

STATEMENT BY THE AMBASSADORS OF THE PEACE IMPLEMENTATION COUNCIL STEERING BOARD

The Ambassadors of the Peace Implementation Council's Steering Board note with concern that the financial situation in the Federation is grave and continues to deteriorate. The Standby Arrangement reached between the IMF and the Bosnian authorities represents the most viable response to the deteriorating situation. However securing the funding available from the IMF Standby Arrangement (and from other IFIs), as well as from the European Union, requires the Federation authorities to promptly deliver on the commitments made under the terms of the International Monetary Fund's Standby Arrangement, which include reforming public spending, in particular the system of cash transfers to individuals and families. We are concerned that a failure to pass necessary legislation in the near future will start to imperil BiH's potential to access this external funding, starting with the World Bank's Development Policy Loan programme which is due to be considered shortly by the World Bank's Board of Directors.

The current system is not only financially unsustainable and economically inefficient, but is also socially inequitable, and does not follow the needs-based approach most commonly used in the EU member states. It denies effective support to those most vulnerable. This situation needs urgent and thorough review.

The PIC Steering Board Ambassadors call on Federation authorities to support the reforms advocated by the World Bank and the IMF. These difficult economic steps require strong and far-sighted leadership from all political representatives in the Federation Government and Federation Assembly. The Ambassadors of the Peace Implementation Council's Steering Board urge relevant parties to work quickly and constructively together to deliver these reforms. The Ambassadors of the Peace Implementation Council's Steering Board also appeal for public understanding and solidarity over these necessary reforms. Time for action is very short and the cost of inaction would be high for all segments of society.