

## **Remarks by the High Representative Mr. Carl Bildt at the Donor's Information Meeting**

Yesterday I left Sarajevo after attending Christmas mass in the Orthodox church, performed by the Metropolit Nikolaj, and honored at the reception afterwards by the presence of leaders of all of the religious communities of Bosnia as well as the Chair of the Presidency, President Izetbegovic.

It was another of the signs showing how far Bosnia have come in just a year. We are all acutely aware of everything which remains to be done. To start a war can be done in a day, but to build a peace can take generations. But when we look back on the successes and failures of 1996, we should not be too modest: we can say that we succeeded broadly in achieving what we set out to do.

The critical tasks in 1996 were twofold. To establish the new Inter-Entity Boundary Line and to enforce the military provisions of the Peace Agreement at the beginning of the year. And to supervise cantonal, entity and national elections, and on the basis of them set up the common institutions of Bosnia and Herzegovina, during the later part of the year.

The most important of these tasks was the setting up of the common institutions. Without them, Bosnia would remain a bitterly partitioned country, irrespective of the fine words in the Peace Agreements. But with them, there is the hope that the bitterness of the past can be overcome, and that the divisions can be overcome in a joint and just search for a better future for all the peoples of Bosnia.

The common institutions have now been set up. They are firmly based on power-sharing between the representatives of the Federation and the Republika Srpska as well as the three constituent peoples. And they will long-term only be able to work if they are seen and respected as the common institutions for all by all the peoples living in the country. Secession by one is as unthinkable an option as domination by another now looks unlikely.

With the essential tasks of the first year now behind us, we have moved into the consolidation period, lasting through the new elections foreseen for September 1998. And we must recognize that the tasks we as representatives of the international community, but even more so those holding positions of responsibility in the country itself, will face during the consolidation period will be no less formidable than those in 1996.

During the next few months the common institutions must start to work on all the common problems which must be solved. I believe the next few months will be critical in this respect.

Economic issues will be at the center of these efforts. On Sunday in Sarajevo, we will bring together representatives of the common institutions, as well as the Entities, to discuss the urgent tasks of economic reform which now must be addressed.

1996 saw the transition from the large amounts of humanitarian aid during the years of war, to the even more impressive amounts of reconstruction assistance for the period of peace.

There are certainly lessons to be learnt from the experience of 1996. In Paris and in London, these issues were discussed, and some conclusions emerged from these discussions.

- That the authorities should strive to establish a market-based economic system which ensures the complete freedom of movement of goods, capital and labor throughout the country.
- That the newly formed authorities need to take greater responsibility for their own future and that financial aid will be conditional upon acceptance of that responsibility.
- That there should be closer consideration of the geographic and sectoral distribution of resources, with priority given to reconstruction projects which link the Entities and foster the process of return of refugees and displaced persons.
- And that improved coordination of donor activity is required to ensure the more rapid disbursement of aid and to ensure that the provision of aid is consistent with the real long-term

needs of the country. The Economic Task Force will be the key instrument to discuss and formulate decisions on the principles and priorities of the international reconstruction efforts.

When we are now addressing the challenges of 1997 and 1998, these are the things on which we must base our discussions.

First, in much the same way as 1996 was the year of transition from humanitarian to reconstruction aid in terms of emphasis, 1997 must be the year of transition from reconstruction aid to economic reform in terms of emphasis.

We are all aiming at continued substantial international aid efforts in 1997 and 1998. The amounts will be discussed at the Donor's Conference, presently scheduled for early March. But we must start to recognize that there will come a time later on when these amounts will start to be reduced for a number of reasons. And all the experience we have tells us that it is the efforts at economic reform now that will decide the economic and social – and thus also political – development of the country then.

The time between now and the Donor's Conference will be critical. There are a number of decisions which must be taken urgently – a state budget for 1997, a central bank law, arrangement for common tariffs and trade arrangements – in order to pave the way for an agreement with the IMF, the signing of which will be a most important signal in paving the way for the conference.

In cooperation, we have prepared a package of interim measures which, in our view, are essential for the country to start to function as a country, fully recognizing the wide-ranging autonomy both of the Federation and the Republika Srpska. We have agreed with the Co-Chairs of the Council of Ministers to start detailed discussions on these measures during the coming week, and we will urge action during the next few weeks in order to make a successful Donor's Conference possible.

Second, all must be aware of the importance of the concept of conditionality, as underlined at the London conference.

Budgets are tight across the world, and there are many competing demands for the scarce resources available. Increasingly, tax-payers and their representatives will be willing to help only when there is a corresponding will to help oneself in doing what needs to be done in order to secure the peace and solve the problems.

The Peace Agreement is not an à la carte menu, where you can pick and choose what happens to suit you at the moment. The Peace Agreement is a package deal to be respected and implemented in all its parts.

Within the Economic Task Force, and in the Steering Board of the Peace Implementation Conference, we will continue to discuss these issues. During 1996, there have been situations in which we have made clear that absence of actions by the authorities in certain fields would impact on the level of economic assistance. We have made some achievements in doing so. During 1997 we will reinforce our capacity to act in this way.

Third, we have to look at the geographic and sectoral distribution of resources. In 1996, only app. 2% of resources were spent in Republika Srpska. This was not the result primarily of our efforts, but of the failures of the authorities of the Republika Srpska. The people of Republika Srpska paid dearly and tragically for the refusal of its leadership to attend the Donor's Conference here in Brussels in April.

When we now go into 1997, it must be our aim to facilitate a more even economic and social development throughout the country. This is of critical importance not least in order to facilitate the return of refugees and displaced persons. If there is an increasing economic and social division of the country, this will make it more difficult to overcome the other divisions of the country as well.

Projects and activities which unite the different parts of the country, and which can facilitate the return of the refugees and displaced persons are thus of particular importance. But this must not be restricted to housing and must involve a more integrated approach. The restoration of the basic common infrastructure of the country – roads, telecommunications, power systems – is critical to these efforts.

We will, in the days to come, discuss between the ETF members and the UNHCR new mechanisms in order to assure better coordination of our reconstruction efforts and our efforts in terms of refugee return or resettlement.

Fourth, we need to have honest numbers and more rapid efforts if we are to be successful.

There is always a tendency towards creative accounting when it comes to governments making pledges. But such attempts backfire sooner or later. We should no longer tolerate such attempts, but make certain that we have honest figures and honest commitments.

We should now be able to implement our efforts faster. So far, US\$ 0.7 billion of the money pledged for 1996 has been spent on the ground, with a further US\$ 0.5 billion under way. Disbursement has certainly been rapid and effective by all normal standards, but needs to be even more rapid and effective if the goals of the consolidation period shall be met. There are important pledges for 1996 still outstanding, and there are substantial projects and sectors still substantially underfunded.

The peace process has moved forward substantially during the last year, but is not yet self-sustaining. The overall aim of the consolidation period is to assure that it becomes self-sustaining, and in few areas is this as important as in the economic area. With the prospect of economic and social development to the benefit of all, the prospects for peace and stability will be far better.

For this to be possible, we will urge the international community to continue its support in the reconstruction efforts, we pledge to improve coordination and management even further, and we demand that the new authorities of Bosnia and Herzegovina in cooperation take the essential steps towards economic reform that will be the true key to their long-term economic development.