

Innovative practices pertaining to water-related environmental issues in Bosnia and Herzegovina

Description of initiatives

The newly independent state of Bosnia and Herzegovina was established by the General Framework Agreement for Peace in Bosnia and Herzegovina, commonly known as the Dayton Peace Accords on Bosnia, in November 1995, at the end of the war in the region.

According to the Dayton Accords, Bosnia and Herzegovina comprises two autonomous entities: the Federation of Bosnia and Herzegovina and the Republic of Srpska. The federation consists of ten cantons, each of which is a governmental entity with a high degree of autonomy.

Bosnia and Herzegovina is at the moment a country in transition, is politically and administratively decentralized, and faces complex economic and social constraints. In addition, it is confronted by very specific environmental problems caused by the war that are not present in the other transition countries.

Present water sector management and institutional structure in both the federation and the republic is similar to what it was in the pre-democratic period, i.e., it is highly centralized and remote from end users, and entrusts a great many responsibilities to the central Government. Such an institutional set-up does not comply with the river basin approach and decentralization, which are the basic principles of the European Union's water policy.

Water supply, distribution and sewerage management in Bosnia and Herzegovina is the responsibility of more than 100 water utilities that are usually organized as public companies owned by municipalities or cantons. The current operational and financial condition of these utilities is generally weak, mostly due to flawed organization and management inherited from the previous socialist system.

At war's end in late 1995, the international community, led by the World Bank, together with local authorities in Bosnia and Herzegovina, initiated a reconstruction and development programme for the water sector in Bosnia and Herzegovina in order to repair damage caused by the war and restore basic services. The total cost of the programme was approximately 200 million euros.

Being aware of institutional, organizational, legal and managerial weaknesses in the water sector in Bosnia and Herzegovina, the international community increasingly turned its attention from infrastructure reconstruction to institution strengthening, which was necessary to ensure that the fruits of reconstruction were sustainable.

An informal division of work was established between the United States Agency for International Development (USAID) and European donors. The latter targeted their programmes at the national level in order to ensure national policies and institutional standards consistent with European norms, while USAID focused its programmes on municipalities and water utilities in order to enable them to become self-supportive commercial-style entities owned by municipalities.

Relevance of initiatives for national sustainable development

The most important task of water sector reformers in Bosnia and Herzegovina was to establish transparent, cost-efficient and sustainable water resources management. Bosnia and Herzegovina wanted to join the European Community; its development, including in its water sector, would therefore need to comply with international and European principles and directives, particularly the European Union's Water Framework Directive.

With this in mind, the European Union's PHARE programme has supported water sector reform at the national level, in the context of which a study on water sector reforms was completed in the year 2000. The study included five aspects, namely, institutional, legislative, cost recovery, water quality and human resources development, and recommended:

- The re-organization of the water sector based on the river basin management model;
- The separation of conflicting functions within organizations;
- The development of new entities water laws;
- The development of a new law on water utilities.

Implementation of the reforms is underway in Bosnia and Herzegovina, under the responsibility of the Governments of the federation and the republic. The step-by-step implementation is based on prioritized actions (short-term and medium-term) and verifiable milestones. The leading principles guiding the implementation are the integration of water and environmental administration and the establishment of entirely new water- and environment-related organizations, in the form of river basin bodies, in order to eliminate obsolete organizations and working methods.

It has been proposed that essential support from the international community in terms of technical assistance and financing of the proposed new organizations in both the federation and the republic be provided throughout the implementation period. The total cost of international support for water sector reform is estimated to be 15 million euros over four years for training, technical assistance, office facilities and laboratory equipment.

The immediate objective of the USAID institutional strengthening activities in Bosnia and Herzegovina was to restructure water utility management along commercial lines. The long term objective was incorporation of the water utilities within the framework of a new legal and regulatory structure. USAID supported a ten pilot water utility study aimed at assessing existing conditions and providing recommendations and action plans for improvements in water utilities. The study identified priorities for strengthening legal, financial and institutional aspects of water utilities.

Following the findings of the study, USAID financed implementation of project to provide assistance to water utilities in Bosnia and Herzegovina aiming at the establishment of autonomous, institutionally and financially sustainable companies through the development of three critical requirements:

- Autonomy – the ability to operate with minimal control by any governmental body, while allowing for necessary oversight and regulation;
- Leadership - the presence of utility managers who practice good management skills, have the respect of employees and society, and know every facet of the utility;
- Business-like approach – operation of the utility, a public entity, as though it were private in terms of financial self-sustainability, planning and treatment of users as a real customers.

Implementation of the project began in 2002 year, in four pilot water utilities (Doboj, Konjic, Orašje, Tuzla) with the introduction of modern financial and audit procedures, an accounting system based on international standards, clear cost controls, improved billing and revenue collection and effective monitoring of water production and consumption.

Replicating the initiatives and lessons learned

There is a real need to replicate the above initiatives in other countries, particularly Central and Eastern European countries, or so-called “transition countries”, which share many problems with Bosnia and Herzegovina, including:

- Transition from one political system (socialist) to another (democratic, transparent and market oriented);
- Transition from public and state ownership to private ownership;
- Transition from a planned economy to a market economy;
- Non-rational and unsustainable use and management of available water resources.

Although there was a certain level of resistance to implementation of the initiatives, mostly at the senior administration level, more often there was an encouraging enthusiasm for the introduction of a new approach.