

Communiqué On The Economy by the PIC Steering Board

The Steering Board of the Peace Implementation Council (PIC), meeting at the level of political directors in Sarajevo on 11 – 13 June 2003, discussed with the BiH authorities and representatives of the International Community the near-term strategy for economic reform in BiH. The Steering Board had asked for special sessions devoted to this issue in light of the seriousness of the economic situation in BiH, and the importance of resolute economic reform for the future success of this country.

The Steering Board welcomed the joint presentation of the three prime ministers on the progress that has been made during the last several months in implementing the elements of the Jobs agenda. In particular, the Steering Board congratulated the members of the Indirect Tax Policy Commission under the chairmanship of Mr Joly Dixon for the progress made in finding a solution to the problems of the current customs and sales tax arrangements. Full implementation of these reforms is essential for improving BiH public revenues, fighting crime and corruption and for progress on the road to Europe. The Steering Board congratulated the Council of Ministers on adopting the interim law establishing the Indirect Tax Authority, and urged both Houses of the BiH Parliament to pass the law without delay. They called on the Indirect Tax Policy Commission to complete the comprehensive framework law by the end of July so that tax reform can move forward at the pace necessary to bring economic benefits. The Steering Board expressed its willingness to continue assistance in this area.

The Steering Board also commended the authorities on the remarkable success of the Bulldozer Committee in both improving the business environment and forging meaningful cooperation between the government and the private sector. They applauded the commitment of the authorities to maintain a “Bulldozer atmosphere” in the implementation of reforms, and urged the strengthening of the privatization process. The Steering Board further noted the progress made on developing a BiH strategy for economic development through the PRSP strategy, and encouraged the completion of this work. They called for further development of the PRSP process in tandem with movement toward a Stabilisation and Association Agreement.

Following a presentation by the IMF and World Bank on the medium term economic outlook, the Steering Board emphasized the need in particular to address the issue of domestic debt through a comprehensive strategy, to undertake a broad effort to reduce the cost of government as current spending is grossly inefficient and unsustainable, to undertake serious structural reforms to enable accelerated transition to a market economy, and to take a very disciplined and active approach to dealing with social security legislation.

The Steering Board welcomed the intention of the government to adopt a six month action plan for implementation of key reforms by the end of the year.

The Steering Board endorsed the priorities set out by the three prime ministers and welcomed their commitment to undertake the following six economic reforms over the next four months:

- **Speeding up privatization** by tendering at least five strategic companies in each entity, with the aim of complete privatization by the end of the year, amending legislation, considering a range of options and programmes of industrial restructuring to prepare other companies for privatization, and launching a public campaign to obtain public support for privatization;
- **Increasing exports** by strengthening the governments’ capacity to coordinate export promotion activities, and by identifying and removing the structural impediments. In particular, BiH needs to take the necessary steps to meet certification requirements compatible with EU standards.
- **Improving the climate for investment** by adopting the BiH Law on Accounting and Auditing, supporting and funding the establishment of commercial departments in municipal courts, and completing the Bulldozer II initiative;
- **Increasing revenue collection** by establishing the BiH Indirect Tax Authority and changing the point of collection of sales tax from point of sale to point of production or import;
- **Cutting the cost of government** by establishing a mid term plan for reducing public expenditure taking into account Public Administration Reform targets, continuing

demobilization, adopting legislation on public procurement and reforming the system of veterans benefits;

- **Moving forward on Power III** by adopting laws on the transmission company and independent system operator, appointing regulators at the state and entity levels and adopting a harmonized action plan for energy sector reform, taking into account the results of the Elektroprivreda audits.

While congratulating the BiH authorities, the Steering Board underlined that the assessment of their commitments would depend on their implementation. The citizens of BiH and the international community will monitor progress in the coming months as the BiH authorities work towards establishing a single economic space and implementing structural reforms.