Statement by Emin Dedeoglu  
Date of Meeting: October 18, 2001

**Bosnia and Herzegovina: Country Assistance Strategy Progress Report**

We welcome the discussion of the CAS Progress Report for Bosnia and Herzegovina and find it very timely and useful.

Although Bosnia and Herzegovina has undertaken some notable measures to develop modern governance structures and to broaden the private sector base, the timing and depth of reform are still not sufficient to allow the shifting from the country’s dependence on high levels of concessionary foreign aid flows to a situation where commercial borrowing on international market becomes feasible. As aid flows have declined, increased private sector activity accompanied by bigger savings, investment and exports have not emerged as new engines of growth, as previously anticipated. As it is indicated in the paper, various levels of the government continue to apply complex investment authorization levels. This, combined with delays in the privatization program, has resulted in a weaker than expected private sector response.

While assessing the progress in the CAS implementation, we have to take into account that Bosnia and Herzegovina has benefited from the strong donor support since the cessation of hostilities in 1995- US$5.4 billion was pledged as of December 31, 1999. In the light of the magnitude of the donor support and the anticipated gradual decrease of the future amounts of the donor assistance, the achieved pace of reform looks modest.

At the same time, it would not be fair to mention the delays and slippages in Bosnia’s reform agenda without acknowledging that the implementation of this agenda was, is, and also in the future will be very demanding. We also know that the institutions cannot be created and become operational overnight; the laws and regulations can not be widely applied immediately after they become effective.

The objectives laid out in FY00-02 CAS to strengthen institutions and governance, to foster private sector led growth and employment and to build social sustainability remain valid. We support the strong SME development focus and the work which is being done by IFC in this field. In the situation with economic output at half its pre-war levels and high unemployment, SME development can be used as an efficient instrument to resolve many employment and poverty related problems.
We welcome the main thread of the new economic development strategy which was presented to the parliament of the country in June 2001 targeted to “converting a society of those who live on aid into a society which takes control over its own destiny – an enterprising society, i.e. entrepreneurial society”. We are also satisfied that in response to the finding of the FIAS report that unfriendly and complex business environment remains in the country, the authorities are finalizing an action plan to address impediments to private sector development and promotion export-led growth. Equally important are the measures to strengthen the financial sector that will provide a sound environment in which restructured and new banks will be able to support new investments.

We are encouraged by the findings of the Country Portfolio Performance Review (CPPR) carried out in March/April 2001 that Bosnia and Herzegovina project portfolio continues to perform better than the average Bank-wide portfolio.

We wish the authorities of Bosnia and Herzegovina success in furthering economic reform process.