

OHR, World Bank and IMF meet with Pensioners' Representatives

Today, the High Representative, Wolfgang Petritsch, his Deputy for Economic Affairs, Daniel Besson, the Resident Representative of the World Bank, Joseph Ingram, and the Resident Representative of the International Monetary Fund (IMF), Bruno de Schaetzen, discussed the proposed Amendments to the Federation Law on Pensions and Invalid Insurance with representatives from pensioners' political parties and associations.

The High Representative and his Deputy explained to the pensioners' representatives that the Amendments are essential to ensure regular pension payments and prevent the Sarajevo pension fund from going further into arrears. Currently, the Sarajevo pension fund collects around 40 million KM in pension contributions per month, but is formally obliged to distribute significantly more – which it cannot due to the non-existence of the required funds. This leads to late payments, which are additionally sometimes canceled altogether, and raised the funds' debts to a current mind-boggling 200 million KM.

Under the proposed Amendments, the Sarajevo pension fund would distribute the same amount of money that it collects. This amount is likely to increase if the Federation Government ensures that contributions are collected in a timely and systematic fashion, if it acts against illegal employment and revises the arbitrary benefits for certain categories of people.

Depending on the efficiency of the Government, pensions might even increase after the Amendments to the Law go into effect if the amount of collected contributions increases. During an

initial phase, the minimum pension of 117 KM per month would be guaranteed and potential cuts would be minor and apply to higher pensions only.

The High Representative pointed out that potential investors look with suspicion at the irresponsible behaviour of the Federation Government so far. The most recent example of this behaviour was the suggestion to increase pensions by 38%. The reality is that where there is no money, no money can be spent. This suggestion appears to be an untenable pre-election promise.

The High Representative repeated that Bosnia and Herzegovina would lose at least \$150 million in international aid if the Amendments are not passed. Specifically, \$130 million in support from the World Bank until 2002 would not be released and it would not grant the \$24 million Public Financial Structural Adjustment Credit, while IMF would suspend its standby agreement. A refusal by the Federation Parliament to adopt the Amendments would additionally scare away investors and bilateral donors.

The representatives of the pensioners listened with interest to the presentation and came forward with constructive suggestions of their own. The High Representative promised that the International Community would look into them in the medium term.

The High Representative concluded the discussion with an appeal on the pensioners' representatives to bear in mind the disastrous consequences for Bosnia and Herzegovina and its economy if the Amendments are not adopted now, and to put pressure on their elected representatives in the Federation Parliament to pass them.