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**IMF Announces Staff Level Agreement with Bosnia and Herzegovina on a
US\$1.52 Billion Stand-By Arrangement**

Mr. Murilo Portugal, Deputy Managing Director of the International Monetary Fund (IMF), issued the following statement on Bosnia and Herzegovina today:

“An IMF staff mission and the Bosnia and Herzegovina authorities today reached agreement, subject to approval by IMF Management and the Executive Board, on an economic program supported by an SDR 1.01 billion (about US\$1.52 billion; 600 percent of the country’s quota) loan under a 36-month Stand-By Arrangement. Consideration by the Board would follow the implementation of a number of measures mainly on the fiscal front over the next several weeks.

“Bosnia and Herzegovina has developed a comprehensive policy package designed to help ensure continued macroeconomic stability and support its goals for sustainable growth over the medium term. The program’s overarching objective is to safeguard the continued strength of the currency board and cushion the effects of the deteriorating external environment.

“Measures agreed focus on fiscal consolidation and public sector wage restraint, which, in addition to ensuring stability in the short term, will also help bring public finances on a sustainable path. A number of structural fiscal reforms will be launched aimed at reforming the system of transfers and improving public finance management. Capital spending is programmed to increase and the social safety net will be strengthened to protect the most vulnerable. Steps will be taken to enhance financial stability, improve crisis preparedness, and strengthen liquidity management.

“The strong measures that the authorities are taking justify the high level of access to Fund resources and deserve the support of the international community,” Mr. Portugal added.