Statement by Finn Jonck  
Date of Meeting: October 18, 2001

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

We support the overall view that Bosnia and Herzegovina has made progress in the reform agenda. However, limited policy performance has delayed the implementation of the CAS program. We are concerned that the overview of the development of local political structures in the report could be too optimistic. The challenge ahead is to find ways to reward those who are promoting positive reforms and at the same time avoid rewarding those who do not.

We would like to make the following specific comments:

1. Whereas chapter II B 7 (page 2) correctly identifies problems of reform work as being (a) vested interests’ resistance to changes toward a market economy, and (b) ethnically rooted resistance towards centralizing power in the state; it would be appropriate to point out that although such problems persist in the entirety of Bosnia and Herzegovina, they are particularly strong in Republika Srpska and some Croatian parts of the Federation.

2. In both the analysis and follow-up programs, the issue of returning and internally displaced people and its relation to economic reforms and the development of social support systems for all could be addressed more in-depth. In this respect there are significant differences between Republika Srpska and the Federation.

3. There is a need for more statistics on poverty and unemployment. In the chapter II B 6, it is just stated that reliable data on these topics are not available. How is the Bank taking this into account when preparing poverty reduction projects for Bosnia and Herzegovina?

4. We would like to emphasize that the Bank should be strict on its conditionality, where reforms may be slower than anticipated. The perhaps most important conditionalities are those that concern PSD and anti-corruption and the creation of “a single economic space”. It is essential that the Bank is not content with the fact that laws have been passed and institutions formally created; the conditionality must be that they operate at a satisfactory level in practice. Our bilateral experiences with Bosnia-Herzegovina show in many cases that progress on reforms hinges on conditionality and threats of non-disbursement.

5. We would have liked to see that the report was more informative on the present state of reform in relation to the established benchmarks. For example, is the regulatory Agency for
Electricity under the Power III project actually operating? How far has the work toward harmonization of inter-entity sales and excise tax legislation progressed in the merging of pension funds in FBiH? There is also very little mentioning of the content/situation of smaller projects referred to in chapter IV A 18 and 19 (page 9). We would welcome some further clarifications to the positive assessments of the activities mentioned in chapter IV B (e.g. SEED) and C (e.g. Basic Health Project, Education Development Project).

6. We agree with the strategic points that are made concerning the next CAS period in chapter VI. We would like to know if they are to have any specific impact for the coming period, especially in terms of coordination.