Board Meeting of August 28, 1997
Statement by Ilkka Niemi

Bosnia and Herzegovina - Country Assistance Strategy

1. I agree with both the rationale (window of opportunity, flexibility needed in a complex and changing environment), and the main objectives (common institutions, transition to market economy, physical reconstruction) of the Bank’s well-formulated assistance strategy for Bosnia and Herzegovina. We also welcome its proposed strong policy-based thrust and are positive to an additional IDA allocation of up to USD120 million over the period. As acknowledged in the CAS, in spite of Bosnia and Herzegovina’s satisfactory absorptive capacity in the past, the risks for the implementation of the proposed strategy are high.

2. As a concerted effort is crucial in order to secure the transition from post-war reconstruction to peace and sustainable growth in Bosnia and Herzegovina, I emphasize the importance of the consensus reached at the Brussels Donors’ Conference to pay due respect to the political context of the civil peace implementation, and in particular that the participants at the conference made it clear that reconstruction assistance should be directed towards those who are adhering to and implementing the Peace Agreement. We therefore, welcome and appreciate the reassurances of explicit donor coordination and cooperation, but for the same reason question some of the formulations in the CAS regarding partnership with donors (page ii, para. 61 on page 21). Also, the constructive role played by the Bank’s office in Bosnia and Herzegovina is worth mentioning in this context.

3. I appreciate the Bank’s efforts to avoid completely isolating the Republika Srpska Entity. We find the discussion and the analysis of the risks and economic consequences of the difficulties in Republika Srpska, however, too brief, bearing in mind both their multitude and magnitude.

4. Another central area where the CAS could be still more elaborate is the situation of refugees/displaced persons. Pointing out the problems with vulnerability and unemployment of these groups and the need for affordable social assistance policies is relevant and timely. As these groups represent close to half the population, they are naturally an enormous economic potential, but not solving the problem would mean a huge future risk not clearly mentioned in the CAS. The Bank should, in its community development projects be supportive of the return of refugees and displaced persons to their places of origin, and avoid contributing to a further partition of the country.
5. I wish to recall the conclusions reached at the Donors' Conference in Brussels according to which cooperation between the Entities and the different levels of government, sustainable government policies, good governance, including transparency and accountability in the use of donor funds, and strengthened local capacity are all essential for achieving results in the reconstruction effort.

6. We fully support the establishment of the Procurement Monitoring and Auditing Unit in the Federation, and expect an early establishment of a similar unit in Republika Srpska.