Bosnia and Herzegovina: From Post-Conflict Reconstruction to EU Integration

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

SYNOPSIS

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

Challenge

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

Approach

A leader in post-conflict reconstruction. During the period of intensive post-conflict reconstruction (1996-2002), the Bank supported 45 projects (financed mostly by IDA credits) and committed over US$ 1.02 billion to help the reconstruction and development of virtually every segment of the war-torn country, including support for the first generation of reforms. Overall, this represented one of the highest-ever allocations of IDA resources on a per capita basis. A review carried out by the Operations Evaluation Department (OED, an independent unit within the World Bank) in 2004 found the BH reconstruction program to be an example of “the Bank at its best.”

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

Results

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

- Reconstructing the old bridge in Mostar, which brought tourists back to the city whose famous bridge and old town were destroyed during the war: number of tourist visits has increased from 300,000 in 2004 to over a million in 2011.
- The construction and reconstruction of forest roads and the planting of 550 hectares of trees.
Training health care professionals and equipping medical centers and hospitals with supplies.

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

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

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

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

Results under the FY08-11 Country Partnership Strategy include:

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

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

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

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

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

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

Bank Contribution

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

Partners

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

Moving Forward

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

Link to Key Related Sites

- The web site of the World Bank Office in Bosnia and Herzegovina: http://www.worldbank.ba offers in-depth information on all projects and programs in the country
- Country Program Snapshot (PDF) - link
- World Development Report 2012: Gender Equality and Development
- World Bank and Education
- World Bank and Health, Nutrition, and Population
- World Bank and Social Protection and Labor
- World Bank and Gender

Link to Partner Websites

- Council of Ministers of Bosnia and Herzegovina: http://www.vijeceministara.gov.ba
- BH Ministry of Finance and Treasury: http://www.trezorbih.gov.ba
- Government of Federation of BH: http://www.fbihvlada.gov.ba
- FBH Ministry of Finance: http://www.fmf.gov.ba
- Government of Republika Srpska: http://www.vladars.net
- RS Ministry of Finance: http://www.vladars.net
- Delegation of the European Union to BH: http://www.europa.ba

Multimedia

- BH CPS 2012-2015: On the Road to Economic Prosperity (multimedia package) - link
- 15 Years of the World Bank in Bosnia and Herzegovina (video, brochure) - link
- Better Living Conditions through Improved Urban Services (multimedia package) - link
- Treating Wastewater in Bosnia and Herzegovina (multimedia package) - link
- Helping Bosnia and Herzegovina’s Businesses Weather the Financial Crisis (multimedia package) - link
- A Cleaner Power Grid in Bosnia and Herzegovina (multimedia package) - link
- Easier Land Registration in Bosnia and Herzegovina (multimedia package) - link
- Bosnia and Herzegovina: Introduction to Family Medicine (multimedia package) - link
- Improving Land Tenure Security and Registration of Property Rights System (multimedia package) - link