

Speech by Principal Deputy HR Donald Hays at the Conference on “Doing Business in BiH”

Ladies and Gentlemen,

A year ago when the Bulldozer Initiative was launched we wanted to support efforts break up bureaucratic blockages in the system.

We still do.

The object of Bulldozer, as you know, has been to eliminate the pointless bureaucracy that stifles economic growth in this country. Phase I produced 50 reform proposals – 50 obstacles on the road to prosperity were identified by businesspeople and after critical scrutiny and democratic debate these bureaucratic roadblocks are on the way to a great scrap-heap of moribund laws and regulations. The intension of this movement is to make that scrap-heap higher and higher. Yesterday in Sarajevo the Bulldozer Committees presented the authorities with a second tranche of 50 reforms. In due course, the Bulldozer Committees will get to work on a third tranche, and then a fourth. This is a process that can run and run.

But what's it running on?

It's running on the same fuel that drives successful businesses – sound judgement, creativity, self-confidence and enlightened self-interest.

The international community didn't invent this fuel. Bosnia and Herzegovina has huge reserves of it.

Bulldozer tapped into those reserves.

That is why the Bulldozer is going to keep on moving forward, shunting aside the bureaucratic obstacles in its path. And that is why the Bulldozer was selected as a model.

By the way, it's not the only model, or indeed the only metaphor. Our goal was to bulldoze pointless regulations into oblivion – my own preference was more incendiary. I proposed a Bonfire of Bureaucracy.

Either way, the purpose has been clear. It has been to get rid of the laws and regulations that have prevented BiH from achieving prosperity. To do this we all need to join together and ensure that the Bulldozer Committees become a mechanism that focuses the energy of BiH business and uses that energy to overturn an unsatisfactory but deeply entrenched way of doing things.

It's a kind of organic revolution and it has already begun to work.

Lech Walesa once spoke of the tremendous power that derived from – and I quote – “the righteous indignation of the people”. We have discovered a “righteous indignation” among entrepreneurs in this country. People who have worked hard to turn an idea into a business that will support themselves, their families, their workers, their communities. People, who have had the courage and confidence to put all of their effort and whatever financial resources they possess into creating a company that can function competitively and start paying its way. Of course those people were – and are – indignant. They are indignant because while they apply intelligence and wit and hard work and personal reputation to their businesses, they have to operate in a regulatory environment that routinely fails to respond to any of those positive characteristics. They are constantly faced with a bureaucracy that doesn't even understand its own self interest. One that blocks reasonable economic growth and investment.

There is a scene in Robert Bolt's marvellous film "A Man for All Seasons," where Thomas More asks the boatman how much it will cost to be rowed along the Thames. "Four pence up stream and two pence down stream," the boatman replies. "But the law says you must charge a fixed amount for a fixed distance," the Chancellor remarks. To which the boatman replies: "Them that writes the laws don't know about tides."

Those in BiH now drafting business regulations are as a result of the development of the bulldozer initiative at last engaged in a dialogue with the people who have to work and prosper under those regulations.

The system is just beginning. It will take time to produce countrywide benefits. Yesterday the governments introduced their Emergency Reform Units, the small teams of young civil servants who have been seconded from their departments to report directly to the prime ministers and steer Bulldozer proposals through government adoption and parliamentary debate to enactment. Now all the elements are in place for the whole Bulldozer System to work efficiently and fast.

One point I would like to make this morning is that our vocabulary only tells half the story. We are "knocking things down" or starting "bonfires"; we are "bulldozing"; we are "removing obstacles". Yet we must not forget that the energy that has gone into dismantling the totally inadequate system of commercial regulation that existed in BiH must also be applied to setting something efficient in its place.

We have to build up as well as remove. We have to construct as well as demolish.

That is why the other two themes under discussion at this conference are so appropriate. The Regional Development Agencies and the initiatives now being undertaken to improve education and training to respond to the needs of an economy in which the power of business is more and more being

unleashed.

Like bulldozer, the Regional Development Agencies are creatures of the market – that is the source of their strength. They are tools that can now be used by businesses and local government to optimise natural economic synergies – cooperatives, business input on infrastructure projects, market development are three areas that spring to mind. These synergies must be exploited if BiH is going to develop, and they can only be exploited effectively undermarket conditions.

Bureaucrats can guess at, for example, the synergies which may or may not exist between two dairy farms. The dairy farmer won't guess, the dairy farmer will pinpoint these synergies rapidly and expertly and will know how to exploit them. The same applies across the entire spectrum of business activity. The market will naturally identify what it needs. The RDAs can facilitate and respond to that knowledge.

The RDAs also offer yet another forum for the indispensable dialogue between business and politics that has been exemplified by Bulldozer and must now be expanded and developed.

Every political party says it wants economic recovery. But just because you want something doesn't mean you know how to get it. The people, who know how to secure economic recovery are the same people who know how to increase productivity, improve delivery times, keep prices low and customer satisfaction high, and meet a payroll every month.

Entrepreneurs are the shock troops of economic recovery, and politicians ignore that fact at their – and their country's – peril.

So the political establishment needs to key into the agenda, ideas, requirements, aspirations and operating techniques of companies – especially the SMEs that are now beginning to fill the void left by the structural demise of BiH's old heavy industrial base. The Regional Development Agencies offer an

ideal forum for that. And the scope of activity and impact of RDA initiatives have the invaluable advantage of being immediate – these agencies are close enough to be accessible and they cover geographical areas large enough to make their activities meaningful.

One of the best things about my job is the opportunity it provides to travel all over this country in order to meet factory managers, small business owners and entrepreneurs and to exchange ideas with them about what they want to do and what they need – from the International Community or the local authorities – in order to do what they feel is necessary. One thing that strikes me is that they almost never make *general* complaints; in fact they are often relatively generous when assessing the performance of their municipality or the ministry that deals with their particular commercial sector. They will tell you that the local authority does this or that tolerably well – and then they will pinpoint exactly the regulation that is creating problems for their business, that is preventing them from growing the firm as fast or as effectively as they would like. They adopt this measured approach because running a successful business involves clear judgement and objective analysis – general complaints don't work; they're not an effective way of solving problems.

One issue that has been raised time and time again in my meetings with businesspeople is the inadequacy of vocational training in Bosnia and Herzegovina. This is not a side issue. It's crucial. As of this moment, BiH is not equipping its up and coming workforce to meet the current demands of the free market.

That represents a horrendous handicap on the country's efforts to compete in the regional (never mind the global) economy.

Vocational training in this country today is largely a text-book based process and is not seriously integrated in the world of real business – there are practically no intern

programmes, and apprenticeships are limited in scope and usefulness. The world of purely academic education looks down its nose at the business sector on which this country's prosperity (and the income of university professors), depends.

In my country, we learned the dangers of that kind of preposterous snobbishness a generation ago, when we saw that universities in other countries were producing gifted managers and inventors, while practical disciplines were still treated as poor relations in our higher education sector.

The trades union – which have been at the forefront of training and re-training programmes in other countries, remain largely excluded from this field in BiH. They have been shunned by the governments who ought to be using them as a valuable resource and they have so far failed to find a productive niche in the business establishment of small and medium sized enterprises that is now forming.

Other speakers will deal in some detail with the issues that must be addressed in order to maximise the usefulness of the Regional Development Agencies and begin the overhaul that is desperately needed in the vocational training sector. What I can say is that the overall architecture beneath which these developments will be made is now or will soon be largely in place. It is built on foundations of entrepreneurial dynamism, which BiH has in abundance. It is elevated by the emerging dialogue between business and politics, a notable example of which is the Bulldozer Process. And a roof is now taking shape in the form of an incipient system of wealth creation that is dynamic and equitable.

Thank you