

Roundtable Participants Call on BiH Authorities to Take Immediate Steps on Restructuring the Power Sector

Rapid and fundamental reform of the BiH power industry will protect consumers, increase BiH export earnings, foster economic growth, and tackle the mismanagement and poor corporate governance uncovered by the recent Elektroprivreda audits, speakers at a roundtable in Sarajevo sponsored by USAID said today. Several speakers emphasised that, over the long term, restructuring is likely to foster the creation of new jobs, by increasing the efficiency and profitability of the power sector.

Chairman of the Council of Ministers Adnan Terzic, Federation Prime Minister Ahmet Hadzipasic, RS Prime Minister Dragan Mikerevic, and State and Entity ministers were among the participants at the seminar, which was chaired by Principal Deputy High Representative Donald Hays.

Prime Minister Terzic noted that restructuring the power sector is a prerequisite of integrating BiH in the regional electricity market, which in turn is a step on the way to integration in the EU market. He expressed satisfaction that the roundtable had highlighted the distinction between *restructuring* the BiH power market and *privatising* the electricity providers.

Mr Mikerevic said that the BiH strategy of restructuring first and privatising second will allow the country to realise the potential of its electricity market, attract investment and

begin to provide companies, especially small and medium-sized companies, with reliable electric energy.

Mr Hadzipasic noted that “it is the citizens of BiH who suffer as a result of mismanagement and inefficiency in the power sector,” and said the restructuring strategy would produce competitive pricing and attract investment.

“The BiH electricity-generating sector can earn millions of KM annually in exports – and that money can be invested in creating new jobs,” Ambassador Hays said. . He called on the authorities to

- amend the Elektroprivreda statutes so that the systemic fraud uncovered by the recent audits cannot be repeated;
- appoint the two remaining commissioners to the State Energy Regulatory Commission (SERC);
- establish Entity regulators;
- enact the Transco Law, which will establish a single electricity transmission company in BiH, and establish the new institutions; and;
- enact the necessary legislation establishing an Independent System Operator, which will operate the BiH electricity grid network.

“Restructuring is about increasing the efficiency of companies in the interest of workers and consumers,” said World Bank Director Joe Ingram, who also emphasised the distinction between restructuring and privatisation. Restructuring must happen now, he said. It is urgent and indispensable if BiH is to benefit from the positive economic impact of a thriving power sector. Privatisation will not happen for several years.

EC representative Artur Runge-Metzger noted that power restructuring is a requirement under the EU Electricity Directive, and he alluded to a Memorandum of Understanding on the Regional Electricity Market, signed by BiH last year with the goal of establishing an integrated electricity market

in the Southeast Europe by 2005 and ensuring its integration in the EU Internal Electricity Market. This will bring BiH closer to the EU, but it depends on effective restructuring. he added.

Focusing on the five critical restructuring elements, John Gulliver of Pierce Atwood/USAID, said that the reform process could deliver exponential benefits for BiH, which is already the biggest energy exporter in the region, after Bulgaria. But he added that “political will is required if the huge potential of the BiH energy sector is to be realised.” Howard Sumka of USAID stressed the urgency of remedial action in response to the systemic mismanagement uncovered by the Elektroprivreda audits, and he added that successful power-sector restructuring “will deliver an enormous stimulus to BiH economic growth.”

Edhem Biber of the Confederation of Independent Trade Unions of BiH emphasised the need to ensure that any negative social impact from power sector restructuring is minimised, but he emphasised that over the long run restructuring will benefit workers by producing more jobs. SERC Commissioner Vladimir Dokic explained the crucial role of SERC in regulating a liberalised electricity industry so that market forces increased efficiency while consumer interests are protected. Boro Bjelbork of Elektroprivreda Sarajevo described the ways in which restructuring will allow the Elektroprivredas to develop their commercial capability and stability.