

Special Treatment for Some Means Hardship for All

Citizens of Bosnia and Herzegovina – particularly pensioners and others in vulnerable groups – will suffer if politicians do not reverse irresponsible measures that were taken in the days immediately before the October elections, the High Representative and EU Special Representative, Christian Schwarz-Schilling, and the IMF's Mission Chief for Bosnia and Herzegovina, Dimitri Demekas, said following a meeting in Sarajevo this morning.

Reviewing the overall state of the BiH economy, Mr Demekas noted – and the High Representative/EU Special Representative agreed – that the Federation budget for 2007 does not have enough resources to meet the new payments mandated by the laws on Rights of Demobilized Soldiers and their Family Members and Civilian Victims of War. Similarly, the State Budget cannot meet the vastly increased payments that would be required if the amendments to the BiH Law on Frozen Foreign Currency Deposits are approved by the BiH House of Peoples. To meet these costs would require cuts in other budget allocations.

“I am deeply concerned that large numbers of citizens, especially pensioners, will not receive their full entitlements because some pressure groups have managed to secure special treatment,” the High Representative and EU Special Representative said. “Pre-election spending pledges made by some politicians are simply unsustainable – there aren't enough funds. The original settlement on frozen foreign currency deposits was a fair and feasible one – it represents the best possible deal for deposit holders under BiH's current economic circumstances. Likewise, the provision for war veterans before the new Federation Law was enacted represented the maximum that the Federation could afford. These new

initiatives will jeopardize payments across the board for the most vulnerable, and deprive badly needed funds for investment, and in the end will not even benefit deposit holders or veterans. They must be reversed.”

Mr Schwarz-Schilling and Mr Demekas also called on the BiH authorities to enact by the spring of 2007 a law establishing a National Fiscal Council. “It is absolutely unacceptable that the current National Fiscal Council has only met once in the last six months,” the High Representative and EU Special Representative said. Mr Schwarz-Schilling and Mr Demekas concluded by urging the BiH authorities to take the necessary steps, also by the spring of 2007, to centralize banking supervision in BiH. “While a unified banking system has become reality, the existence of two banking supervisors is not only illogical it is also a waste of resources and is in conflict with BiH’s European Partnership commitment,” Mr. Schwarz-Schilling said.