RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth and Real Sector Performance

Economic growth performed better than expected in Bosnia and Herzegovina (BiH) in 2015. Net exports were the main driver of growth, with consumption also supportive. Real GDP expanded by 4.3 percent year-on-year (y/y) in the second quarter—the highest rate in the past five years—and by 3.1 percent in the third. On the production side, manufacturing and retail trade contributed around half the growth of real value added in the first three quarters of 2015. High frequency data suggest softening GDP dynamics in late 2015, and growth is projected to be 2.8 percent for 2015 as a whole.

The growth pick-up has not been reflected in labor market performance. Unemployment remains high at 27.7 percent, and the number of persons in paid employment rose by only 1.3 percent y/y in December 2015. Net earnings were stagnant throughout 2015 across most sectors (up only 0.5 percent y/y in nominal terms).

Consumer price deflation persists, driven by lower prices for imported goods. The consumer price index declined by 1.3 percent y/y in December 2015, the 13th consecutive month of y/y declines, and the consumer price index (CPI) level is now up only 3 percent on its 2010 average. The biggest drivers were drops in the prices of imported goods and those linked to the decline in euro-denominated oil prices in the second half of 2015. This includes food (down 1.5 percent y/y), clothing and footwear (down 8.3 percent), and transport (down 6.1 percent). In contrast, notable price rises were seen for alcohol and tobacco, with smaller rises for education, health, housing, and utilities. Declining consumer prices provided some boost to real incomes, given the limited growth in nominal salaries. The net monthly salary in December 2015 averaged €421, down by 0.1 percent y/y in nominal terms.

The Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) have started to implement a number of key reforms under the Reform Agenda adopted in mid-2015. Both RS and FBiH adopted new labor laws to address some of the long-standing rigidities in the labor markets, aiming to support future job creation. However, the FBiH constitutional court recently ruled that the law needed to return to Parliament due to a violation of procedure. The Government is planning to resubmit the law. Other ongoing reforms include strengthening the unemployment benefit system and, in FBiH, reforming pensions. Public sector arrears and state-owned enterprises (SOEs) are also in focus. In addition, BiH submitted its application for European Union (EU) membership on February 15, 2016. Notwithstanding these positive signs, the outstanding reform agenda is still significant.

External Performance

The goods trade deficit continued to improve in 2015, though remaining significant at just under 30 percent of GDP. Weak oil prices have contributed to lower imports of related products, and improved external demand has supported exports. Official statistics indicate that in 2015, imports fell by 2.1 percent y/y while exports, mainly to regional neighbors and the EU, increased by 3.5 percent (though with growth falling later in the year). The trade deficit over the period, valued in euro, fell by 8.7 percent to €3.5 billion.

The declining trade deficit was the primary contributor to the reduced current account deficit in 2015. The current account deficit (CAD) for 2015 is estimated to have narrowed to 6.3 percent of GDP in 2015 from 7.8 percent in 2014. This was driven by the reduction in the goods trade deficit, with the services surplus and remittances relatively stable in nominal U.S. dollar terms. In terms of net external financing, net foreign direct investment (FDI) inflows are projected to have dropped to around 1.5 percent of GDP in 2015 from 3 percent in 2014, leaving a significant dependence on debt-creating inflows. This level of FDI also provides limited support to domestic investment rates (around 18 percent of GDP) or to...
potential positive spillovers to the economic growth pattern.

**Fiscal Performance**

In a positive development, the 2016 budgets of the BiH Institutions, FBiH, and RS were adopted at the end of December 2015. Although the fiscal deficit in 2015 is projected to remain broadly unchanged at 2 percent of GDP, there are some positive signs in the budgetary processes and procedures of much-needed improvements in the quality and structure of spending. For example, a moratorium on employment in the public sector was introduced for 2016 and pension reforms are ongoing in FBiH. Given the previous delays in budget adoption, particularly in 2015 for FBiH and the BiH Institutions following the need to form governments, the adoption of all three 2016 budgets by the end of December 2015 is a positive early sign for fiscal policy implementation in 2016.

![Figure 2. General Government Fiscal Balance (percent of GDP)](image)

*Source:* Fiscal authorities; World Bank staff est.

*Note:* f=forecast.

Nonetheless, budget allocations for 2016 increased markedly relative to 2015. Both houses of BiH’s Parliamentary Assembly adopted the 2016 BiH State Budget without amendments. The adopted budget amounts to roughly €880 million (approximately 6 percent of BiH’s estimated 2016 GDP), of which €486 million is for financing the state institutions and €394 million for servicing the foreign debt. Although the former is at the same level as in the four previous years, foreign debt servicing is up about 29 percent relative to the 2015 budget. Furthermore, the FBiH parliament adopted a budget with expenditures of €800 million (5.5 percent of the estimated GDP of BiH for 2016), up 11 percent over the 2015 budget, with net lending of €155 million (1 percent of the estimated BiH GDP for 2016). In RS, there is a significant increase in the overall budget to €1.6 billion (11 percent of overall GDP), up over 40 percent from 2015. The main reason for the large increase is the inclusion of the RS Pension and Disability Insurance Fund for the first time in the RS Budget and Treasury System. The level of net lending at €31 million is unchanged compared to 2015. These budgets are central government budgets and do not cover spending at the lower levels of government (with general government spending for 2016 projected to be around 46 percent of GDP).

**Financial Sector**

A stable, efficient, and accessible financial sector is a necessary condition for private sector-led economic growth and shared prosperity. The financial sector is an essential building block for maintaining macro stability and increasing efficiency in intermediating financial resources among economic agents with the ultimate aim of fostering growth. The 2015 Financial Sector Assessment Program (FSAP) revealed a number of vulnerabilities in the financial sector in BiH, including high nonperforming loans (NPLs), deficiencies in the financial safety net, vulnerabilities in the domestic banking sector, and constraints in access to finance—all factors that have a bearing on the potential and performance of the enterprise sector. Although the banking system—dominated by foreign banks—appears broadly sound, significant pockets of vulnerability exist among domestically-owned banks. This was further confirmed by the recent liquidation of a domestic bank, resulting in the first insured depositor payout in the history of the Deposit Insurance Agency (DIA). Against this backdrop, it is essential that the financial safety net be strengthened further. Moreover, bank governance problems, related party loans, and inadequate corporate resolution and insolvency frameworks are obstacles to addressing asset quality problems and re-establishing bank profitability.

**Finance and Private Sector Development**

The World Bank’s recent Systematic Country Diagnostic (SCD) highlights the challenges to and opportunities for growth and shared prosperity in BiH. The SCD finds that the country’s development is out of balance, with public policy and incentives skewed toward the public over the private sector; consumption over investment; and imports over exports. To help address this imbalance and become prosperous, BiH must empower its private sector to grow and at the same time address the large and inefficient public sector. BiH needs to focus on
attracting investments and exporting, meaning that the country needs more (and larger) companies, vibrant small and medium-sized enterprises (SMEs), and a business environment conducive to growth, employment, and exports. Consequently, the top four priorities of the SCD focus on growth and job creation.

Business environment reforms remain central to BiH’s future economic development and the expansion of the private sector. The medium-term Reform Agenda identifies key priorities for economic and social development in BiH and represents an important step forward in efforts to tackle the issues stifling private sector growth and to reinvigorate exports. The continued underperformance of the BiH economy and the lack of appropriate standards and norms reinforces the necessity of creating jobs—private sector–driven jobs—and of providing a level playing field for BiH’s businesses to thrive. BiH has the poorest business environment in the region and a rigid labor market; it also continues to be a bottleneck in international and domestic transport and trading networks, and as a result, lacks real financial firepower to stimulate growth.

Figure 3. Doing Business 2016: Ranking and Distance to Frontier Ranking

The state sector is looming large, inefficient, and reportedly loss-making. Data on SOEs are still relatively poor, and it is currently difficult to estimate the impact of SOEs on the state of the country’s finances and subsidies. However, an initial assessment carried out by the World Bank for FBiH estimates that approximately 60,000 people are employed by SOEs, many of which are loss making and inefficient. Furthermore, the Bank estimates that direct state support (in the form of subsidies, transfers, and grants) has on average amounted to more than KM 150 million annually, or almost 1 percent of GDP across FBiH.

The poor business environment makes investing in BiH unattractive. BiH remains one of the most difficult places to do business in Europe and within the former Yugoslavia countries, despite a well-educated labor force and proximity to the EU. Fragility in Europe and domestic challenges are responsible for an economy that has been stagnating since 2008. In addition, BiH is now facing increased pressure to upgrade policies, standards, and systems so that its goods (and services) can enter international markets, especially the EU.

In 2013 Enterprise Survey, firms in BiH identified access to finance as the second major constraint after political instability. Banks report a segmentation of their SME clients, and smaller enterprises with less complete or formal documentation and lacking collateral tend to be excluded from the market. Apart from the higher perceived risk, challenges in the collateral and enforcement process as well as the short-term nature of banks’ liabilities impede term financing to micro, small and medium-sized enterprises (MSMEs). Sectors with specific needs, such as agriculture, appear to face particular difficulties in obtaining financing due to the agricultural cycle and the lead times that are sometimes needed to obtain produce, possibly harming B40 farmers who are unable to expand. At the same time, more vulnerable groups of users of financial services at risk of exclusion are in need of systematic support to maintain sustainable debt levels among the population and businesses.

The business reform agenda remains central to BiH’s future economic development and the creation of private sector jobs, and the Governments’ endorsement of the Reform Agenda and subsequent agreement on the action plans send a powerful message to investors. Improving the competitiveness and sustainable development of selected value chains in the agribusiness sector, coupled with supporting BiH during the EU integration process, is the main strategic objective in BiH. Eliminating barriers to investment, trading, and export and strengthening national quality control are the pillars of the Business Climate and Competitiveness section of the Reform Agenda.

In order to stimulate foreign and domestic investing and job creation, it is necessary to create better conditions for businesses to thrive. Key reform areas include: business licensing, inspections, access to finance, quality infrastructure, and trading standards across borders. Other important fields are improving the corporate insolvency process, paying taxes, and registering real properties. All of these
obstacles collectively contribute to lower competitiveness in the foreign and domestic markets. Complex governance structures can be a stifling factor in the reform efforts, but some positive results at the local and the entity/BiH levels indicate that reforms can provide a powerful stimulus to the creation of a favorable environment in the country.

The World Bank has responded to these challenges by providing assistance to enhance access to finance for SMEs and strengthen the financial safety net and by providing a Business Environment Development Policy Loan (DPL). The World Bank has been providing funds (a financial intermediary loan of US$190 million) to enhance access to finance for SMEs in BiH. Following the devastating floods, the Bank enhanced the flexibility for reprogramming the loans under this project in line with the entity banking authorities’ decisions and included agribusinesses as eligible SMEs. The Bank’s DPL (which closed on December 31, 2015) supported BiH’s business environment reforms and included areas such as reducing the time and cost for registering a business, streamlining procedures for obtaining construction permits, and facilitating trade across borders. These policies targeted improving BiH’s competitiveness, facilitating the country’s dialogue with the EU on accession, and promoting economic growth. A Financial Sector Advisory Center (FinSAC) Technical Assistance Program was launched in April 2015 to support the DIA in strengthening its legal, regulatory, and institutional framework.

Responding to constraints in the transparency and accountability needed to align inspections to EU requirements, the World Bank and the Swedish International Development Cooperation Agency (SIDA) have set up an Improving Investment Climate and Institutional Strengthening Single-Donor Trust Fund (US$5 million). This aims to reduce the costs and risks of doing business by improving inspection services, such as their internal organization and efficiency, and the information and data exchange system between institutions in BiH.

As competitiveness and jobs remain in focus for the foreseeable future, the Bank’s new Country Partnership Framework (CPF) focuses on empowering the private sector. A number of initiatives, as well as the instruments most suitable to help deliver the necessary change, have already been discussed with the Governments. These include two new results-based operations recently initiated and agreed with the authorities focusing on a) the competitiveness and business environment to create conditions for private sector growth, complemented by grant funding providing technical assistance in select areas, including a local investment-friendly environment, the investment climate and access to markets, and business inspections reform; and b) a banking sector strengthening project aimed at improving the supervision of and building up resolution capacities, addressing the vulnerability of the domestic banking sector, and strengthening the financial safety net.

Poverty and Social Protection

The progress in poverty reduction experienced up to 2007 has been stalled by the 2008 crisis and the ensuing sluggish recovery. Estimates from the most recent 2011 Extended Household Budget Survey suggest that the incidence of poverty in 2011 according to the World Bank’s poverty methodology was 15 percent—largely unchanged since 2007 (14 percent). This was the result of the crisis-induced economic contraction, continued economic weakness in the EU, and the deteriorating labor market situation, including a 9 percent fall in employment between 2008 and 2014 and stagnating wages. The recovery of 2013 was interrupted by the floods in 2014, affecting rural areas in particular, where there is a much higher incidence of poverty and which had to struggle with the aftermath of damaged agricultural infrastructure. Although economic growth in 2015 exceeded expectations to reach 2.8 percent y/y, the growth pick-up has not been reflected in labor market performance. Unemployment remains high at 27.7 percent, and the employment rate improved only marginally from 31.7 percent in 2014 to 31.9 percent in 2015. Net earnings were stagnant throughout 2015 across most sectors (up only 0.5 percent y/y in nominal terms). Poverty reduction will continue to be constrained by the fact that unemployment remains stubbornly high, particularly among youth (62 percent for the 15–24 age group), while real wages are expected to remain largely flat due to the continued sluggishness in the labor market.

Spending on social protection schemes in BiH is high by international standards. Public spending on

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1 The World Bank’s poverty methodology relies on the Living Standards Measurement Study (LSMS) poverty line of KM 205 per month per capita.
pensions is high (at 10.2 percent of GDP) even by regional standards, driven by early retirement and privileged pension schemes, while spending on active labor market programs (ALMPs) is low (only about 2.6 percent of the unemployed benefit from ALMPs), resulting in limited opportunities for employment support for disadvantaged groups in the labor market. BiH spends close to 3.5 percent of its GDP (2011) on noninsurance-based cash transfers, which makes the country one of the highest spenders in the Europe and Central Asia (ECA) region. Targeting accuracy is low, while the leakage of resources to the richest 20 percent of the population is significant. According to estimates published in a recent study, in 2011, the members of the poorest quintile received only 18 percent of non-contributory cash benefits, whereas the richest quintile received about 20 percent. Only a small proportion of the poor receive social benefits—about 1.4 percent of the population. Even within that population, only about one-quarter in the poorest quintile receive some form of social benefits, and their poverty reduction impact is negligible. A 2010 World Bank Poverty Report found that if noncontributory social benefits were to be eliminated, it would not result in a statistically significant increase in the poverty headcount. In contrast, the poverty impact of eliminating pensions is much more significant; without these transfers, the poverty headcount would be 6 percentage points higher.

Despite the closure of the Social Safety Net and Employment Support Project, the World Bank remains actively engaged in selected social assistance and labor market reforms. The dialogue continues on the adoption of improved targeting methodology for social benefits. The Bank is providing the FBiH Ministry of Labor with technical assistance on an analysis of the financial and fiscal implications of the new methodology. The Bank will continue to engage with the Government on the formulation of social assistance unemployment support legislation. The Bank has provided technical inputs to the formulation of the recently adopted labor laws in FBiH and RS. The technical dialogue will continue to include further improvements to the labor law under a DPL and beyond. An investment lending operation on employment support with a focus on supporting ALMPs that can increase the formal job placements and employability of select groups is also under preparation and in the pipeline under the new CPF. The FBiH Government has requested that the funding be available by the end of 2016 and that part of this operation support a newly established employment assistance (wage subsidy) scheme targeting youth and the self-employed. Discussions are still ongoing to firm up the nature and scope of the support.

Health Development

In recent years, the family medicine model has been the single largest reform implemented by the entity Governments. In FBiH, more than 75 percent of service users expressed satisfaction with the approach of the family medicine teams. Medical doctors and nurses are being regularly trained for the family medicine specialization. RS has also been upgrading the clinical skills of its family medicine teams; it has completed a retraining program of its existing family medicine doctors, and family medicine specializations are now regularly provided. It is also focusing on enhancing the role played by nurses as a vital component of the primary health care delivery system. Patients are now registered with family medicine teams, and about 95 percent of the population has access to basic primary health care coverage through social insurance and through dedicated public (direct subsidized) programs.

Nevertheless, the needs that BiH's entity-level health systems must address have changed as a consequence of the demographic and epidemiologic transition in the country. The disease burden in BiH has shifted to a majority of chronic and noncommunicable conditions. Cardiovascular diseases, for example, are the leading cause of death, and cancer is the second most frequent cause. Given this change in the health profile of the BiH population (including co-morbidities) and the new available technologies, it is rare for patients to be able to have all of their medical problems treated in one health facility. This pattern of co-morbidities makes coordination between primary care and hospital care more important than ever before. Health sector reform in BiH therefore needs to implement a new phase, with household savings decisions, as higher public pensions have been shown to be associated with both depressed accumulated financial assets and a lower retirement age. See M. Hurd, P.-C. Michaud, and S. Rohwedder, “The Displacement Effect of Public Pensions on the Accumulation of Financial Assets,” Fiscal Studies 33 no. 1 (2012): 107–28.

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2 IBHI and Maastricht University, “Non-contributory Cash Benefits for Social Protection in BiH: What Works and What Does Not” (Sarajevo and Maastricht: Institute for Better and Humane Inclusion (IBHI) and Maastricht University, 2013).

3 Note, however, that this is likely an overestimate of the poverty increase, given that the hypothetical assumes no changes in behavior. In reality, the absence of public pensions would impact
a focus on increasing access to new technologies, enhancing quality, and improving efficiency to control the growing trend of rising health expenditures.

**Total health expenditures are now estimated to be about 10.9 percent of GDP** (rising from 7.1 percent in 2000 and 9.4 percent in 2006), a level similar to that in the EU15 countries but higher than in many neighboring countries. The arrears of health care institutions are a growing concern. The Government is looking to strengthen the fiscal discipline and management capacity of both health care institutions and local self-governments. The World Bank is currently preparing a new health sector project that would focus on:

i) Strengthening health promotion and prevention to achieve results  
ii) Strengthening technology-enabled service delivery to ensure integration  
iii) Building capacity of the hospital sector toward improved efficiency  
iv) Facilitating policy reforms, promoting innovation in service delivery, and strengthening the quality of care  
v) Facilitating pharmaceutical policy reform

**Environmental Sustainability**

The World Bank portfolio in BiH continues to contribute to the environmentally sustainable development and use of natural resources through a number of projects, primarily aimed at cleaner production and the reduction of pollution and emissions. In the past year, a number of wastewater treatment plants under various projects have become operational, including those in Ljubuski and Konjic. Konjic is the first settlement on the Neretva River, an international waterway flowing through BiH and Croatia before feeding into the Adriatic Sea. Due to the karst nature of the area, wastewater from Ljubuski, if untreated, would directly impact drinking water supplies in Croatia. In 2016, the Sarajevo wastewater treatment plant is expected to start functioning and treating a wastewater load from approximately 100,000 people that is currently being discharged into the Neretva River. Once these two treatment plants become operational, it is expected that the percentage of treated municipal wastewater will increase to at least 30 percent, when prior to Bank involvement this percentage was as low as 5–6 percent. The **Sarajevo Wastewater Project** is also supported by the European Commission (EC) in order to help manage the treatment of sludge generated on the site. The **Second Solid Waste Management Project**, aimed at improved solid waste management throughout the country, is currently being restructured to enable the World Bank to better support the evolving changes in the country with respect to this sector.

The GEF **Forestry Project** continues the decades of World Bank involvement in the forestry sector in BiH through small-scale interventions on sustainable forestry practices. The GEF is also supporting a decrease in pollution from the Mostar landfill through the **Adriatic Sea Pollution Control Project**. The newly developed GEF-SCCF (Special Climate Change Fund) **West Balkans Drina River Basin Management Project** will help deal with climate change–related disasters, notably floods and droughts in the Drina River Basin, shared between three countries: BIH, Serbia, and Montenegro.

**Sound environmental practices** are reflected in the **Energy Efficiency Project** aimed to decrease fuel consumption for heating and indirectly improve air quality; to ensure cleaner production through the SME credit line; and provide ongoing technical assistance on the **Klokot Drinking Water Source** to help establish drinking water protection zones in between two countries: Croatia and BiH.

The inclusion of climate resilience in project **design** is also reflected in the **Federation Roads Modernization Project**, which is currently being prepared.

**Agriculture Development**

Agriculture’s share in BiH’s economy decreased from 15.1 percent in 1999 to 8.4 percent in 2012. Although this figure points to a continued shrinking of the agricultural GDP relative to the overall economy, the rate of the decline has been reduced dramatically over the past few years. The decline of agriculture’s share of the economy has been particularly noticeable since the onset of the financial crisis that has affected the region, though agricultural output has remained relatively steady compared to other sectors. The floods of May 2014 are estimated to have contributed to a loss of roughly US$130.00 million to the agriculture sector.
BiH’s agriculture sector faces a broad range of constraints in the input and output markets. Farms are for the most part small and fragmented, and supply chains remain weak. Consequently, farmers in BiH pay more for their inputs and receive less for their outputs relative to their peers in neighboring markets. Low output prices are a result of market failures, such as weak bargaining power, a lack of post-harvest facilities for storage and packaging, fragmented supply chains, costly logistics, and the limited access to affordable finance. High input prices result largely from a reliance on a few dominant input traders in combination with highly regulated import markets. This situation dampens productivity as well as competitiveness, as the limited access to modern inputs makes it more difficult for farmers to export their produce and participate in modern supply chains.

Institutional constraints also prevent BiH’s agro-food sector from reaching its full potential. BiH has access to EU markets through preferential trade agreements, yet a broad range of products remain banned from these markets due to the absence of EU-compliant food safety institutions and a regulatory framework. A state-level Food Safety Agency (FSA), an Agency for Plant and Phytosanitary Health (APPH), and a State Veterinary Office (SVO) have been established and regulations developed; however, an agreement on the precise roles and responsibilities of the various actors, the link to entity inspection services, and various other laws and regulations have yet to be finally agreed on or adopted and then implemented across the country. These institutional arrangements and the effective implementation of legislation at each administrative level became increasingly urgent after the accession of Croatia into the EU in July 2013, at which time producers and traders from BiH were no longer able to access this important market.

Favorable climate conditions and relatively low prices give the agriculture sector in BiH some comparative advantages. The agricultural season in BiH begins earlier than in most EU countries, shipping costs are relatively low, and land and labor prices are favorable compared to the Mediterranean EU countries.

People living in rural areas are more likely to be poor and less educated compared to those in urban areas. Poverty is significantly higher in rural areas at 19 percent compared to 9 percent in urban areas, with similar results in both entities. The education differences of heads of households account for around half of urban-rural income differential.

Controlling for demographics (age, sex, household size, number of children) and labor market status reduces the differential to 3 percentage points (although the additional contribution of labor force status is minimal when conditioned on education level, suggesting that education is driving this difference). However, the remaining urban-rural gap is still statistically significant.

The World Bank supports the agriculture sector in BiH through the Agriculture and Rural Development Project (ARDP) and an Irrigation Development Project (IDP). The ARDP is part of a series of projects developed in the region to support the countries in their quest for EU accession. ARDP supports the institutions and systems necessary for developing the traceability of food and foodstuffs and for establishing transparent EU-aligned agricultural payment systems, including all the registers, databases, legislation, and regulations that are needed. The IDP project is financing the rehabilitation of irrigation infrastructure in both BiH entities in some of the most productive agricultural areas of the country. The project primarily finances works but also provides support to the formation of water user associations where appropriate and develops the institutional set-up to ensure adequate operations, maintenance, and funding of the systems in a sustainable manner.

Transport

Transport infrastructure improvements are necessary for the country to take advantage of its geographical situation next to the world’s largest market and to increase exports and export-related employment. BiH’s transport infrastructure is rated the poorest among Southeast Europe (SEE) and EU-Central and Eastern Europe (CEE) countries by the World Economic Forum (WEF). In 2015–16, BiH scored 3.1 out of seven on the WEF’s Global Competitiveness Index (GCI) for quality of transport infrastructure index, lower than the SEE average of 3.5 and the EU-CEE average of 4.5. The Logistics Performance Index similarly rates BiH below the SEE average on infrastructure (2.55 out of 5 compared to a regional average of 2.65), with standards significantly below those of the EU-CEE.

The BiH road network totals approximately 24,600 kilometers. The density of the entire BiH road network is broadly comparable to that of its immediate neighbors. As for network condition, the World Economic Forum’s Global Competitiveness Report (GCR) showed improvements in road quality in BiH
between 2012 and 2014, when the country’s ranking on this indicator improved from 134th out of 144 countries to 104th out 148 countries. However, the May 2014 floods have adversely affected the condition of the network, and further improvements in road quality remain necessary. The condition of structures (bridges and tunnels) in the network is particularly poor due to the extended period of neglect after the hostilities, insufficient funds for maintenance, a continued lack of enforcement of axle-load limits, and a significant increase in traffic volumes.

The Government of FBiH is embarking on a four-year €180 million road modernization program. The program comprises road rehabilitation, bridge and tunnel rehabilitation, the construction of passing lanes, and other interventions to enhance road safety. At the center of the program is the provision of an improved domestic route to Neum, which is of national importance for promoting trade and national tourism. It is envisioned that the program will be supported by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), which has already approved and signed its loan, and the World Bank.

In June 2015, the Bank started project preparations for the Federation Road Sector Modernization Project to support the modernization program, and the project is expected to be presented to the Board of Executive Directors in July 2016. The project will be cofinanced by EIB and the World Bank, totaling about €91 million. Bank financing is expected to be €58 million, with EIB financing the balance. This project is developed as the first of series of projects supporting the Transport Sector Modernization Program in BiH. The needs of the transport sector are large, spanning different modes and geographical areas of the country. Sector modernization and investment are at different stages of design and implementation. Effectively supporting BiH’s transport system to achieve the desired economic and social goals requires a Bank program that is flexible enough to assist in the modernization and investment efforts at the different phases of preparation and implementation and in a timely and continuous manner.

Considering the exposed vulnerabilities of the road network, the proposed project will focus on improving resilience to extreme climate events through both investment components and capacity building. This should ensure that the proposed designs provide for resilient roads and include the necessary strengthening of the structures and foundations of existing bridges for a higher water flow capacity and an increase in the number of years between recurring flood events where narrow bridges and causeways have been identified.

The railway sector is in need of significant reform, which should be guided by EU railway legislation and include a restructuring of the railway companies to reduce inefficiencies and enhance the quality of services. The railway companies in FBiH and RS are SOEs characterized by complex and costly structures that have been struggling with growing arrears. Both are vertically integrated companies with low labor productivity (less than a third of the average EU level). The quality of service is low, due to low operational speeds from temporary speed restrictions; poor tunnel, track, and track-alignment conditions; and the inadequate functioning of inter-entity crossings. Train operating speeds are limited to a range of between 30 and 70 kilometers per hour on around 80 of the railway lines along the future European transport corridor (Vc). In addition, the length of crossing sidings in stations restricts train length (550 meters) and train weight (1,500 tons) on the network.

The Bank received financial support from the Government of Sweden to provide analytical services to both entities for railway reform. This work started in September 2015 and is on track to be completed by the end of 2016. It is expected that the analytical work will contribute to wider public sector reform for strengthening public administration and improving the quality of public services in the country. The Bank is also considering financial support to facilitate railway sector reform.

Energy

The destruction of BiH’s power grid not only left the country’s citizens without a power supply, it also disconnected the Southeast Europe power grid from the rest of Western Europe. Hundreds of kilometers of power lines, transmission stations, and thermo and hydropower plants have been rehabilitated since 1996 through four power projects financed by the World Bank, in cooperation with the EU, EBRD, EIB, the U.S. Agency for International Development (USAID), and the German Development Bank (KfW). At all three power supply companies (Elektroprivredas), efficiency has significantly
improved, technical losses have been reduced, and the billing and collection system has been enhanced. These improvements have helped the companies become profitable, even while keeping consumer tariffs relatively low. Power companies have also increased their investment in renewable energy projects to some extent. Today, BiH is one of the few countries in the region with excess generation and export potential. Significant improvements have been made to unlock the market potential by enacting energy and renewable energy laws and other necessary regulation in both entities. At the same time, the impact of the floods in 2014 was significant, with damages and losses registered on generation facilities, transmission and distribution networks, coalmines, and oil terminals.

The aging coal-fired power generation plants are expected to become a challenge in the coming years, and the transmission and distribution systems also require further investment in order to improve their reliability and expand interconnections with neighboring countries. Without the replacement of obsolete thermal power plants or the construction of new base power generation and renewable energy facilities in the medium term, the country may lose its competitive position in the regional electricity market. The fragmented energy market is linked to three energy utilities, and the lack of a coordinated approach to the country’s energy strategy is preventing greater progress on unlocking the potential of this sector and opening it to private sector participation.

Energy end-use in BiH remains inefficient, indicating a large potential for reducing the burden of energy expenses in both the public and private sectors. The buildings sector (private, public, and residential) accounts for one-third of total fuel consumption. Buildings are generally poorly insulated, incurring heat losses of more than 30 percent. In addition, since the gas distribution network is not fully connected, the majority of household heating requirements are met by the inefficient use of firewood and electricity. As a result, about 65 percent of the total electricity consumed in 2009 went to the residential and public buildings sector. Therefore, investment in the energy efficiency of the building sector would help to reduce energy intensity, the consumption of imported oil and gas to the extent that it is used for space heating, and BiH’s carbon intensity.

Improving energy efficiency in BiH, however, is facing several challenges, including the lack of a clear regulatory and policy framework. The Government has recognized this issue, as energy efficiency is getting increasing attention at both the state and entity levels, and efforts have been made to develop legal and policy frameworks for energy-efficiency implementation. On March 13, 2014, the World Bank approved an International Development Association (IDA)-funded public buildings energy-efficiency investment project, with a focus on the health and education sectors, in order to maximize both energy savings and the demonstration impact of the investments. The first set of buildings will be retrofitted in 2016. The World Bank is also starting an Energy Sector Management Assistance Program (ESMAP)-funded, least-cost power sector planning activity. Finally, a Western Balkans Investment Facility–funded study on biomass-based heating will be finalized in 2016; the study will identify viable investment options and policy measures to increase the use of biomass for heating in the Western Balkan region, including BiH.

Forestry

Forest resources in BiH are among the richest in Europe in terms of their extent and variety relative to the size of the country, covering approximately 60 percent of the land area. The war between 1992 and 1995 caused heavy damage to the natural resources—the direct damage to forests and associated sectors is estimated at US$2 billion. A minimum of 200,000 hectares became contaminated by landmines, which resulted in the overexploitation of some rural areas and the abandonment of others. Subsequent to the conflict, unsustainable land-use practices and habitat change were common, due to poverty, inadequate land-use planning, the limited capacity of local institutions, and a lack of awareness of conservation issues. Moreover, forest resources are inaccessible due to the low road density, which limits their potential contribution to local and national economic development.

About 2 million people (54 percent of BiH’s population) live in rural areas and rely on forest and mountain ecosystems as an important source of subsistence, employment, energy, and recreation. The forestry sector currently contributes 2–2.5 percent of GDP, but with the proper investments in infrastructure and improvements in the competitiveness of the wood processing and manufacturing industries, this sector has the potential to contribute a much larger proportion to the economy. Furthermore, since BiH has a lower rural population density (43 persons per square kilometer) than any of the Balkan countries, there is less pressure...
on the natural resource base, and the sound management of its “production landscape” values (forest and grassland management) can provide income for local people while also maximizing environmental services.

The World Bank has been continuously involved in the natural resources/environment sector since 1998. From 1998 to 2003, the Forestry Project financed by IDA, the EU, and the Italian and Norwegian Governments focused on the recovery and protection of forest ecosystems. A follow-up project, the Forest Development and Conservation Project (FDCP), supported the implementation of reforms in forest organization and management. The State Forest Inventory (SFI), the single largest project activity, is fully completed, with 100 percent of the country’s forests surveyed. Initial findings show that forests and growing stock have increased and that forests are in a much better condition than is generally recognized.

On January 15, 2014, the Bank approved a new GEF project called the Sustainable Forest and Landscape Management Project (SFLMP). The focus is on climate change mitigation, land degradation, and sustainable forest management. The SFLMP is a five-year project aimed at building the capacity of forest sector stakeholders and demonstrating new approaches for sustainable forest and land management through the integrated management of vulnerable forest, scrub, and pasture landscapes. Through a menu of project interventions, including planning and monitoring, forest certification support, forest management information system enhancement, afforestation, fire management techniques and planning, and the development of a forest road master plan, the project will provide an important foundation for future development and investment in BiH’s rich forest sector.

Public Financial Management

BiH has made some progress on establishing modern public financial management (PFM) institutions and systems. Within the entities, primarily in FBiH, the consolidation of data for all general Government levels—governments, cantons, local self-governance units, and extra-budgetary funds (EBFs)—is complex, and data are generally not used to inform policy decisions. Only countrywide budget execution at an aggregate level is consolidated by the Central Bank of BiH using Government finance statistics (GFS), while consolidated budget plans and medium-term frameworks are approximated for illustrative purposes for the Global Framework adopted by the Fiscal Council and for the Economic Reform Programs submitted to the EC. Further progress is needed to ensure that budget discipline is uniform and consistent across the entire system of public resource management and to counter inadequate compliance with procurement law and internal controls, poor internal audit capacity, weak governance in SOEs, and widespread corruption.

Credible and comprehensive medium-term macro-fiscal strategies are lacking at all levels. The process of preparing the budget and public investment program is not well integrated with the medium-term macroeconomic outlook and overall/sectoral strategic documents (which, in many cases, are missing or not properly costed).

Despite some recent technical improvements, the budget planning system at all levels primarily reflects legal expenditure obligations within the available budget envelope, rather than the strategic targeting of resource allocation toward social and economic development objectives.

Although budget oversight by the supreme audit institution in BiH is adequate, the country needs to improve its legislative oversight, which is currently very limited. In addition, further improvements are necessary in order to improve budget transparency and poor public participation in the budgeting process as measured by the 2015 Open Budget Survey (OBS). BiH’s OBS shows that the Government does disclose some information on the central Government’s budget and financial activities during the course of the budget year and provides useful recommendations (to publish a citizen’s budget and mid-year review) on increasing budget transparency and oversight.5

Public procurement remains weak, despite a common Public Procurement Law (PPL) based on international best practices. The law is applicable across the state and two entities, but compliance has been weak. Progress has been made on establishing important institutions such as the Public Procurement Agency (PPA) and the Procurement Review Body (PRB). Under the Stand-By Arrangement (SBA) of the

4 Bosnia-Herzegovina’s OBI 2015 score was 43.

International Monetary Fund (IMF), a new law on public procurement was adopted in May 2014.

The budget execution process has been steadily strengthened. All four Ministries of Finance have introduced a Single Treasury Account (STA), but though the systems are in place, they need to be further strengthened. Payment arrears are problematic because comprehensive, good-quality data on arrears are not available yet (excluding BiH Institutions), and treasury systems were starting to monitor payment due dates as of end-2013. The treasury systems of both entities do not include all social funds and in FBiH, do not include all local self-governance units.

At all levels of government, transactions are processed automatically through STAs at each level. What is not monitored regularly, however, is the substance and nature of these transactions. The Supreme Audit Institution (SAI) reports raise certain questions about the substance of some transactions and the methods followed in processing them. At lower government levels (cantsons in FBiH and local self-governance units in both entities), more substantial issues with the substance of recordings are likely, as different methodologies are used for some transactions. All this hampers the ability to accurately consolidate fiscal data.

SAIs are independent from the legislature and the executive. The three SAIs of BiH have achieved good results in a complex environment and with limited resources. Since 2000, the three SAIs have gradually improved their audit capacity and enhanced their audit coverage. They have played a key role in strengthening the responsibility, transparency, and efficiency of financial management in all of BiH. All three SAIs have formally adopted the International Organization of Supreme Audit Institutions (INTOSAI) standards. In the context of budget scrutiny, however, despite recent improvements, better follow-up on external audit findings and recommendations is missing.

A number of important improvements in public finance have been implemented in recent years, and some steps have also been taken to enhance coordination. The development with the most impact was the adoption of the Law on the Fiscal Council, though further challenges remain in terms of implementing it. Other results achieved relate to the steps taken to harmonize budget calendars. All four levels of government use the modified accrual basis\(^6\) for accounting, under which revenues are recognized as they become available and measurable, while expenditures are recognized when the liability is incurred. There may be concerns that not all government levels within the entities use comparable recording procedures. Among the four main government levels in BiH, the charts of account are generally detailed but not harmonized. BiH, FBiH, and RS institutions are developing internal audit capabilities, while District Brcko has no Internal Audit function. The Public Expenditure and Financial Accountability (PEFA) report for BiH was finalized in May 2014, and it included four assessments in one report. The diagnostic is serving as a starting point in shaping PFM dialogue between donors and BiH authorities and as a baseline for any future updates.

THE WORLD BANK PROGRAM IN BOSNIA AND HERZEGOVINA

BiH joined the World Bank and the IDA in 1996, with membership retroactive to 1993. Over the past 20 years since the end of the conflict, the World Bank has approved 71 projects in the total amount of roughly US$1.88 billion (IDA credits, US$1.53 billion; IDA grants, US$25 million; GEF grants, US$23.9 million; and International Bank for Reconstruction and Development (IBRD) loans, US$295 million).

The World Bank engaged early and extensively in the postwar reconstruction of BiH. During the period of intensive post-conflict reconstruction (1996–2002), the World Bank supported repairs to over 20,000 public apartment units and about 2,000 private houses. Hundreds of kilometers of power and water lines, transmission stations, and thermo and hydropower plants were rehabilitated. Roughly 2,300 kilometers of roads, 41 bridges, three tunnels, and Sarajevo’s International Airport were rebuilt. Eighty-two primary schools were reconstructed, and 24 medical facilities equipped. New trees were planted on 550 hectares of land, and 210 kilometers of forest roads were reconstructed. About 200,000 jobs were created or sustained under the two microfinance projects. A 2004 review carried out by the Independent Operations Evaluation Department (OED) found that the role played by the World Bank in BiH’s reconstruction program was an example of “the Bank at its best.”

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\(^6\) Except RS, which has been using the full accrual basis since January 1, 2013.

\(^7\) BiH, FBiH, RS, and District Brcko institutions.
In November 2015, the World Bank Group released its Systematic Country Diagnostic (SCD) in advance of the new Country Partnership Framework (CPF) for BiH that will define its engagement in the coming five years. The SCD is a diagnostic exercise undertaken in close consultation with BiH authorities and other stakeholders, identifying key challenges to and opportunities for the country in achieving its development goals. This SCD proposes 10 priorities for BiH, of which the four largest concern mainly the rebalancing of the economy to create more and better jobs. The implementation of these reforms would realign incentives and policies toward the private sector with a specific focus on successful international integration. A second set of three priorities would accelerate BiH’s social and economic development once the “economic train” is put on the right track to make the reforms sustainable. A final set of three priorities concerns long-term investments in the social sectors and improvements for excluded groups, for which higher growth and more job opportunities would not be sufficient.

The Bank's new CPF that extends to 2020 aims to support growth and prosperity in the country through a range of development initiatives. The strategy is centered on three key focus areas: (i) increasing public sector efficiency and effectiveness, (ii) creating conditions for accelerated private sector growth, and (iii) building resilience to natural shocks. Combined, these areas are critical in helping the country address ongoing structural reform issues, strengthening competitiveness in the private sector, and enhancing the country’s resilience in the face of climate change.

The World Bank currently supports 11 operations in BiH. The total value of these projects, which are in various stages of implementation, is US$526.32 million. Areas of support include agriculture, wastewater and solid waste management, private sector development, energy efficiency, environment protection, flood management, and flood emergency recovery.
MAP OF BOSNIA AND HERZEGOVINA
WORLD BANK PROJECT BRIEFS
# BOSNIA AND HERZEGOVINA: FLOODS EMERGENCY RECOVERY PROJECT

## Key Dates:
**Approved:** June 30, 2014  
**Effective:** September 15, 2014  
**Closing:** December 31, 2018

## Financing from all cofinanciers, million US Dollars:

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<tr>
<td>IDA Credit</td>
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<td>Total Project Cost</td>
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## World Bank Disbursements, million US Dollars *:

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<tbody>
<tr>
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<td>42</td>
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</tbody>
</table>

*as of March 2016  
**Note:** Disbursements may differ from financing due to exchange rate fluctuations.

The **Project Development Objective** of the Floods Emergency Recovery Project for Bosnia and Herzegovina (BiH) is to meet critical needs and restore the functionality of infrastructure essential for public services and economic recovery in the areas affected by the massive flooding in May 2014. There are three components to the project. The first component allowed the entity-level Governments and Brcko District to purchase or refinance emergency recovery goods, including food, fuel, hygienic items, agriculture goods, construction materials, and other emergency needs. The second component finances the rehabilitation of key regional and local public infrastructure, including the rehabilitation of regional roads and railways and flood protection, as well as local infrastructure such as rural roads, water and sanitation, schools, hospitals, etc. Finally, the third component will finance the project management costs and provision of technical assistance and capacity building to help ensure future improved disaster resilience.

### Expected results:
The project provides assistance to the population in affected areas to restore their lives to the pre-flood level by providing emergency goods, including agricultural goods to help restore agriculture and income-generating activities and construction materials to help rehabilitate the housing stock in the worst affected areas. The project will also recover priority public service infrastructure facilities to pre-flood conditions.

### Progress thus far:
After the first year and a half of implementation (June 2014–December 2015), more than 160,000 people benefited from rehabilitated infrastructure, while about 94,000 beneficiaries received construction materials and other emergency goods. As many more subprojects to reconstruct affected regional and local infrastructure are ongoing, the project is expected to reach its goal of providing assistance to 300,000 people in the flood-affected areas in BiH.

### Key Partners:
The Bank team is working closely with the Ministry of Finance and Treasury of BiH, Ministry of Finance in the Federation BiH (FBiH), the Ministry of Finance in the Republika Srpska (RS), and the Brcko District Government.  
**Key Development Partner:** The European Commission (EC) and the United Nations Development Programme (UNDP).
BOSNIA AND HERZEGOVINA: AGRICULTURE AND RURAL DEVELOPMENT PROJECT

Key Dates:
Approved: June 19, 2007
Effective: February 26, 2008
Closing: June 30, 2016

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World Bank Disbursements, million US Dollars:

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<tbody>
<tr>
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</table>

*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations.

The agriculture sector is a relatively small but important part of the BiH economy. Agriculture’s share in BiH’s economy has fallen by nearly half from 15.1 percent in 1999 to 8.4 percent in 2012, while the services sector has grown to 66.8 percent and industry represents 24.8 percent of the economy. Institutional constraints across the various governmental levels and bodies mandated to provide services prevent BiH’s agro-food sector from reaching its full potential. BiH has some comparative advantages in agriculture, especially for niche products due to its close proximity to the European Union (EU), moderate continental climate, and fairly rich and cultivable soils, as well as clean and abundant natural water resources, natural upland pastures, and the ready availability of labor. In spite of the important role the vertically integrated agrokombinats used to play in primary production, there is a long tradition of small-scale farming and organic production in the country. Despite access to the EU market through preferential trade agreements, BiH is not reaping the full benefits of this favorable treatment due to the absence of EU-compliant food safety institutions and an EU-compliant regulatory framework.

The Project Development Objective is to assist BiH in strengthening the capacity of its state- and entity-level institutions to deliver more efficient and effective agricultural services and support programs and to make a substantial contribution to an acceleration of BiH’s eligibility to access support under the EU Instrument for Pre-Accession Assistance for Rural Development (IPARD). A project restructuring was conducted in response to: (i) changes in country priorities in the pre-EU accession context; (ii) implementation issues identified as part of the Bank’s implementation support activities; and (iii) damage rehabilitation needs pertaining to rural infrastructure and assets following the severe floods that hit the country during the 2010–11 winter season.

Results achieved: To date, substantial efforts have gone toward strengthening the state-level agencies for veterinary services, plant health and phytosanitary services, and food safety. In parallel, inspection services have been strengthened and information systems are under development for the deployment of an eventual Agricultural Information System. Substantial progress has been made in the implementation of a farm and client register and a livestock identification and registration system, as well as the identification and rehabilitation of reference laboratories for the handling of plant material and food safety. The country has now conducted four consecutive years of potato pest monitoring, including modifications to the survey in line with the EU’s Food and Veterinary Office (FVO) recommendations, which allowed for exports of potatoes to the EU. Similarly, a residue-testing strategy is under implementation in consultation with the FVO, where Bank financing is supporting laboratory equipment and accreditation for a laboratory network for the select testing domestically of some residues. Finally, the distribution of flood rehabilitation grants and the rehabilitation of rural infrastructure are under way to assist farmers and rural populations in the areas that were most affected during the 2010/2011 floods. Development of uniform payment software has been agreed by the ministries. Terms of reference are being finalized and the selection of consultants will start shortly.

Key Partners: The Bank team is working closely with the Ministry of Foreign Trade and Economic Relations, Ministry of Agriculture, Water Management and Forestry in FBiH, Ministry of Agriculture, Forestry and Water Resources in RS, Food Safety of BiH, Plant Health Administration, State Veterinary Office of BiH, and Inspection Services in both entities.

Key Development Partners: Swedish International Development Cooperation Agency (SIDA), European Commission (EC), U.S. Agency for International Development (USAID), and International Finance Corporation (IFC).
BOSNIA AND HERZEGOVINA: SARAJEVO WASTEWATER PROJECT

Key Dates:
Approved: December 22, 2009
Effective: July 15, 2010
Closing: March 31, 2017

Financing in million US Dollars:

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Total Project Cost 51.0

World Bank Disbursements, million US Dollars:

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<tr>
<td>IBRD Loan</td>
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<td>18.72</td>
<td>12.47</td>
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*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Service delivery problems in BiH are prevalent due to the lingering after-effects of the conflict that left vast portions of the basic infrastructure destroyed or severely damaged. A case that vividly illustrates the problem is wastewater collection and treatment in the city of Sarajevo. A wastewater treatment plant (WWTP) was built close to the confluence of the Miljacka and Bosna Rivers in the early 1980s on the occasion of the 1984 Winter Olympics. Construction of the plant was supported by the World Bank–financed Sarajevo Water Supply and Sewerage Project (Loan 1263-YU), which closed in December 1982. However, the plant was extensively damaged in the spring of 1992 at the outset of the conflict, during which time the sewer network was also destroyed in various places. Since the end of the conflict in 1995, the WWTP has been largely out of commission, with only minimal conservation works carried out to prevent further deterioration. As a result, virtually all of the city's wastewater is discharged into the Miljacka and Bosna Rivers without any treatment, causing severe pollution of the rivers and impacting the communities downstream.

The Project Development Objective (PDO) is to improve the living conditions of populations in the areas covered by the Sarajevo Water and Wastewater Company and in downstream riverside communities by: (i) reducing the population's exposure to and reliance on highly polluted water from the Miljacka and Bosna Rivers; and (ii) improving the efficiency of the wastewater collection network in the Sarajevo Canton.

Results achieved: The project is rated satisfactory on achieving the PDOs and on implementation progress, with 66 percent disbursement. The wastewater treatment plant is 90 percent complete. All equipment is already in the plant and the majority has been installed. All the civil works for the buildings have also been completed. The rehabilitation work of a total of 17.24 kilometers (km) of the city's sewage network has been completed, and another 7 km are under rehabilitation. The work also included separating storm water drainage connections from the sewage network, thereby reducing the grit and sediment that undermine the treatment plant. 32,000 sewer connections are benefiting from the rehabilitation works. Delivery of high-powered sewage network cleaning and maintenance vehicles took place in November 2011. Since commissioning the new vehicles, the number of sewer blockages in the network has been reduced by 20 percent on an annual basis.

Key Partners: The Bank team is working closely with the BiH Ministry of Foreign Trade and Economic Relations, Sarajevo Cantonal and Municipal Institutions, as well as with “VIK,” the Sarajevo Water Utility.

Key Development Partners: Close coordination has been established with the EC (which is providing project cofinancing in the amount of €13.0 million). An administrative agreement for Additional Financing of €2.5 million was signed between the Bank and the EU.
BOSNIA AND HERZEGOVINA: ENHANCING SMALL AND MEDIUM ENTERPRISES ACCESS TO FINANCE PROJECT

Key Dates:
Original IBRD loan approved: December 15, 2009
Effective: August 16, 2010
Additional financing IBRD loan approved: May 17, 2012
Effective: April 18, 2013
Closing: July 31, 2016

Financing from all cofinanciers, million US Dollars:

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World Bank Disbursements, million US Dollars *:

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<td>190.0</td>
<td>175.6</td>
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*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations.

The development and growth of small and medium-sized enterprises (SMEs) are critical for the development of BiH. Following the global financial crisis that began in 2008, access to finance for SMEs became even more difficult as banks limited their risk exposure. Under this worrying backdrop, the World Bank in 2009 provided funds (US$70 million) via the Enhancing Access to Finance for Small and Medium Enterprises Project to ensure continued access to finance for SMEs. This support proved critical for many SMEs throughout the country, as many had found themselves totally cut off from credit markets. The situation began to improve in 2011, but the persistent difficulties in the Eurozone continued to negatively impact access to finance for SMEs. The deterioration in economic activity in one of BiH's key trading partners further depressed local prospects and tightened the credit environment for local firms.

Realizing the situation, the World Bank quickly mobilized an additional US$120 million in 2012 to enable the banks to continue extending credit to SMEs in an environment of constrained funding and growth (estimated at close to 1 percent for 2013). Following the devastating floods of May 2014, the World Bank supported FBiH in developing a targeted and time-bound emergency support loan program for SMEs in flood-affected areas using the revolving funds under the project. Additionally, the World Bank enhanced the flexibility for reprogramming the loans under this project in line with the entity banking authorities’ decisions and included agribusinesses as eligible SMEs under the project.

The Project Development Objective is to enhance access to finance for SMEs in BiH in the context of the global financial crisis and the generally constrained conditions for SMEs. The primary beneficiaries of the project are SMEs with growth and export potential that would benefit from improved access to finance. The project will also help the banking sector in BiH to withstand the global economic downturn that has triggered financing difficulties for the enterprise sector.

Results achieved:
- By the end of 2015, a total of 316 SMEs had received loans under the SME Access to Finance projects, 125 of which are owned/managed by women, to help ease the impact of the economic downturn and contribute to the recovery.
- The loans continue to be geographically well distributed, covering all 10 cantons in FBiH and over 20 municipalities in RS, and support a wide range of sectors, including food production and processing, wood processing and furniture manufacture, metal fabrication, and livestock food production.
- It is estimated that 4,000 jobs were saved and 1,500 new jobs created between August 2010 and June 2015 during the implementation of the original project when the figures were last reviewed.

Key Partners: The project was designed in close cooperation with the BiH, FBiH, and RS Ministries of Finance and the BiH Central Bank. The Central Bank provided statistical data and analysis on demand throughout the project preparation period. The BiH Employers’ Association and the Foreign Trade Chamber were consulted in the project.

Key Development Partners: The Bank is coordinating its work on this project with other donors in BiH such as the European Bank for Reconstruction and Development (EBRD), Swedish SIDA, EU Delegation, and USAID.
Since the end of the war, BiH has made tremendous progress in improving its solid waste management (SWM) system. Only a few years ago, there were no functioning regional sanitary landfills and almost all waste was discarded in unofficial sites such as wild dumps, roadsides, small village dumps, rivers, and mines, which posed a direct risk to public health. During implementation of the first Solid Waste Management Project (SWMP-1), which closed in 2010, several municipalities had set up and jointly operated regional sanitary landfills, and an increasing amount of waste was being managed in compliance with high EU standards. Nevertheless, numerous illegal dump sites can still be found in many municipalities, and their cleanup and closure remain a high priority that will require setting up functioning sanitary landfills to provide a viable alternative for disposal. At the same time, advanced regional landfills will start moving to the next level of integrated SWM by introducing advanced separation and recycling facilities and improving the financial viability of their services. The Second Solid Waste Management Project (SWMP-2) is supporting both: new regions to establish at least an additional six sanitary landfills by the end of the project and the rehabilitation of existing landfills.

The Project Development Objectives are to: (i) improve public health and quality of life by reducing exposure to pollutants and disease vectors from solid waste; (ii) improve municipal institutional capacity by establishing up-to-date technical and financial solutions for SWM; (iii) enhance environmental policy by improving the scope and depth of SWM strategies and facilitating recycling and waste-reduction programs nationwide; and (iv) improve local governance by enhancing cooperation between municipalities.

Results achieved and to be achieved under project:

- Six regional sanitary landfills are operational in Sarajevo, Mostar, Zenica, Tuzla, Bijeljina, and Banja Luka; end-target is seven regional sanitary landfills to be operational. Zvornik to be operational.
- 13 inter-municipal councils have been established.
- Regular monitoring is performed at seven operational sanitary landfills (in Sarajevo, Zenica, Tuzla, Banja Luka, Bijeljina, and Prijedor); target is nine.
- All regional solid waste utilities are complying with national environmental standards, while four utilities (Sarajevo, Tuzla, Zenica, and Mostar) have recycling and/or gas capturing facilities; target is six.
- Seven utilities have implemented cost-recovery plans out of a targeted seven.
- Implementation of leachate treatment is in progress in all completed landfills.
- 1.4 million people have been provided with access to regular solid waste collection under the project.
- 300 wild dumps closed (25 percent of estimated exiting dumps).
- Share of collected solid waste disposed in regional sanitary landfills has increased;
- Regular environmental monitoring has improved, as 100 percent of solid waste utilities monitor compliance with national standards.

Key Partners: The (i) Ministry for Environment and Tourism (FMET) in FBiH; (ii) the Ministry of Physical Planning, Construction, and Ecology (MPPCE) in RS; and (iii) FBiH and RS solid waste utilities.

Key Development Partners: The EU and the Government of Sweden (SIDA) are cofinancing this project.
BOSNIA AND HERZEGOVINA: WATER QUALITY PROTECTION PROJECT

Key Dates:
Approved: June 7, 2005
Effective: November 18, 2005
Closing: December 31, 2016

Financing from all cofinanciers, million US Dollars:

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World Bank Disbursements, million US Dollars *

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<td>8.72</td>
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*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations.

The Water Quality Protection Project focuses on the Neretva and Bosna Rivers. The Neretva River originates in BiH and flows through Croatia before entering into the Adriatic Sea and has a strong impact on the water quality of the Bay of Mali Ston. It is an important source of hydropower, drinking water, and irrigation, but also a source of pollutants for the Adriatic and Mediterranean. The Neretva Delta is a Mediterranean wetland of international importance and is designated as a Ramsar Wetlands site. The Bosna River Basin covers the largest and most developed area of BiH. The Bosna River also originates in BiH and is about 260 kilometers long—BiH’s most developed and industrialized regions are found along this river. Wastewater from communities and industrial facilities—the concentrated polluters—discharges directly into the river, most of it without any treatment, and is the major source of pollutants in the Danube.

The Project Development Objective is to further strengthen the capacity of local utilities and to reduce pollution from municipal sources into the Neretva and Bosna Rivers. The global objective is to reduce municipal pollution and nutrients in the Adriatic Sea and the Danube Basin.

Results achieved:
- Water Information System (WIS) installed in the water agencies in both entities.
- Rehabilitation of the Trnovo, Odzak, and Zivinice Wastewater Treatment Plants (WWTPs) has been completed, and plants are fully operational. Construction of the Mostar WWTP is under way.
- 8 percent of municipal wastewater is now treated and discharged according to new BiH water environment standards.
- Three key studies have been completed: (i) a Wastewater Improvement Plan for Reducing River Pollution, (ii) Biological Monitoring of Rivers, Lakes and Reservoirs, and (iii) a feasibility study on the low-cost, natural treatment of wastewater.
- Improved cooperation between BiH and institutions in Croatia, Montenegro, and Serbia, leading to an agreement on most aspects of the Wastewater Improvement Plan requiring cross-border cooperation.

Key Partners: The FBiH Ministry of Agriculture, Water Management and Forestry.
Key Development Partners: The EU and the Governments of Spain and Sweden are cofinancing this project.
BOSNIA AND HERZEGOVINA: IRRIGATION DEVELOPMENT PROJECT

Key Dates:
Approved: May 3, 2012
Effective: March 29, 2013
Closing: December 31, 2017

Financing from all co-financiers, million US Dollars:

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World Bank Disbursements, million US Dollars *:

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</thead>
<tbody>
<tr>
<td>40.0</td>
<td>9.7</td>
<td>26.7</td>
<td></td>
</tr>
</tbody>
</table>

*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations.

As an integral part of the rural economy, the agriculture sector is and will remain economically important for BiH, providing important sources of employment for rural inhabitants and having significant backward and forward linkages to the rest of the economy. According to official statistics, the primary agriculture sector still accounts for approximately 9 percent of GDP and employs more than one-fifth of the total labor force. Crop yields and potential options for growing high-value crops and double cropping are restricted without irrigation, primarily due to prolonged dry spells during the summer season. Typical yield losses are estimated to be in the order of 30–40 percent in the southwest, while in the northern areas along the Sava river plain, typical yield losses amount to 20–30 percent, with less in the central and mountain areas. In addition, in many of the plains and valleys, productivity also regularly suffers from waterlogging and inundation. Thus, drainage is as important as irrigation.

The Irrigation Development Project aims to improve the performance of the irrigation systems and the irrigation institutions to support agricultural producers in the project areas.

The Project Development Objective would be achieved through: (i) rehabilitating irrigation and drainage infrastructure, including construction, reconstruction, upgrading, and modernization, on existing agricultural land; (ii) introducing new technologies in irrigated agriculture; and (iii) promoting institutional development, strengthening water resources management institutions, and introducing a participatory approach to water management. The project would support better water resources planning and management for the sustainable use of water resources in irrigation and drainage, mitigation of the impact of droughts and floods, and in general preparation of more suitable adaptation strategies that can also cope with climate change.

Expected results: The project will support better water resource planning and management for the sustainable use of water resources in irrigation and drainage and the mitigation of the impact of droughts and floods, and in general help prepare more suitable adaptation strategies to also cope with climate change.

Progress thus far: Progress toward reaching the Project Development Objective has been slower than expected. Works have been completed in four subproject sites (two sites in RS and two in FBiH), and 30 percent of total project funds have been disbursed (but contract commitments are higher). In parallel, works on the remaining subprojects from the first batch in FBiH in Gorazde are under way, scheduled to be completed before the irrigation season. The second batch of irrigation schemes has been selected in RS and the design and supporting studies are well advanced. In FBiH, the preliminary design for preselected subprojects for the second batch is under development, after being delayed, as the sites had been affected by the May 2014 floods. In parallel, for these FBiH and RS sites, technical assistance activities (participatory irrigation management and irrigation advisory services) by the international consultant are under way to introduce all aspects of irrigation management and to support the municipalities and Water User Associations (WUAs) to modernize the water-monitoring systems and train farmers on improved irrigation practices.

Key Partners: The Bank team is working closely with the Ministry of Foreign Trade and Economic Relations, Ministry of Agriculture, Water Management and Forestry in FBiH, Ministry of Agriculture, Forestry and Water Resources in RS.

Key Development Partner: E.C.
BOSNIA AND HERZEGOVINA: REAL ESTATE REGISTRATION PROJECT

Key Dates:
Approved: October 25, 2012
Effective: September 23, 2013
Closing: July 31, 2018

Financing in million US Dollars:

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<tr>
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Total Project Cost: 31.52

World Bank Disbursements, million US Dollars:

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<tbody>
<tr>
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</table>

*as of March 2016

Note: Disbursements may differ from financing due to exchange rate fluctuations.

The project aims to support the development of a sustainable real estate registration system with harmonized land register and cadastre records in the urban areas of BiH. The Real Estate Registration Project (RERP) and its predecessor, the Land Registration Project (2007–12), are part of a programmatic approach toward supporting a well-functioning land administration system in BiH by 2016. The RERP will support this goal with a focus on the scaling-up of cadastre activities and on the sustainability of land registration and cadastre institutions.

The beneficiaries of the project will be (i) the public, which can own, lease, and use real estate under the protection of the legal registration of rights, (ii) the business community, which can invest more, relying on the secure access to real estate and improved access to credit, (iii) the government institutions and municipalities that can make use of the online access to accurate spatial information to increase their revenues and inform their decision making, and (iv) real estate registration institutions that will gain from more sustainable operations and staff policies.

Society overall will benefit from improved land governance supported by the up-to-date and accessible spatial information on real estate and on their transactions, which will increase accountability and informed decision and policy making concerning land, real estate, and natural resources.

Results achieved: The project is making good progress. In FBiH, harmonization has been initiated in an additional 29 Cadastral Municipalities (CMs), bringing the total number of CMs in which harmonization is ongoing to 52. In RS, a Real Estate Cadastre (REC) has been established in 46 CMs, and activities are ongoing in 140 CMs. This means that REC establishment and harmonization have been initiated in 49 percent of the 488 target CMs, and work has been completed in 9.5 percent of the target CMs, benefiting 112,572 owners. Vulnerability mapping has been completed in the political municipalities covering 70 CMs in FBiH and 150 CMs in RS. The contracts for the Public Awareness Campaigns were signed in FBiH and RS. In FBiH, 79.5 percent of the FGA’s customers declare that they are satisfied with the quality of real estate registration services. In RS, the Geodetic Authority expects the first customer satisfaction survey to be completed by mid-2016.

In RS, office acquisition and adaptation is progressing well, with six out of 17 offices purchased. In FBiH, the Geodetic Authority is also on track to renovate the 19 target offices and its headquarters.

Key Partners: The Bank team is working closely with the Administration for Geodetic and Real-Property Affairs of FBiH; Administration for Geodetic and Property Affairs of RS; and the entity-level ministries of justice.

**BOSNIA AND HERZEGOVINA: SUSTAINABLE FOREST AND LANDSCAPE MANAGEMENT PROJECT**

**Key Dates:**
- **Approved:** January 15, 2014
- **Effective:** June 9, 2014
- **Closing:** May 31, 2019

**Financing in million US Dollars:**

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**World Bank Disbursements, million US Dollars**

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<tr>
<td>Global Environment Facility</td>
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<td>1.78</td>
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*as of February 2016

**Note:** Disbursements may differ from financing due to exchange rate fluctuations.

Relative to the size of the country, the forest resources of BiH are among the richest in Europe in terms of their extent and variety. BiH has a total forest area of 3.2 million hectares, covering some 62 percent of the total land area, making it the most forested country in Europe. The rural population (estimated to be 2 million) considers the forests to be an important source of employment, energy (wood fuel for heating, largely from forest residues), and recreation. As BiH is a mountainous country, forests also have important watershed protection values, especially for the middle and lower Danube.

Some 17 percent of the forest areas are classified as low, degraded forests, while an additional 6 percent of the forest estate is classified as underutilized pasture land or bare landscapes. Improved forest management would allow BiH to take advantage of timber production values, providing income for local people while also protecting environmental values associated with watershed protection. Potential climate change hazards such as fires and pests threaten vulnerable forest lands and the economic opportunities they otherwise might provide; sustainable management reduces their vulnerability.

**The Project Development Objective** is to build the capacity of forest sector stakeholders and demonstrate approaches for sustainable forest and land management through the integrated management of vulnerable forest, scrub, and pasture landscapes.

**The Project** addresses key issues through support to: i) enhanced planning and monitoring for sustainable management; and, ii) the demonstration and replication of sustainable management techniques in vulnerable areas.

**Progress so far and expected results:** The implementation of several high-priority activities has been completed, while others are under way. Completed activities include procurement and installation of the equipment for the forest seedling nursery operation, reforestation on degraded and vulnerable lands on the national forest estate, works on firefighting roads, and procurement of firefighting vehicles and forestry equipment. In addition, works have been completed on the hunters lodge in Visegrad and almost completed on the tourist facilities in Kresovo. Ongoing efforts in both ministries will support forest monitoring and certification efforts that improve access to continental export markets. A total of 3,000 hectares of land are directly being addressed over the project’s lifetime, of which 1,100 hectares have been addressed so far. Cooperation with the Food and Agriculture Organization (FAO) prior to effectiveness has involved training in information systems suitable for carbon monitoring on the forest estate.

**Key Partners:** The Bank is working closely with: the Ministry of Agriculture, Water Management, and Forestry in FBiH; and the Ministry of Agriculture, Forestry and Water Management in RS.
The **Project Development Objective** of the Energy Efficiency Project for Bosnia and Herzegovina is to demonstrate the benefits of energy-efficiency improvements in public sector buildings and support the development of scalable energy-efficiency financing models.

The project has three components. The first component, energy-efficiency investments in public facilities, will support energy-efficiency investments (subprojects) in schools, hospitals, and clinic centers. This component will finance energy-efficiency upgrades as well as related technical consultancy services (for example, energy audits, technical and social monitoring and evaluation, technical designs, supervision, and subproject commissioning). The second component, support for the development of scalable financing mechanisms and capacity building, will support the development of sustainable energy-efficiency financing mechanisms in the public sector, strengthen implementation capacity, and help to increase public awareness on energy efficiency. The third component, project management, will ensure effective project management by the Project Implementing Units (PIUs) through financing additional experts, training PIU staff, and covering incremental operating costs.

The project became effective in May 2015, and the PIUs are now preparing the first set of building subprojects for implementation in 2016 (over 20 buildings) and starting the public awareness raising activities.

**Key Partners:** Ministry of Physical Planning of FBiH and Ministry of Physical Planning, Civil Engineering and Environment of RS.

**Key Development Partners:** The World Bank is cooperating with USAID, which is preparing detailed energy audits for several buildings likely to be included in the BEEP; the FBiH PIU is also cooperating with the Swedish and Swiss Embassies for additional support for subproject preparation activities.
**BOSNIA AND HERZEGOVINA: DRINA FLOOD PROTECTION PROJECT**

**Key Dates:**
- **Approved:** May 16, 2014
- **Effective:** May 21, 2015
- **Closing:** December 31, 2019

**Financing from all cofinanciers, million US Dollars:**

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**World Bank Disbursements, million US Dollars **:

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<tr>
<td>IDA</td>
<td>21.67</td>
<td>1.41</td>
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*as of March 2016

*Note: Disbursements may differ from financing due to exchange rate fluctuations.*

The **objective** of the Drina Flood Protection Project for BiH is to provide increased protection from flood events to agricultural and commercial interests and communities in the project areas.

There are two components to the project. The **first component** is flood protection works and support for the Bijeljina area. This component will fund design and civil engineering works and related investments in flood protection of the Bijeljina area, in the downstream flat plains of Drina near the confluence with the Sava River. This includes resources for the Agriculture Project Coordination Unit (APCU) at the RS Ministry of Agriculture, Forestry and Water Management (MoAFW), including staff for procurement and financial management (FM), as well as technical assistance as required for the supervision of works and contract management and the provision of administrative and coordination support to the RS Waters Institution in Bijeljina, which will support the project at the technical level.

The **second component** is flood protection works and support for the Gorazde area. This component will fund civil engineering works and related investments in flood protection in four clusters of works in the Bosnia Podrinje Canton (around Gorazde), in the Middle Drina. This includes resources for the Project Implementation Unit (PIU) at the FBiH Ministry of Agriculture, Water Management and Forestry (MoAWF), including staff for procurement and FM, as well as technical assistance as may be required for the supervision of works and contract management and the provision of administrative and coordination support to the Sava River Watershed Agency in Sarajevo, by which the project is technically supported.

**Expected results:**

i. avoided damages to agriculture production on land likely to suffer frequent floods;
ii. avoided damages to assets (private houses, apartment houses, industrial facilities, roads, electricity, schools, kindergartens, health facilities, and other public buildings);
iii. avoided losses to business due to uninterrupted production, provision of services, or communications, traffic disruption, etc.;
iv. avoided human health costs thanks to reduced pollution in the water supply systems, fewer water borne diseases, and decreased risks of the loss of human life;
v. increased recreation benefits, including tourism development;
vi. indirect economic development effects.

**Key Partners:** The Bank team is working closely with the Ministry of Finance and Treasury of BiH, RS Ministry of Agriculture, Forestry and Water Management, and FBiH Ministry of Agriculture, Water Management and Forestry.
RECENTLY CLOSED WORLD BANK PROJECTS
BOSNIA AND HERZEGOVINA: SOCIAL SAFETY NETS AND EMPLOYMENT SUPPORT PROJECT

Key Dates:
Approved: February 25, 2010
Effective: October 7, 2010
Closing: October 31, 2015

Financing from all cofinanciers, million US Dollars:

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World Bank Disbursements, million US Dollars *:

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<tr>
<td>15.00</td>
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</tbody>
</table>

*as of September 2015
** US$ 0.5 million of the credit was cancelled

Note: Disbursements may differ from financing due to exchange rate fluctuations.

The Social Safety Net and Employment Support Project (SSNESP) aimed to improve the efficiency of social spending, quality of social services, and efficiency of active labor market programs. It supported ongoing reform in the social protection sector in the country through technical assistance on improving the targeting methodology in social assistance and strengthening the institutional capacity to implement the targeting of social benefits.

The Project Development Objectives were to: (i) support noncontributory cash transfers in reaching the eligible poor and disabled; (ii) improve the efficiency and transparency of benefits administration; and (iii) support job brokerage services for those active job seekers who become ineligible to receive cash transfers or who are vulnerable (e.g., poor, disabled but able to work, hard-to-serve, demobilized soldiers, etc.).

Results achieved: The project provided technical assistance on improving targeting methodologies for noncontributory cash benefits. Different targeting options were considered and analyzed in both entities. Proxy Means Testing, as the proposed new model for targeting social protection benefits, has been included in the amendments to the social protection legislation in FBiH, and is planned to be included in the revision of social protection legislation in 2015–16 in RS. A total of 40 social welfare centers were rehabilitated (35 in FBiH and five in RS). The upgrading of the SOTAC management information system used by the social welfare centers was finalized in both entities. The upgrade of management information systems used for veteran benefits is also being finalized in both entities. Strong progress was made on delivering job-brokerage services to the most vulnerable active job seekers. About 11,245 unemployed persons have received job brokerage support under the project (7,417 in FBiH and 3,828 in RS). Outcomes in terms of employment status after service provision are positive. In FBiH, 64 percent of beneficiaries were employed six months after the employment services contract had expired, while 55 percent were employed 12 and even 18 months after the contract had expired. 44 percent of beneficiaries in FBiH are women. In RS, 54 percent remained employed both six and 12 months after the end of the contract for training, self-employment, and employment with employers. 52 percent of beneficiaries in RS are women.

Key Partners: The World Bank team worked closely with the FBiH Ministry of Labor and Social Policy; the RS Ministry of Health and Social Welfare; the RS Ministry of Labor and Veteran-Disability Protection; and the Public Employment Funds in the two entities.

Key Development Partners: Close coordination was established with the EC and the United Nations Children’s Fund (UNICEF).
BOSNIA AND HERZEGOVINA: NERETVA AND TREBISNICA MANAGEMENT PROJECT

Key Dates:
Approved: May 29, 2008
Effective: March 6, 2009
Closing: June 30, 2015

Financing from all cofinanciers, million US Dollars:

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<td>EC</td>
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World Bank Disbursements, million US Dollars *:

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<td>Global Env. Facility (HR)</td>
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</table>

*as of January 2015

Note: Disbursements may differ from financing due to exchange rate fluctuations.

BiH and Croatia identified the need for improved water resources management and biodiversity conservation as key environmental issues in their National Environmental Action Plans. The water resources of the Neretva and Trebisnjica river basins (NTRB), and the ecosystems dependent on them, play an important part in the economies of both countries and the livelihoods of over 430,000 people living in the area. Taken together, these two rivers comprise most of the Adriatic watershed of BiH and Croatia, and both are crucial to energy production, recreation, fisheries, drinking water, and irrigation. They carry the (generally untreated) wastewater of the municipalities and many industries into the basins. The approach to improving the water resources management and biodiversity of the NTRB called for a joint effort of the two countries, resulting in the regional transboundary project, the “Neretva and Trebisnjica Management Project (NTMP),” supported by the Global Environment Facility (GEF) through a US$8 million grant, out of which US$6 million was granted to BiH and US$2 million to Croatia. In addition, the EC provided a US$2 million IPA grant for the rehabilitation and construction of sewerage in Ljubuski, BiH. The Croatia GEF grant closed on December 31, 2014, and the BiH grant closed on June 30, 2015.

The project aimed to provide a mechanism for promoting efficient and equitable water allocation among the users of the NTRB at the transboundary level and for enhancing the basin ecosystem and biodiversity through improved water resources management, including: (i) improved transboundary water resource management; (ii) enhanced management and use of wetland ecosystems and biodiversity; (iii) high-priority investments for water pollution and two industrial sector investments; and iv) public participation and management of project implementation.

Key results achieved: BiH and Croatia have been cooperating effectively and regularly holding joint bilateral meetings. Rehabilitation of the wastewater treatment plant in Trebinje and Ljubuski was completed, as was the EC-financed sewerage system in Ljubuski. The new advanced treatment plant in Bileca could become a best practice showcase for municipal wastewater treatment. The newly constructed wastewater treatment plant in Konjic will start its trial work as soon as the EIB-financed sewerage system is connected to it. The wastewater treatment plant of the visitors’ center of Nature Park Hutovo Blato in BiH and the construction works for the reception center and 6-kilometer long hike and bike trail at the Bacina Lakes in Croatia have also been completed. The preparation of the River Basin Management Plan for Croatia, FBiH, and RS and the Framework for Neretva and Trebisnjica River Basin Management have been completed and adopted. The Minimal Environmental Flow study and the Optimization of Hydropower Plants Work study have also been completed. The construction of the water-efficient irrigation pilot in Glog in the Croatian Delta was unfortunately dropped due to the inability to obtain a construction permit in time. As a replacement, the water monitoring system has been strengthened by online monitoring of water quantity and quality data, including ground waters (salinity, flows, etc.). By the end of the project, the following results will be achieved: reduction of nutrients and other pollution from municipal sources in the selected municipalities in the basin; improved maintenance of environmental flows; and improved ecosystem health and biodiversity in the basin.

Key Partners: The Ministry of Agriculture, Water Management and Forestry in FBiH and the Ministry of Agriculture, Forestry and Water Management in RS, under the coordination of the Ministry of Foreign Trade and Economic Relations of BiH; the five participating municipalities in BiH; and in Croatia, the Ministry of Agriculture through Croatian Waters (HV). Key donors: The EC and the Governments of Spain and the Netherlands.
The World Bank
Country Office in Bosnia and Herzegovina
Fra Andela Zvizdovića 1/B-17
71 000 Sarajevo, Bosnia and Herzegovina
Tel: (387-33) 251 500 Fax: (387-33) 226 945

http://www.worldbank.org