

Remarks by Deputy HR and Head of OHR Economic Dept. Patrice Dreiski at a round table discussion on Foreign Investment in BiH

Organised by the BiH Ministry for Foreign Trade and the BiH Foreign Investment Promotion Agency

LOK Institute, Sarajevo

Ladies and Gentlemen,

It is my great pleasure to attend this round table and to be able to contribute to a process that very much reflects the issues we at the OHR are concerned with and which we are ready to deal with vigorously in partnership with BiH business and the BiH authorities.

I particularly salute all the investors present here — for the truth is, ladies and gentlemen, that BiH is not yet an easy place to invest in. Consequent to the phasing out of donor funds a tremendous increase in private investment is needed to fuel a favourable level of economic growth. One source of investment is the participation of foreign companies, but so far, the performance of BiH in attracting international capital flows has been rather poor.

One of the main reasons the economy has not been very successful in attracting foreign capital is the labyrinth of unpredictable, inconsistent and often contradictory rules and regulations that are to be found at all levels of government. It is this absurd system that has failed the people of BiH — the people of this country lack neither entrepreneurial spirit nor the ability to work hard.

That is why we have to transform BiH's image and its ways of doing business. BiH has no shortage of economic potential. However, in many different ways BiH is years behind more developed countries and it will have to close this gap in the next few years or its economy will be sidelined by regional and international competitors.

It is therefore very encouraging to see the BiH authorities embarking on a path that would bring BiH into Europe and investors into BiH. I say this with regard to the PRSP and the Economic Reform Agenda. It is possible to see from the authorities' concrete pledges and the legislative guide that serious steps are being taken in this direction.

The overall strategy of the OHR in the coming years has been defined by the High Representative as "First Justice Then Jobs, Through Reform". Thus our main emphasis will be on the transformation of the legal and economic systems. We hope that this will create an environment in which sustainable development can be achieved — with an efficient judicial system and efficient administrative procedures, and a strengthened and more effective anti-corruption effort. For ordinary people and investors the rule of law is vital. However, the rule of law is not only about legislation and its implementation through the courts, it also concerns government.

Being in government must be about public service, not about self-service. In order to make sure that it is so, every aspect of government in BiH should be publicly scrutinised. That is why the PRSP is so important — because it aims to support transparency and good governance as the basis of sustainable development. If they want to secure and maintain inward flows of international assistance, countries must demonstrate that they are pursuing an effective poverty reduction strategy as well as the transparent, legitimate, effective and participatory exercise of power and use of resources. Corruption occurs all over the world and always has a negative impact. It can destroy economic progress and the whole process of development. It inhibits investment and strangles economic growth. It erodes democracy, hampers the equitable distribution of services and generates instability.

We have just heard of other countries' efforts to overcome the problems associated with transition. Countries cannot do this in isolation. Cooperation is the key word here because by exchanging experiences and ideas and talking about their individual problems, countries throughout the region can hope to overcome the difficulties involved in transition to a market economy and fulfil the requirements for the membership of the EU. Thus regional cooperation is not just a weak substitute for the full membership of the EU, it is a prerequisite of EU membership — because good intra-regional relationships and economic and social stability are among the chief priorities on which potential suitability for membership will be assessed. In this area, I am happy to say, BiH has become a successful player — it has signed free trade agreements with most countries in the region and is an active participant in

regional organisations.

Ladies and Gentlemen, considering the twin challenges, of postwar reconstruction and the transition to a market economy, BiH has made good progress.

But good is not good enough. Per capita GDP has doubled from the low levels of 1995 but it still remains at just half the pre-war level. We cannot be satisfied with the current situation. We must press forward with reforms so that BiH becomes competitive, attractive to foreign investors and prosperous. As consultation with key stakeholders in the society and the economy is the cornerstone of the PRSP process, I am delighted to see that the investor community itself is being involved in charting the way forward for this country.

Bosnia and Herzegovina stands at a crossroads where the directions are clearly marked. It may go forward towards Europe or it may relapse into economic stagnation, chronic indebtedness, and corruption. Bosnia and Herzegovina is on the right path. It is now up to all of us to move forward with all the determination and energy we can muster.

Thank you very much.