

**BOSNIA AND HERZEGOVINA**

**CEFTA Deputy Ministers Meeting
Budva, 27 May 2009****Address of H.E. Ambassador Branimir Mandić
Head of Delegation**

Like all other countries worldwide, Bosnia and Herzegovina is facing economic crisis having multiple and severe effects on almost all spheres of life and specifically on national economy. The specific organisation and complexity of the country administration predetermined somewhat specific approach in addressing the crisis.

We can already see indicators showing slow-down of economy and consequences in terms of growing unemployment rate, worsening of social situation, budget constraints.

Therefore, within the range of their competences, different levels of administration defined their own set of measures in order to alleviate negative effects of the world economic crisis. These vary from restrictive ones in terms of maximal reduction of budget spending, through incentive measures aimed for business, measures in financial sector and measures directed at employment and social welfare.

At the State level, the Council of Ministers of Bosnia and Herzegovina, within its responsibility, prepared and adopted a set of 16 measures. These are generally aimed at securing additional funds to support business and creating more favourable business environment and could provisionally be divided on those related to internal market and ones addressing external sources of additional funds. These are as follows:

1. Reduction of mandatory reserves' rate from 18% to 14% by the Central Bank of BiH
2. Increase of amount of insured deposits to KM 50,000 and engagement of EBRD support and IPA funds
3. Increase of banks' liquidity by engaging additional free budget resources and that way creating more favourable loan conditions.
4. Continued communication with Banks Association in order to reduce rates of interest and possibly place funds to additional employment incentive programs
5. Adoption of law on administrative fees

6. Implement legal solution of introducing specific toll through Law on administrative fees and other laws within the indirect taxation area
7. Acceleration of IPA 2007 and 2008 projects implementation process, and in particular IPA 2009 containing projects of support for infrastructure building and incentives for Small and Medium Enterprises
8. Continuation of cooperation with international financial institutions and in particular with the World Bank in terms of accelerating realisation of already approved projects
9. Intensification of dialog with EBRD, EIB, EIF and the World Bank Group (IBRD, EFC and MIGA) aimed at inclusion in the proposed Joint Action Plan of the international financial institutions in supporting banking systems and loaning in the Central and Eastern Europe
10. Increase of IGA insurance fund and that way secure additional support to exports
11. Maintaining the practice of regular fiscal coordination through the Fiscal Council and encourage Entities to harmonise legislation in all areas, in particular in the field of direct taxes
12. Adoption of decisions on use of available succession funds
13. Preparation of proposals for amendments and adjustments of legislation in order to improve single economic space and business environment.
14. Taking measures to limit growth of salaries' rate in the public expenditures
15. Recommend Entities to remove procedural barriers related to withdraw of funds granted by the international financial institutions
16. Analyse macroeconomic and fiscal indicators in 2009 and propose to the Fiscal Council to initiate budgets rebalancing.

Bosnia and Herzegovina also negotiated a new stand-by arrangement with the IMF. As a result, an amount of EUR 1,2 billion should be granted to Bosnia and Herzegovina in the next three years.

The set of these and lower level measures does not, in any case, present an exclusive list but good basis to closely and continually follow the situation and react promptly and adequately when and where necessary. To that end, we are keen to hear other Parties' activities and experiences on this matter.

Thank you for your attention.