OHR’s Statement at the International Agency’s Joint Press Conference

Peace Implementation Council Political Directors’ Meeting

The Political Directors of the Peace Implementation Council will meet in Sarajevo tomorrow and on Thursday. The meeting comes immediately after the European Commission announces its interim assessment of BiH’s progress in fulfilling the Feasibility Study requirements. The process of integration in Europe, and BiH’s progress towards Partnership in Peace will be key topics at this PIC.

At the December PIC in Brussels the BiH authorities committed themselves to an ambitious programme of economic, political and administrative reforms. Progress in turning these commitments into reality has been mixed. The Intelligence Law has been adopted by the BiH Parliament, for example, and competencies have been assumed by the State in order to enable the creation of a single BiH-wide High Judicial and Prosecutorial Council. But many other key reforms have been jeopardized as a result of political gridlock. How much progress BiH makes on these reforms in coming weeks and months will affect both BiH’s chances for PfP membership and the launch of Stabilisation and Association negotiations with the EU this year. In addition, BiH risks losing hundreds of millions of KM in assistance from international financial institutions if reform is not accelerated.

At Thursday morning’s session the BiH authorities, led by Chairman of the Council of Ministers Adnan Terzic, will explain their strategy for speeding up the pace of reform.

There will be a short photo opportunity at the opening of the PIC, tomorrow evening at 17.30 at the OHR. There will be another photo opportunity on Thursday morning at 9.00 at the OHR.

BiH Credit Rating

Yesterday's announcement by Moody's Investor Service that it has accorded Bosnia and Herzegovina a B3 credit rating is a significant step forward in integrating BiH with the international financial community, and attracting the investment that generates jobs. In the long run that will mean greater access to bank loans to finance further economic development and improve services to citizens. Moody's decision reflects the progress BiH has made in the field of economic and other reform in recent years.

Moody's said it had given BiH a rating because the country has a reliable currency and has taken the necessary legislative steps to establish the Independent Taxation Authority that will administer customs and VAT. The B3 rating can be upgraded with six months to a year and a half if further progress is made in implementing economic reforms.

It is important to point out that Moody's alluded to the poor quality of statistical data in BiH as a reason for not initially giving BiH a higher rating – which would give it access to loans at lower interest rates.

This is an issue that can be addressed quickly if the authorities focus attention on it. The law establishing a State Statistics Agency was enacted in 2002, but the Council of Ministers has not yet appointed a Director to the Agency, and the Agency has still to draw up a work plan.

Without adequate statistics – Moody's referred specifically to unreliable GDP figures – a country cannot hope to compete effectively for investment or allocate resources in a fair and productive way.

The Moody’s rating is to be welcomed. By contrast, the failure by the authorities to establish a crucial agency that will help raise living standards in BiH is profoundly unsatisfactory.