

# Weekly column by Christian Schwarz-Schilling, High Representative for BiH: “Make Poverty History”

Christian Schwarz-Schilling

If I were a politician in Bosnia and Herzegovina, I would have one overriding objective – to put an end to poverty. Today, however, this country is clearly not enjoying the full benefit of free-market reforms.

The reason is clear. Many of these reforms have been introduced half-heartedly, or incompletely. You can only promote the free market successfully if you are clear about what it is designed to produce – and it is designed to produce prosperity, even if in the short term this entails hardship.

Some elements of long-term prosperity have been delivered. The Convertible Mark transformed the commercial climate in Bosnia and Herzegovina almost at a stroke; the introduction of VAT has secured the authorities’ capacity to deliver public services (provided the money is not wasted); and the modest investment capital that Bosnia and Herzegovina is currently attracting is helping to sustain steady economic growth.

If you are a party leader – with a good salary, a nice flat, a *vikendica*, an expensive car and other perks – these personal comforts may appear almost sufficient to justify putting the economy on the backburner and focusing on other things, like how to secure the highest number of ministries in the new government.

But if you are not a party leader, you are probably less sanguine about the state of the economy. There aren't enough jobs and there is far too much poverty.

To create jobs, to attract investment and to encourage new businesses to open their doors, and to start making poverty history the political establishment – the people voted into office on 1 October – must focus on economic reform to a degree that has not been seen before.

However, a quick review of the public statements of party leaders over the past three weeks reveals little concern for the state of the economy and total disregard for the need to create new jobs.

In the present global economic climate, Bosnia and Herzegovina is not going to resurrect its economic prospects by recreating its once mighty heavy industries; it is going to secure prosperity by developing competitive small and medium-sized companies, and these can only get off the ground if the business environment is improved. That's why it is so important, for example, to enact a modern Law on Obligations.

Political parties have been vociferous about who they will or won't share power with – but have they expressed any opinions regarding the Law on Obligations, a cornerstone for the transition to a free-market environment, or, for that matter, about centralising banking supervision to protect small depositors?

Many politicians before and after the introduction of VAT had a great deal to say about whether there should be exemptions and zero rates. However, since the election, only the Political Directors of the Peace Implementation Council have highlighted the urgency of establishing a National Fiscal Council to ensure greater fiscal responsibility. We must not forget that VAT revenues come from and ought to go back to citizens. Yet without proper fiscal coordination among the

State, the Entities, Brcko District, the cantons and the municipalities, this money will not be spent in the most efficient way on the services people need.

Politicians appear to have more than enough time and energy to squander on discussions about their own jobs – who will get to be a minister or a deputy minister; which associates they can appoint to this or that position; and how long they should continue to draw pay after leaving office – but they are apparently short of time to discuss jobs for the rest of the population.

This is more than simply irritating – because every day's delay in getting back to the business of implementing economic reform is another day's delay in creating employment. Moreover, when party leaders announce that they will abandon key reforms if new conditions are not met, they are, in effect, announcing to prospective investors that Bosnia and Herzegovina is not a country to put your money – because it is not a place where agreements are kept.

Those who were elected on 1 October ought to have one objective – to make poverty in this country history. They can achieve this, but only if they start talking about – and doing – things that matter to the entire population, and not just things that matter to a small coterie of the powerful and well-connected.

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