

Speech by PDHR Donald Hays On “The Challenge of Transforming BiH” Bled School of Management Conference The Holiday Inn, Sarajevo

Ladies and Gentlemen,

The challenge of transforming BiH can, I believe, be broken into three parts.

- First, you have to have a clear idea of what you want to transform BiH *into*; what kind of society you want to live in ten or 15 years from now – in other words you have to know where you want to go with this project ;
- Then you have to take a realistic look at existing social, political and economic structures and work out how to
 - modify or overhaul the structures that could *prevent* you from achieving your transformation; and
 - make use of existing structures that will *help* you to reach that goal;
- and finally you have to *communicate* your vision and your strategy effectively – because one thing no one will argue with is that you cannot expect to transform society unless the members of society – the public at large – have bought into the project.

This is certainly easier said than done, of course, but for BiH the answer to the first question is clear. The destination

is Europe . That's more than just an agreed framework for reconstruction. It is a goal that can motivate the people of BiH to make the sacrifices necessary to transform their society, their economy, and their political system in a way that endures. People in Banja Luka or Siroki Brijeg or Travnik know that Europe means stability, visa-free travel, the very real prospect of prosperity, and the best guarantee for their future. The hope of getting into NATO and the EU has now become the main driving force of reform in Bosnia .

Crucially, BiH can see recent examples of countries that have already undertaken this journey. It's been done in other countries; and the process is already underway in this country.

In the political sphere, however, agents of change have not been as clear cut or easy to identify. BiH's political leaders are frequently held in low esteem because – in addition to the usual catalogue of professional-politician criticisms, such as incompetence, vanity, selfishness and venality – political leaders in BiH for the most part have yet to conceive a clear vision of the kind of country they are trying to build. Nor has there been an easy-to-comprehend plan regarding a strategy to construct that vision; and consequently they have been unsuccessful to date in effectively *communicating* their vision and strategy .

(And, yes, I accept that the International Community hasn't provided an alternative vision either, but to be honest that isn't viewed as their role here.)

But I'm certainly not here today to tell you that transforming BiH is either beyond hope or that transformation isn't happening.. Far from it. In the journeys I have made over the last three years the length and breadth of the country I have come across real "agents of change" in various roles in this society. Individuals who have a vision – whether it be in politics or business or education or in broader areas of

activity such as cultural pursuits or helping the less fortunate. Not only do these people have a clear vision of where they want to go, they have an equally clear vision of how they can get there. *And* they know how to communicate this effectively to the people who will have to be part of the change – those who must act; those who will benefit; and those who in some cases must make short-term sacrifices in order to secure long-term gain. Together these various individuals will, I am certain, help propel this country forward toward the sort of place it deserves to be.

I am thinking of a head teacher in Kasindol – an inspiring example of the many fine educators that this country has – who transformed her school into a centre of excellence despite formidable hurdles along the way. How did she do this?

Well, faced with the reality of a run-down building, a demoralised and poorly paid staff, shoddy textbooks and inadequate equipment, she *imagined* her school as a place where motivated teachers have the conditions and the materials they need to teach children effectively. Once she had a clear picture of that school, she set about creating it. And to do that, she co-opted pupils, parents, teachers, and Education-Ministry bureaucrats.

I'm thinking of a family of entrepreneurs who opened a factory near Sarajevo with a small sum of cash saved during their period when they were refugees in Spain. From this modest beginning they have built a thriving textile concern that employs a substantial number of staff. How did they succeed? They *imagined* success. They knew that a market niche existed where their skills would be at a premium and they developed a business plan that let them exploit that niche. (That, by the way, took more than a little courage, since their start-up capital was only sufficient to keep them going for the first few months, after which they had to turn a profit in order to stay in business.)

Who did they have to communicate their vision to? In the very early stages they had to communicate – persuasively and tenaciously – with the multiplicity of authorities whom entrepreneurs must satisfy if they want to set up a new business in this country, and after that they had to communicate with the most important people in any market economy – consumers. They did both successfully.

I'm thinking of several municipalities around the country – Gradacac is one that springs to mind – where dynamic mayors have demonstrated that despite governmental bureaucracy, widespread corruption, and desperately small levels of investment it is possible to bring about real and positive change in municipalities if you have a vision, and if you know how to make the vision a reality, and if you can explain what it is you are trying to do.

Gradacac Mayor Ferhat Mustafic has adapted municipal practices from Norway, Germany, Canada and the UK. He saw things there that worked elsewhere, and grafted them onto his *imagined* picture of what Gradacac Municipality could be like.

Soon after his election Mayor Mustafic instituted a system of direct communication with citizens, through monthly meetings and regular local-radio phone-ins, in order to explain his vision and win support for it.

The Gradacac example also reveals a singular aspect of successful transformation – and that is that agents of change invariably find and then team up with *other* agents of change. For example, the old school building, destroyed during the war, has been turned into a Business Incubator, and there has had no shortage of hopeful entrepreneurs lining up to use this as an indispensable stepping stone from which to launch new companies. Thirty-six successful new businesses have emerged from the Gradacac Business Incubator in the last six years. Each of the entrepreneurs behind each of these new companies is a successful agent of change.

Now, the mayor of Gradacac is a man of considerable dynamism and determination – and those qualities are important in most successful endeavours – but I am not essentially speaking about personalities: I'm speaking about a process, a process that agents of change – whatever their party, whatever their philosophy, whatever their personality – invariably follow. And that is – identify the objective, work out what needs to be done to reach the objective, and then get the support you need for the process.

Now for the hard part. When you line up your constituents and start to fashion a communications strategy, a very large and frightening political chasm more often than not opens up in front of you.

This is the no-pain-no-gain conundrum.

The phenomenon was exceptionally well explained at a conference held in Sarajevo by the former Hungarian Finance Minister Lajos Bokros. It goes like this:

A reformist government comes to power with a very clear vision of where it wants to go and how it wants to get there. It marshals parliamentary support for an ambitious agenda that includes desperately needed reforms of, for example, pensions, welfare benefits, privatisation and bankruptcy legislation. These will require sacrifices and involve considerable upheaval in the short run. In the long run they will deliver stability and prosperity. The reforming government makes strenuous efforts to *explain* why its tough policies are necessary.

The laws are passed; the sacrifice and upheaval duly follow, and at the next elections the government is voted out of office.

That's what happened in Hungary in the 1990s, and that is what has happened in the other transition countries.

But note two things, in practically every case the incoming governments, though they may have discontinued some reforms and slowed the pace of others, did not *undo* the reforms that had already been set in place. They accepted these reforms because the arguments in favour of them were compelling, and because when the benefits started to materialize the incoming governments (originally critics of the reform process) were able to take credit for the positive effects of this process.

Life is very often brutally unfair.

So why should politicians commit electoral *hari kiri* in pursuit of reforms, for which their opponents in many cases will eventually reap rewards?

The answer is simple – because if the reforms are necessary in order to improve living standards, ethical politicians will seek their enactment – and if the price of enacting necessary reforms is a period out of office, it is a price well worth paying – as many of the reformist parties that are now *re-*entering government in the transition countries will tell you.

The political costs of reform need not always be so drastic, of course. Agents of change *can* engineer reforms without exhausting their political capital – if the pain of enacting strategically important reforms is very quickly compensated by measurable gains – so that the public can see that change, though difficult, is worthwhile, so that life gets incrementally but visibly better. As Bokros points out: “Easily digestible targets should be established to influence public perception and enhance the acceptability of (reforms).” If you can see that pension reform is working, you will accept the logic of it; if the privatization process starts to deliver new jobs to replace the positions lost at the beginning of the process, then the process can secure all-important public buy-in.

And what kind of people can engineer this kind of quiet

revolution? Well, I'm reminded of the words of Mahatma Gandhi: "You must *be* the change you wish to see in the world."

Those who would aspire to *be* the change are unlikely to be best known in the first instance for their cynicism, opportunism, duplicity or demagoguery. In short, we need a political class that is self confident rather than self promoting and polemic..

And I believe that we are experiencing such a change in the character of BiH politicians. As we move from the push of Dayton to the pull of Brussels, we see that many of the transition issues that were obscured by the war and its aftermath – issues of tedious but necessary economic adjustment, issues of European convergence and globalization – require fresh ideas and fresh faces. We may see the results of this in the coming elections.

Unless politicians who are qualified to be agents of change are willing to step into the game, I see little possibility for BiH's team to carry out a transformation in the near term..

As Henry Ford once remarked, "Obstacles are those frightful things you see when you take your eyes off your goal." BiH needs leaders who have a vision for the future, who have a strategy for making that vision a reality and who know how to communicate this to the people. Then truly, BiH will have the agents of change that it desperately needs. Remember "if you want change you must *be* that change"

Thank you