

Presentation by the High Representative, Mr. Carlos Westendorp at the Donors Conference

Mr. Chairman, ladies and gentlemen,

It is a good thing that in spite of all past difficulties we can assemble here today. You are all aware that further progress in the economic reconstruction of Bosnia and Herzegovina is crucial for the implementation of the Peace Agreement. Despite all budget constraints, further efforts of the donor community are required if we want attain our common goals.

Since the last Donors Conference on 13 April 1996, significant progress has been made in implementing the Peace Agreement. However, major problems remain. In Sintra, the Steering Board Ministers unanimously agreed that all the authorities of Bosnia and Herzegovina are failing to live up fully to their obligations. This was an important and timely message, making it clear that the international community will not tolerate any deviation from the path given in Dayton and Paris.

At this juncture, I am particularly concerned about the crisis in the Republika Srpska. I call on the delegates of the RS to solve it in a manner compliant with the Peace agreements.

I am greatly concerned with acts of terrorism and abuse of police authority in the Republika Srpska over the past days and weeks. Attacks against international staff working in the Republika Srpska and grenade explosions close to their offices and homes cannot be tolerated, neither the use of language hostile to the international community in the public RS Television. We will hold those in power fully responsible for any such acts.

Mr. Chairman, let me share with you my assessment of what has been achieved since the last Donors Conference, what needs to be done, and what should be the outcome of this Conference. I will also share with you my thoughts on conditionality as it has emerged from the Sintra Declaration.

The notion of minimal progress since the end of the war is clearly wrong.

People have started working again, rebuilding destruction of war and opening businesses. The Common Institutions specified in the Constitution have been set up. Freedom of Movement has improved. Goods move increasingly between the entities. Some 88,000 refugees and 164,000 displaced persons returned last year. Threats to fundamental human rights have diminished.

In the economic field, the Quick Start Package of essential legislation has been adopted. The Entities have started to coordinate their economic policies. Progress in economic reconstruction is fueling a remarkable recovery while inflation remains under control, although the Republika Srpska has yet to join in this success. Furthermore, the burden of inherited external debt has been reduced decisively, with bilateral creditors on course to follow commercial banks and the International Financial Institutions. I am happy to report that the settlements respect the absolute priority for reconstruction in the near-term, and that debt service remains affordable over the medium-term. The country, therefore, may regain access to international financial markets before the Reconstruction Program draws to an end.

Still, there must be no doubt that the civilian implementation of the Peace Agreement falls short of our expectations. I shall speak to this in a moment, but I want all of you to bear in mind that the reconciliation between people emerging from a war takes time and can only happen with your support for economic reconstruction, enabling people to rebuild their lives.

CHALLENGES AHEAD

Much more needs to be done to achieve the objectives of the Peace Accords. And, I say to our guests from Bosnia and Herzegovina, this can and must be done at a much more rapid pace.

Let me highlight a few points of particular relevance to the field of economic reconstruction. First, the Common Institutions need to be considerably strengthened. Second, the transition to a market economy, interrupted by the

war, can no longer be delayed, if reconstruction and recovery are to be followed by sustained growth. That means, without dependence on grants and concessional lending. Third, networks – railways, telecommunications, and power – must be reconnected.

Finally, the countries that have been generous hosts to refugees are growing frustrated over the speed of the return process. A large part of the problem is resistance to minority returns: for example, property laws in both entities which effectively impede the return of hundreds of thousands of people must be amended immediately. But let me state the obvious: the best return program is a growing market economy providing a credible chance of finding employment, starting a business, and renting accommodation. This, of course, leads back to the unfinished task of reconstruction and the challenge of accelerated structural reforms.

I expect the Donors to support my work of overseeing the civilian implementation of the Peace Accords, and driving the process forward together with the International Institutions and the many bilateral and non-governmental agencies that are active on the ground. The key elements of such support are the following:

- First, an unambiguous reconfirmation of the Donor Community to the task of establishing a democratic Bosnia and Herzegovina with an open market economy.
- Second, a clear conditioning of support on the beneficiary's cooperation with the International Community in all civilian aspects of the Peace Accords, including apprehension of indicted war criminals.
- Third, a recognition that political conditionality on the disbursement of funds will be implemented by the Economic Task Force chaired by the High Representative.
- And fourth, pledges that in the aggregate come close to the reconstruction needs as estimated by the World Bank.

(Conditionality)

The international community is ready to continue to help in the development of Bosnia and Herzegovina. To reach long term stability and self-sustaining political structures, assistance has to go in fair portions not only to the Federation, but also to the Republika Srpska. We should avoid generalizations which do not take into account the specific circumstances and requirements on the ground. It goes without saying that assistance cannot be unconditional, but is bound to compliance with agreed obligations.

When applying conditionality, it has to be ensured that only those who are willing to cooperate in good faith with the international community should be rewarded. We must not get into a situation that those who do not cooperate take others hostage. This requires from donors to distinguish and to use assistance in a selective way. As deadlines for new implementation steps from Sintra approach, my office will identify shortcomings and propose solutions. As stated above, I am ready to apply political conditionality to the disbursement of funds through the Economic Task Force.

In conclusion, let me again assure you that peace implementation is making progress, and that your support for reconstruction has been an essential part in the achievements made to date. Much more is to be done, and the Sintra Declaration provides a clear road map. We are at a critical juncture, where it is of utmost importance that the willingness of the International Community to support the reconstruction and market-oriented development of Bosnia and Herzegovina be reconfirmed. It is also crucial that the Community be capable of rewarding cooperation in the implementation of the Peace Accords, and to withhold support from those obstructing the process.

I am profoundly grateful for your attention, and I look forward to working with you on our common task.