

# **High Representative imposes package of laws to strengthen state institutions, help kick-start BiH economy and ensure continued international funding**

The High Representative, Wolfgang Petritsch, today imposed a wide-ranging package of laws and amendments to help strengthen BiH's State institutions, build a sound and business-friendly economy in Bosnia and Herzegovina and ensure the country's access to future international funding.

Some of the new laws – the establishment of a new court for BiH at State level, or trading standards – were needed in order to meet European Union deadlines. The amendments to pensions and labour laws form part of World Bank conditions for the disbursement of its structural adjustment credits. The package was imposed in close consultation with the World Bank and the International Monetary Fund (IMF).

The package fulfils the requirements agreed by all parties at the Brussels Peace Implementation Council (PIC) meeting in May 2000.

The High Representative has looked consistently to the country's political leaders, in a series of emergency meetings in the last few weeks, to take tough but necessary decisions that would have given people like investors and pensioners some sense of security. He has been consistently disappointed.

The High Representative also warned repeatedly that an EU donation of 1 million euros promised to help establish the

State Court would be lost if the law was not adopted before the end of 2000. The Council of Ministers failed three times to discuss the issue.

The laws and amendments are as follows:

- A Law on the **State Court** of BiH has been imposed. At present, BiH citizens have no judicial redress in areas within the competence of the State of Bosnia and Herzegovina under the Constitution, such as passports and ID cards, illegal immigration, human trafficking, inter-Entity crime and foreign trade and investment. The Court will see the rule of law firmly established at State level. It is also vital for foreign investors, who are reluctant to put money into a country with no institution to settle legal disputes related to foreign trade. The State Court is one of the conditions in the "EU road map", which spells out the steps BiH needs to take in order to qualify for a feasibility study for a Stabilisation and Association Agreement between BiH and the EU.
- Amendments have been imposed to the **Laws on Pensions and Disability Insurance** in the Federation and Republika Srpska. The High Representative wishes to make clear that as a result of the amendments, pensions should now be paid regularly. The law provides for a minimum pension of 117 KM per month in the Federation and 80 KM per month in Republika Srpska. Improved collection of pension contributions and a clamp down on illegal employment by the Entity Governments would see pension levels increase. It is also up to the Entity Governments to find the necessary cash to pay outstanding arrears. The World Bank, which called for the amendments, will continue to provide technical assistance.
- Federation law has been imposed to provide a framework to bring about the **merger of the government pension funds of Sarajevo and Mostar**. The merger, once the

relevant audits have been completed, should make the Federation pension fund more cost effective, ease labour mobility across the Federation and will remove an illegal parallel structure. Again, the World Bank will provide technical assistance.

- A package of six laws has been imposed to bring BiH's **standardisation, metrology, measuring and accreditation systems** at State level in line with those in the European Union (and is one of the economic steps in the EU road map). These laws are essential to enable BiH to meet international trading standards and compete in world markets. One example is the EU's recent decision to lift tariffs on a whole range of goods from countries in south-eastern Europe – BiH has not been able to benefit at present as many of its goods do not meet EU standards. The new laws will help change this and are an important state building measure.
- Amendments have been imposed to the **RS Labour Law** which will reduce the financial burden on companies in paying compensation to employees on the so-called "waiting lists" (where employees' status at troubled companies is in limbo) to the level adopted by the RS Government. This measure – drafted by the World Bank, the OHR and the RS Government – is vital to revive flagging businesses in the RS.

The reform package enables BiH to meet conditions for the release of a second tranche from the World Bank's Second Public Finance Structural Adjustment Credit (PFSAC-2), totalling \$24 million for BiH. It also helps BiH to keep the World Bank's Country Assistance Strategy to 2002 on track, including potential access to \$130 million in budget support over that period.

However, the High Representative wishes to make it clear that such interventions cannot carry on indefinitely. BiH faces stiff competition from Croatia and Yugoslavia for decreasing

international aid to the region.

The emerging economies of central Europe show that tough economic reforms are well worth the struggle.

The High Representative calls on the authorities of Bosnia and Herzegovina, elected in yesterday's ballot, to push ahead with dynamic, far-reaching economic reform. Their first test will be the preparation of budgets for 2001 that should comply with agreed conditions. The High Representative calls on the newly elected BiH authorities to meet the conditions of the IMF's Standby Loan, which would send an important signal to investors world-wide – that this country is finally open for business.