become the natural unit for expanded services using their location and their efficiency to operate effectively.

Let me outline some ground-rules from municipalities that work:

- Maintain a dialogue with the people who voted you into office. How? Regular meetings at the municipality. Make yourself available. It's not a waste of a morning or an afternoon or an evening to LISTEN to the citizens who pay the taxes. It's an invaluable means of making sure that municipal policies are RESPONSIVE – to those that pay the bill.
- Talk to potential investors. Sounds obvious, yet the feedback we get from many foreign investors – or, I should stress, POTENTIAL foreign investors – is that municipalities routinely do not know how to speak their language.
 - In the first instance literally. Do you have French, German and English-speaking staff ready to take a phone call from Munich or Manchester or Marseilles? You should have.
 - Learn to understand investor requirements: each municipality in BiH is competing, with other municipalities in this country and other municipalities in Southeast Europe. Competing means offering more attractive factory space, more competitive local taxes and rates, better schools, affordable housing – investment won't come to you of its own accord. It has to be attracted.
- How long does it take to register a new company in your municipality? If it takes more than a week you're not competitive.
- Understand why investment matters – investment means jobs. That's the bottom line.
- As jobs are created in the private sector, they should be trimmed in the bureaucracy, which doesn't mean trimming services. The ideal model – and one that has already been implemented successfully in various municipalities in BiH – is to reduce staff numbers while increasing service and efficiency. How? By adopting private-sector models. For example, the municipality can contract out for services, such as cleaning and

catering, while encouraging cleaning and catering staff to look on the municipality not as a job for life but as a major client among many potential clients.

- Understand the importance of image. If you're not impressed by where you live, other people won't be. Remember that when potential investors see well-kept streets and well-run civic amenities they know they are dealing with a local administration that can deliver results: appearance matters.
- Work with other municipalities. Again, it sounds obvious, but identifying the synergies that exist among BiH municipalities – in terms of road and river management, waste disposal and fund management, for example – is, I believe, only now beginning to pick up momentum.

In the Federation, mayors face a particular challenge in regard to defining their operational capacity because they have two layers of government between the State and themselves – the Cantons and the Federation. The responsibilities of both are frequently unclear and unresponsive to citizens. This lack of discipline and clarity must be addressed, and you the Mayors are the people who can address it most effectively.

Remember: You have the power and how you use it will affect the whole country.

Thank you