Liquidation of the Narodna Banka of BiH

The Office of the High Representative welcomes the decision of the three members of the Presidency to liquidate the Narodna Banka of Bosnia and Herzegovina (NBBH). The decision signed yesterday also appoints Mr. William Dudley as the liquidator. Mr. Dudley will prepare a plan to liquidate the bank within three weeks. This plan will be reviewed by the Presidency before implementation. Mr. Dudley will have full authority in the implementation of the plan.

The first phase of the liquidation will be to establish the financial situation of the bank. So far, preliminary studies have shown that there could be a gap between liabilities (around 60 MDM) and assets (around 40 MDM) of around 20 MDM. However this figure is not final and only after a precise assessment by the liquidator will the financial situation be known.

The liquidation of the NBBH allows the IMF to finalize the Letter of Intent which will in turn make it possible for BiH to benefit from IMF funds (a first tranche of 90 MUSD). Together with the liquidation of the bank, the establishment of budgets and automatic budget transfers from Entities to the State were the last conditions for the IMF to sign the Letter of Intent.

The approval of the IMF board will allow further financial support for the benefit of the country. In particular a Public Finance Structural Adjustment Credit from the World Bank will be released (30 MUSD).

Finally, the liquidation of the NBBH is an essential step in the upcoming introduction of the Convertible Mark. The liquidation will give full and clear responsibility to the

newly established Central Bank and cut all disputable connections between the two banks which could hinder the trust of the population in the new currency.

Sarajevo,
10 April 1998