

Consensus Can Beat the Economic Crisis



The BiH authorities have demonstrated that they can reach a consensus that will help create jobs, High Representative and EU Special Representative Valentin Inzko said today during a meeting with European Bank for Reconstruction and Development Vice President Varel Freeman, commenting the agreement signed by the BiH authorities and the EBRD yesterday on an EBRD loan of 50 million euros to the BiH Deposit Insurance Agency (DPA). This will allow the DPA to raise insurance coverage of individual deposits in BiH banks from 20,000 KM to 50,000 KM.

Amending the BiH Law on Debt and Guarantees was a condition for the agreement to be signed. The law was delayed because of a broader political deadlock, but an agreement was eventually reached, allowing BiH citizens to benefit directly.

“Raising the level of deposit insurance will significantly boost confidence in the BiH banking sector and that means boosting the capacity of that sector to channel money into small and medium sized companies,” the HR/EUSR said. “Investing in those companies means creating new jobs.”

The HR/EUSR said the crucial task now is “to ensure that the same sort of progress is made on the other steps that will help get Bosnia and Herzegovina out of the economic crisis.”

The HR/EUSR stressed that while political deadlock has seriously discouraged investment in Bosnia and Herzegovina, there remain significant opportunities for successful

projects. He added that these opportunities will multiply if key economic reforms can be enacted before the October election.

“I hope that news of yesterday’s signing of the Deposit Assurance agreement will further increase trust in the BiH banking sector,” the HR/EUSR said. “I also hope to see prompt delivery on all other commitments, including those related to Corridor V-c. This and other development projects can help Bosnia and Herzegovina recover from the economic crisis. They cannot and must not be held hostage by politics.”

The EBRD is the largest institutional investor in Bosnia and Herzegovina supporting infrastructure development, including road and railway construction and the power sector, and through engagement in infrastructure projects has helped to establish key BiH regulatory institutions. In October 2008 the Bank agreed to lend BiH 180 million Euros for construction of key sections of Corridor Vc. The Bank also channels funds, either directly or indirectly through local financial intermediaries, into small and medium-sized enterprises in this country..

Since the beginning of its operations in Bosnia and Herzegovina, the EBRD has committed over €1 billion in various sectors of the country’s economy, mobilising additional investments worth more than €1.6 billion.

“The EBRD’s support for Bosnia and Herzegovina’s infrastructure development and financial and private sectors is essential to boost growth,” the HR/EUSR told Vice-President Freeman. “It is also key to mitigating the effects of the crisis. I trust that the political turbulence and the delayed delivery on commitments will not discourage the Bank’s continued involvement.”