

# Speech by Principal Deputy High Representative Donald Hays at a Conference on Best Practices for Sustainable Return

Organised by the Stability Pact, the Citizens' Pact  
for Southeast Europe, and IKV

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Ladies and Gentlemen,

The link between return and sustainable development is not unique to Bosnia and Herzegovina but it has become a serious factor here nonetheless.

When, in the late nineties, the legacy of war – anger and prejudice – began to dissipate, clearing the way for mass returns, and the legal and political system began to respond to the needs of those who returned, the largest and the most stubborn obstacle to the process showed itself to be economic, not social.

Employment prospects are the final determinant of whether communities can be put back together again.

In the last 18 months I have traveled to every part of BiH meeting mayors, talking to them about the challenges they face and listening to the strategies they are adopting in order to overcome those challenges.

However, even the most progressive mayors face a functional problem. This applies throughout the country, though it is

particularly acute in the Federation. It involves the complex devolution of responsibility from the BiH government all the way down to the municipalities – mayors constantly have to refer to the Cantons and the Entity when they undertake even the most fundamental improvements in basic aspects of municipal administration. They have to share funding with the layers of government above them and they are frustrated in their efforts to respond to basic human needs that should be within their competence because these are nominally the responsibility of the canton or the Entity.

Legislation is now being prepared that will, I hope, address this problem. In fact today in Sarajevo the Commission charged with drawing up a new law on local self-governance has committed itself to defining the responsibilities of mayors more clearly and thus clarifying how citizens get their basic rights and from whom.. In the RS, similar legislation is much further advanced and is now subject to public review in order to ensure that it is compatible with CoE requirements and consistent with the goals of the mayors and their citizens.

Once the issue of mayoral responsibilities is resolved, the legislatures can turn to the thorny task of addressing the issue of making municipal funding more equitable and less discretionary. It makes little sense to give a level of government the authority and responsibility for a service if the funds for this activity are withheld. So municipalities must receive the funding they need to provide the citizens the basic services they need and deserve.

As ever, administrative structures represent only half the problem. The other half is rooted in psychology. In my discussions with politicians and businesspeople throughout BiH I am often struck – and equally often disheartened – by the persistence of an anachronistic and unrealistic view of economics. There is still a harking back to a “golden age” of socialism when large conglomerates provided jobs for tens of thousands of citizens and government contracts ensured that

orders were never in short supply. Everyone had a job.

But in 1991 that all changed and the root of this change was not in the Balkans but in all of Eastern Europe. Those days are for better or worse long gone and they are never coming back. The sooner this is fully understood by government authorities and public companies the better.

Interestingly, though, I have encountered more economic realism in many municipalities than in some public corporate boardrooms. Why would this be? Why would mayors see the light when many of their counterparts in business have yet to be weaned away from old-fashioned notions of economic planning?

Well, necessity is the mother of invention. Communities that were once served by now-defunct industrial plants have no option but to look for alternatives.

Those alternatives exist – in the form of SMEs and the new companies financed by private investment.

It doesn't take long to learn the working of the new economy once you realize that this same new economy can deliver jobs.

The good news – and something that I believe it is useful to stress at this conference – is that the free market can be more flexible and more responsive to social priorities than the old planned economy, but it takes creativity and engagement at all levels..

There is one great moral argument to be made for the primacy of private capital and that is – private investment decisions are not made on the basis of ethnic or communal prejudice. In fact money goes where profits can be made. The investor wants a return on capital – investment will follow the prospect of that return, wherever it may lead. Information and opportunity are the keys.

So how can we make use of this reality and create a model for

sustainable development that can buttress refugee return.

Municipalities have to learn the language of the market in their efforts to attract the kind of investment on which the regeneration of their communities depends. This is a language that does not recognize extremism – in fact in the course of the last five years we have seen in BiH a distinct pattern throughout the country where foreign investment has shown itself to be averse to communities where wartime extremism has remained in the ascendant.

As I have said many times before, I believe that the revolution that BiH needs to have – a revolution designed for and by the citizens of this country – will happen at the municipal level, rather than at the Cantonal or Entity or State level. The most important political leaders for sustainability are not the prime ministers but the mayors – because it is at the municipal level that government customarily interacts with citizens, it is at the municipal level that elected representatives can make a real difference to the circumstances of citizens by adopting prudent policies that will improve the local business environment and facilitate the development of new economic activity—and the jobs that come with it.

So the conversion of one municipal administration after another to the needs of the free market is a monumental – a revolutionary – development.

The pragmatism that we are seeing in the municipalities has also been apparent here and there among senior party leaders. This is, I believe, largely the result of an instinct for self-preservation which most party leaders must possess if they are to remain in power. Popular disaffection with the failure by the parties to deliver promised improvements in the economy has induced a “sink or swim” mentality among many seasoned politicians. Most are learning to swim – they are learning the language of the market and that is a language in

which nationalist nostrums simply cannot be articulated.

This change at the top remains important because while fundamental change can be accomplished at the municipal level, significant damage can still be wrought at the national level, and this must be avoided at all cost if this country is to move forward with its recovery.

Representatives from municipalities in Serbia and Croatia are participating in today's conference, along with municipal representatives from Bosnia and Herzegovina . I believe the scope for joint action by municipalities throughout the region is absolutely necessary and the scope for such collaboration is considerable. We have already seen in BiH that mayors on either side of the IEHL have been among the first to establish inter-entity cooperation, because there are sound pragmatic reasons for them to do so. You can't, for example, maintain just one section of a riverbank – you have to have cooperation from all the communities along the river. Likewise, there are economies of scale that are simply inescapable when it comes, for example, to refuse collection, water usage, and opportunities for job growth, where six municipalities working together can deliver a better and cheaper service than one community acting on its own.

The successful reforms that have been introduced in BiH, particularly in the economic field, have been introduced in the context of similar reforms throughout the region. By harmonizing their legislation with Brussels as they move towards greater integration in Europe the countries in the region are in effect harmonizing their legislation with one another. Municipalities in the region are becoming similarly homogenous. A municipal mindset is developing. If you had said that a decade or more ago you might have been speaking in the negative, about a kind of creeping bureaucratic sclerosis and an indifference to the needs of the public, but today I think it's the opposite. The new municipal mindset in Southeast Europe is one that recognizes the needs of the citizen and the

needs of the market and uses the latter to help the former. It is a mindset that is oriented toward a return to a normal lifestyle, one that welcomes the return of displaced citizens because it simply cannot be otherwise, a mindset that is more than capable of making municipalities work for the benefit of all in the 21<sup>st</sup> century.

But remember, my friends, we can not wait for others to make change – “ if you want change, you must yourselves be the agents of that change.”

Thank you