

Speech by Principal Deputy High Representative Donald Hays to UNHCR Working Group

I am pleased to have the opportunity to speak to all of you today about the current situation in BiH. Bosnia is a very special project for all of us. It is a multiethnic country in Europe faced with a three-fold task – first the country itself must design its own national identity; second its people must overcome the horrors of a civil war that pitted neighbor against neighbor and devastated their society and economy; lastly the government and its people must pursue all of the challenges facing a transitional economy, moving from one that was state controlled to a free market and a democratic, pluralistic society.

Seven years after Dayton there is no doubt that progress has been made but for most of us it has been painfully slow and marked by a lack of political vision and commitment on the part of its leaders. It is only in fact over the period of the past year that we have begun to see a sense of ownership, a sense of direction and a sense of self realization on the part of the Bosnian leaders.

Yet all of our countries feel that we are or should be ready to finish our respective roles in BiH and move on. For our part, Dayton makes it clear on this point – we are in Bosnia and Herzegovina to ensure a stable, secure and viable BiH. We believe strongly that this mission has yet to be fulfilled.

It is true that this year, like last year, we are experiencing dramatic growth in property returns and reflows of both DPs and Refugees. We estimate that this year returns will exceed last year's record by 30%. We also project the same rate of increase for next year, making it imperative that we stay and

help those in need resettle. The reason for this increase is obvious, the conditions are only now developing for substantial returns. Stability, security and confidence are beginning to develop on the ground throughout the country. Tolerance in areas previously centers for hardline resistance is growing.

But we are faced with a growing dilemma. Donor contributions have been going down rapidly for the past several years. There is a marked shortfall in alternative accommodation, in reconstruction assistance and in funding for sustainability projects. Donor assistance for housing reconstruction alone is down \$24 million this year compared to 2000. And when you add what the BiH authorities provide, the sum is only equal to the amount given by donors at a time when less than half as many needed support.

The picture becomes even more critical for all of us when we look at it from a sustainability perspective. Schools are still by and large divided. All too often returnees are forced to forego schools or return their children to ethnically biased schools in other localities.

Safety – returns are only sustainable if returnees are assured of a secure environment. SFOR and UNMIBH have aggressively provided that security. They have relocated troop detachments to areas close to returnee communities so as to ensure security for them. But the very fact that such vigorous foreign security forces are needed should make it clear to all of us that we have yet to achieve our goals in this area.

Economy – the economy is also a prerequisite for sustainability. And we have begun working in a much more grassroots manner now to grow jobs at the municipal and regional level through loans to SMEs and coops, through developing training programs, and small grants and by seeking to aid hundreds of small entrepreneurs throughout the country. There is no doubt that without significant job

growth (BiH has a 40% unemployment rate countrywide) returns, and indeed BiH as a whole, can not be self-sustaining.

So let's look at the score card-

Are we overcoming obstacles to returns? Yes. But in many areas returnees still face an array of obstacles and disincentives. We simply must present a full-fledged united front in the face of these obstacles. It requires daily intervention to ensure security and obtain access to schools, property, utilities, public benefits, services and jobs.

Capacity building – BiH has a debt burden of between 140% and 160% of its GNP. The cost of government is a tremendous burden on the people – with 13 Prime Ministers, 3 armies, and 16 legislatures. 25% of the Federation budget goes to paying benefits for war veterans. In short there are too many bureaucrats living on the earnings of too few working men and women. And those in government have yet to recognize their role as servants of the people. We simply cannot substitute government for the role RRTF plays in coordinating returns. This despite the remarkable achievements of the State Ministry for Human Rights and Refugees over the past six months. This handover must be gradual and responsive to the Ministry's ability to cope with the workload. Furthermore, while we are improving donor coordination with the local authorities, it is too early to declare the job done – in fact we feel it is two years too early.

Property Legislation – 49% of claims have been resolved countrywide and we expect to achieve an estimated 60% level by the end of this year. But this continues to require constant intervention, political force and oversight on the part of the IC. In recent weeks OHR has had to be involved in the removal of several judges for non compliance with the law and we foresee the need for continued involvement in this process over the next two years.

Land Allocation – We had hoped to transfer responsibility for land allocation decisions this year, however, given the massive fraud now being uncovered and lack of local capacity to confront this issue we are now adjusting our sights.

Overall Sustainability – The recent actions taken by local leaders to enact for the first time “their” election laws and to “negotiate” amendments to the FBiH and RS constitutions governing ethnic representation is a sure sign that we are now at a crossroads.

However, local capacity to provide fair and equitable treatment for minority returns is still not present, the pace of economic recovery is still the slowest in the Balkans, the rule of law is still not available or accepted throughout the country, and overall the active and omni presence of the international community is still very much required.

In closing I would like to say the following – UNHCR has been critical to the successes we have encountered with the return program to date. But while we are entering the final phase of our mission – we cannot afford to close down our return effort before the end of 2003. To do so would unravel all we have achieved to date and risk creating a new crisis. One in which returns took place but there was no place to put returnees and no jobs to sustain them. We also need the continued cooperation of donors in a period when record numbers of returnees are coming back to hard-line, ethnically cleansed areas. We are making progress and we believe we can not only sustain that progress but turn the corner on the entire issue, but to do this will require continued and stable donor support.

Thank you.