Bosnia and Herzegovina has achieved an impressive post-conflict recovery. The challenge now is integration in Europe

Synopsis

The World Bank has played a lead role in restoring infrastructure and basic services to prewar levels in Bosnia and Herzegovina (BH) and substantial progress has been made in overall economic and social development. BH is now in the process of integrating into the European Union (EU) and the Bank is committed to helping the country address its current development challenges.

Challenge

In spite of a very successful post-conflict recovery, BH remains a young democracy with the memories of the recent past still affecting the national policy dialogue and consequently hindering the country’s reform agenda. The complex institutional and political environment that emerged after the conflict continues to slow the reform process and the development of an institutional infrastructure fully supportive of market economy and EU integration. The key challenges for BH in the coming period will include: accelerating post-crisis recovery; completing the transition to a competitive market economy; improving competitiveness while protecting the most vulnerable population groups; and strengthening the capacity of domestic institutions to implement structural reforms and accelerate the process of EU accession.

Approach

A leader in post-conflict reconstruction. During the period of intensive post-conflict reconstruction, the Bank has been an active participant in the reconstruction process.

MULTIMEDIA

MORE
- On the Road to Economic Prosperity
- 15 Years of the World Bank in Bosnia and Herzegovina
- Better Living Conditions through Improved Urban Services
- Treating Wastewater in Bosnia and Herzegovina
- Helping Bosnia and Herzegovina’s Businesses Weather the Financial Crisis
- A Cleaner Power Grid in Bosnia and Herzegovina
reconstruction (1996-2002), the Bank supported 45 projects (financed mostly by IDA credits) and committed over US$ 1.02 billion to help the reconstruction and development of virtually every segment of the war-torn country, including support for the first generation of reforms. Overall, this represented one of the highest-ever allocations of IDA resources on a per capita basis. A review carried out by the Operations Evaluation Department (OED, an independent unit within the World Bank) in 2004 found the BH reconstruction program to be an example of “the Bank at its best.”

**A partner in EU accession.** With BH now set on joining the EU, supporting the integration process has become the overarching theme of the World Bank’s country partnership strategy, along with helping improve competitiveness of the BH economy, improve services for the most vulnerable groups, and ensure sustainable use of the natural resources.

**Results**

**During the period of reconstruction (1996-2002), results achieved under the projects funded by the International Development Agency (IDA), the World Bank’s concessional lending arm, included:**

- Reconstructing the old bridge in Mostar, which brought tourists back to the city whose famous bridge and old town were destroyed during the war: number of tourist visits has increased from 300,000 in 2004 to over a million in 2011.

- The construction and reconstruction of forest roads and the planting of 550 hectares of trees.

- Training health care professionals and equipping medical centers and hospitals with supplies.

- Job creation and microfinance programs that provided about 200,000 jobs and employment services to over 7,000 former soldiers.

- Rehabilitating hundreds of kilometers of power lines, transmission stations, and thermo and hydro power plants since 1996. Today, BH is one of the few countries in the region with excess generation and export potential.

- Helping to rebuild the country’s transportation infrastructure and Sarajevo’s International Airport.

- The operation of six EU-compliant regional landfills and efficient solid waste management companies in the largest urban centers and the cleaning of 144 dumpsites.

**Results under the FY08-11 Country Partnership Strategy include:**

- Registration of property has been streamlined, and the backlog of cases has been reduced under the Land Registration Project (US$ 15 million IDA credit – closing in
March 2012). The time required to register property was reduced from several months in 2006 to one day in 53 percent of the courts in the RS, and 39 percent of the courts in the FBH, and most offices complete registrations within seven days. A substantial backlog of cases (80,000 in 2006) has been largely cleared.

- The Road Infrastructure and Safety Project (US$ 25 million IDA credit – closing in June 2012) will achieve the target of rehabilitating 240 km of roads by the project’s end.

- The Urban Infrastructure and Services Delivery Project (US$ 25 million IDA credit, closed in June 2011) helped reduce water losses in four large participating municipalities, and for the first time extended 24h water supply to some 30,000 inhabitants in these municipalities.

- Under the ongoing Health Sector Enhancement Project almost 2.8 million people will be registered with “family medicine” teams by the end of 2014, creating sustainable primary health care for 75 percent of the country’s population.

- 10,000 vulnerable active job seekers will be assisted in finding jobs under the ongoing Social Safety Net and Employment Support Project.

- By the end of the second phase of the solid waste management investment in 2014, it is expected that the landfills and inter-municipal management districts will cover almost the whole territory of BH.

Bank Contribution

IDA financed 45 projects and committed over US$ 1.02 billion during the reconstruction phase (1996-2002) and IDA/International Bank for Reconstruction and Development (IBRD) approved 18 additional projects in the amount of US$ 344.4 million during the period 2002-2011. As of February 2012, the World Bank Group’s portfolio in BH consists of 12 active projects with total commitments of US$ 302.3 million (financed with 7 IDA credits, three IBRD loans, and three grants from the Global Environment Facility). Active projects are implemented in various sectors including agriculture and rural development, roads, energy, health, social protection, water and sanitation, and environmental protection. In fiscal year 2012, the World Bank is planning to extend a US$ 120 million IBRD loan as additional financing to enhance SME access to financing, and a US$ 40 million IDA credit for the Irrigation Development Project.

Partners

The World Bank together with the EU chaired five international donor conferences that eventually mobilized US$ 5.1 billion for BH in the postwar period. This financial package was central to the quick and successful reconstruction of BH’s basic infrastructure and services. With BH now set on joining the EU, supporting the integration process has become the overarching theme of the Bank’s operations in BH. In this context, successful partnership with the European Commission (EC) is the key to maximize the development impact of the two agencies. The EC and the Bank have a history of strong partnership in BH, and most recently the two agencies joined forces for the implementation of EU Instrument for Pre-Accession (IPA) grants in the environmental infrastructure and transport sector. The EC and the National IPA Coordinator (NIPAC) approved EU IPA €22.6 million for Trust Funds to be managed by the Bank. This partnership in implementing IPA grants will allow the Bank to even better align its operations in BH with the EU agenda while expanding the scope and impact of the Bank supported investment operations. For the EC, this cooperation offers the possibility of strengthening implementation of IPA funds in a complex environment, while benefitting from technical analysis and project management during design and implementation.

Moving Forward

BH is progressively graduating from IDA, and the current portfolio includes three IBRD loans totaling US$ 175 million or 58 percent of the portfolio. Under the current Country Partnership Strategy for BH (2012-2015), the Bank will focus on supporting BH’s EU integration goal by: i) tackling some of the bottlenecks to faster productivity and competitiveness; ii) improving social
inclusion by strengthening the targeting and fiscal sustainability of social benefits, and
improving the delivery of basic public services; and iii) strengthening the sustainable use of key
natural resources, such as water and forests, and improving climate change adaptation.

Beneficiaries

Stjepan Tomic, Kakanj Community Resident, can see the chimney of the Kakanj Power Plant
from his backyard on the Bosna River. He remembers when the plant spewed so much ash
that it covered his village. “There was a lot of dust and sometimes when the chimneys were
firing, ash particles fell like snow on those near the power plant. You could even see footprints
in the dust on the road….There is a lot less dust now,” said Tomic. That is because the Kakanj
Power Plant in BH is being reconstructed as part of the regional Energy Community of South
East Europe Project supported by the World Bank to rehabilitate and strengthen the power
system in Southeastern Europe, and to establish a regional electricity market.

Angelina Vasic, Trnovo resident, remembers the state of her back yard before the rehabilitation
of the wastewater plant. “It was a disaster. Garbage, bushes, dirt, and raw sewage would spill
out, especially when it rained! We were so happy when we saw that rehabilitation works were
underway.” One aim of the Water Quality Protection Project is to strengthen the capacity of
local utilities to reduce municipal pollution in rivers. Another larger aim is to reduce pollution in
the Adriatic Sea and Danube basin, into which waters from BH’s major rivers flow. Trnovo’s
wastewater plant is small, but its rehabilitation fulfills both aims of the project. It is helping keep
the river clean, which will flow downstream into Sarajevo’s underground water field –
sometimes used for drinking water.