

High Representative Announces International Community's Response to Special Auditor's Report on Elektroprivreda Sarajevo

The running of Elektroprivreda Sarajevo has been "infused with the second-rate practices that have prevented companies in BiH – especially large publicly-owned companies – from delivering services to citizens in an efficient and competitive way," High Representative Paddy Ashdown told journalists in Sarajevo on Thursday.

The High Representative was joined at a press conference by US Ambassador Clifford Bond, Deputy Head of the OSCE's Mission in BiH Henry Zipper de Fabiani, EC Head of Operations Artur Runge-Metzger, Joe Ingram of the World Bank and Principal Deputy High Representative Donald Hays.

Ambassador Hays laid out the principal finding of the Special Auditor's report into JP Elektroprivreda Sarajevo. While there were glaring inefficiencies in the way the company has been run, Ambassador Hays noted that distribution losses have been controlled and are currently within international norms. "Furthermore Management has improved collections so that they are considerably better than the other two electricity companies in BiH," he added. Ambassador Hays concluded that the current Elektroprivreda Sarajevo management "has improved the situation significantly during the last 18 months."

The Special Auditor's report, however, found that

- Elektroprivreda Sarajevo's income would rise by at least

50 million KM per year if it resolved endemic inefficiencies.

- The usefulness of the company's new headquarters building in Sarajevo, which has already cost 15 million KM, and will cost another 12 to 15 million KM to complete, is questionable.
- Elektroprivreda's efforts, supervised by former General Manager Edhem Bicakcic, to acquire or launch new companies to employ workers who may be laid off during restructuring do not appear to be based on sound commercial practice.
- Another former general manager, Meho Obradovic, is alleged to have funded FC Sarajevo through loans – worth around 1 million KM in 2000, and benefited from an irregular housing loan from Elektroprivreda Sarajevo.

"The most serious cases of wrongdoing must now be investigated by the police, while Elektroprivreda's management, in partnership with the Federation government, must now tackle the malaise in the company so that it starts serving citizens to its maximum potential," the High Representative said.

He said he had issued a Decision banning Edhem Bicakcic from holding any public office and any employed or advisory role in any public company. He also announced that he had written to Prime Minister Hadzipasic and Finance Minister Vrankic asking them to instruct Elektroprivreda Sarajevo General Manager Enver Kreso and the Board to report to the Federation Government at the end of 90 days on the extent to which corrective measures have been implemented. These measures should include

- Enforcing tendering practices over all purchases;
- Implementing strict controls over electricity sales;
- Reviewing all sales agreements for excess power generation to determine whether such contracts were properly awarded, how the pricing structure was determined and to determine what if any action should be

taken based on those findings;

- Implementing measures that would ensure more credible supervision of meter readers; and
- Removing the security guards currently employed by EP Sarajevo and posted at the Mostar Hydro Plant, a plant owned by Elektroprivreda Mostar.

The High Representative said he had also called on the Federation Government to:

- Freeze and review the diversification policy with a view to the economic consequences of purchases made under this policy.
- Require the management board and the General Manager to establish a business plan including all investment and staffing issues to be approved by the Ministry and publicly disclosed.
- Establish a taskforce involving all relevant law enforcement bodies to investigate all potential malfeasance and criminal activities in a coordinated way. (Pending investigation, individuals who appear to be involved in mismanagement and or criminality should be suspended).

“This report completes the Special Auditor’s review of the BiH Elektroprivredas,” the High Representative said. “A common thread running through these reports has been the scandalous ease with which the interests of citizens have been subordinated to the interests of a small club of insiders – that used to be the way things were done in this country. It’s not the modern European way. If BiH is going to integrate in European economic structures, we need a fundamental change of corporate culture – and I believe these reports will begin that change.”