

High Representative Visits Washington to Hold Emergency Talks with IMF

The High Representative, Paddy Ashdown, is in Washington today to hold emergency talks with the IMF. The IMF has threatened to withhold US\$100 million in stand-by loans to BiH if the BiH parliaments pass legislation that breaks this year's budget. One such piece of legislation is a bill before the Federation Parliament which aims to increase veterans' pensions. The proposed Law on the Rights of Soldiers, War Invalids, and Families of Deceased Soldiers would add an estimated KM 180 million annually to government spending. There are no funds in the Federation coffers to pay for this.

The IMF has made it clear that if the veterans' pension bill goes ahead, the stand-by loan will not be paid. This will deprive BiH of immediate access to funds. It will also damage the country's credibility with other international financial institutions and potential foreign investors. The veterans' pension bill, if it were passed, would reduce the authorities' access to funds with which to pay government employees, teachers, nurses and doctors, and would damage the governments' capacity to pay pensions contributions – including contributions for veterans' pensions.

In Washington, the High Representative will discuss the likely economic implications for BiH if the veterans' pensions bill is not withdrawn. He will also be asking the IMF to give these final negotiations more time to resolve this issue, although he appreciates that time is running out.

The High Representative will also hold talks with US Administration officials. He will return to BiH on Friday.