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Bosnia and Herzegovina
CHAIRMAN'S SUMMING UP
Poverty Reduction Strategy Paper and Joint IDA-IMF Staff Assessment
June 15, 2004

The Executive Directors considered the Poverty Reduction Strategy Paper - Medium Term Development Strategy (PRSP-MTDS) for Bosnia and Herzegovina and the Joint IDA-IMF Staff Assessment (JSA) of the Strategy.

Directors welcomed the extensive stakeholder participation in the development of the PRSP, noting the importance of this process for bringing together the different constituencies of the country, and encouraged continued consultation and participation during the implementation of the strategy. Directors noted that the PRSP included a good analysis of the causes of poverty, rooted in a sound survey-based poverty diagnostics, but emphasized the importance of better prioritization and full costing of the strategy to ensure its consistency with the medium-term expenditure framework, available domestic and foreign resources, implementation capacity, political commitment and country ownership.

Directors were supportive of the strategy's emphasis on private sector development as a vehicle for restoring growth and building a market economy. They concurred with the staff on the importance of accelerating the privatization process, and stressed the need to put in place an appropriate legal and regulatory framework, improve the operations of voucher-privatized firms and address the remaining weaknesses in the country's business environment and fiscal architecture.

Directors welcomed the particular focus of the PRSP on accelerating the process of Stabilization and Association with the EU, and emphasized the need for further institutional strengthening at the State level. They underlined the urgency of building a unified and competitive economy, given the growing risks associated with the reduction in external aid, the high level of domestic debt and unsustainable current account deficit. Directors noted the need to improve the statistical capacity in the country and urged staff to include necessary measures in the upcoming country assistance strategy (CAS).

Directors commended the government's determination to accelerate the reform program, and, in particular, the effort to reduce the size of government in the economy, while increasing public expenditure efficiency - most notably through reorienting social programs to those most in need - and strengthening transparency and accountability. They also stressed the importance of aggressively pursuing the anti-corruption program. Directors noted with concern the prevailing high rate of unemployment in the country and underlined the need to address the issues of at-risk groups, especially the youth.

Finally, Directors concurred with staff that the PRSP provides a sound basis for continued IDA concessional assistance to Bosnia and Herzegovina and urged to continue working closely with the country's other development partners to help the authorities in the implementation of the strategy