Article by Larry Butler, Principal Deputy High Representative: “Creating Jobs is the First Priority”

After more than nine years of economic stagnation, BiH is at last turning a corner.

Poverty is slowly beginning to decline.

It is not declining fast enough or broadly enough anywhere in BiH. But it is declining.

The BiH Development Strategy interim monitoring results, presented on Wednesday, show that among other things, poverty is at last beginning to decrease. It shows that after years of economic depression, more jobs are being created.

The equation is simple: more jobs means less poverty.

Inward investment – the money that comes into BiH from abroad to start new businesses and resuscitate old ones, was five times higher last year than it was at the end of the nineties. Interest rates have halved since 2000 – which means that people who want to start a company and take on new staff with the help of a bank loan can do so without paying through the nose. And after a terrible year in 2001, when industrial production in BiH hit rock bottom, production has steadily increased. In 2004, growth in the Federation was 23.3 percent and in the RS 9.7 percent.

That last figure shows that things are getting better faster in the Federation than in the RS. Why?

The reason is simple. The RS has an image problem. Prospective

foreign investors know that the people of BiH want to join Europe. They want full access to the European market; they want the freedom to travel throughout the continent without having to apply for visas; they want European standards in education and consumer protection and environmental protection and a host of other areas. Yet some RS politicians appear to be less than committed to securing all these benefits. They are ambivalent about Europe.

The people of the RS are paying a high price for that ambivalence.

No prospective foreign investor is going to risk putting money into companies in the RS and creating jobs there if they are not convinced that the RS authorities are committed to enacting and implementing the reforms that are necessary in order to enter the EU.

When investors see a clear commitment, they will start to invest in RS jobs.

As long as they don't see a commitment, those new jobs will be fewer and farther between.

In other Central European countries, when governments – some of them sooner and some of them later – made a credible commitment to European integration and the economic transition that European integration involves, they saw a direct correlation between this commitment and growth in the volume of money coming into the country to create new jobs.

The RS authorities have to make it clear that they are for European integration. That commitment can then translate into jobs.

No commitment: no jobs.

When the RS authorities have made this commitment they must quickly move on and start focusing all of their energies –

particularly in the coming months – on fixing the political and administrative problems that are holding the RS back.

Employment levels in the RS *can* catch up with the BiH average; so can industrial production, and investment. Poverty *can* start declining faster, and the RS can close the gap with the Federation.

But only if the BiH authorities understand that creating jobs is the first priority. Everything else comes a long way behind.

BiH has started to turn the corner as far as the economy is concerned. No one thinks that life has been transformed. It hasn't. Life in this country is very, very hard for the majority of citizens. But the fact that we are at last seeing improvements in production and business performance, in investment and sales turnover, means that we can look forward to *more* improvements, coming along faster as momentum starts to build.

Things *can* get better, and it would be a tragedy if RS citizens missed out on this because some of their leaders thought they had the luxury of putting economic reform and European integration on the back burner. No politician has the right to condemn fellow citizens to poverty that could have been avoided if a sensible and timely political commitment had been made.