

Public Losing Patience Over Slow Pace of Clean-up at RS Elektroprivreda

The International Community is committed to assisting the RS Government in whatever way possible in order to facilitate its efforts to address the chronic mismanagement at Elektroprivreda RS (EPRS), Principal Deputy High Representative Donald Hays said on Monday. Ambassador Hays was speaking after a meeting in Dobož on Sunday with RS Prime Minister Dragan Mikerević to discuss measures being taken by the RS government to tackle deep-seated corruption at EPRS.

A culture of fraud and mismanagement has developed in that corporation the scope of which has only recently been revealed by the report issued by the Special Auditor at the end of February. The Special Auditor recommended specific steps that should be taken immediately in order to address the worst instances of mismanagement. In the wake of the report several senior managers were either removed or dismissed as a result of their involvement in the mismanagement of the company.

However, while effective remedial steps have been taken by the management of Elektroprivreda Mostar (HZHB) and Elektroprivreda BiH Sarajevo, with good effect, the response of the EPRS management has been less satisfactory and the extent of the damage of much greater concern. Elektroprivreda BiH has assigned individual managers to implement specific tasks in an action plan aimed at correcting shortcomings uncovered in the Special Auditor's report. HZHB has significantly increased the efficiency of its revenue collection – one of the principal problem areas identified in the report. While more improvement is needed, the management of both firms have shown that they are serious about tackling

the problem.

So far, this has not been the case with EPRS. "There has been a failure on the part of the EPRS management and on the part of some RS politicians to understand the seriousness of the situation," Ambassador Hays said. "Millions of KM worth of public money has been lost to criminals because politicians and EPRS managers either colluded in the theft or failed to take effective action to stop it. I believe the public has lost patience and is demanding action now! The message from citizens is clear – stop stealing our money. The RS government and the provisional management of ERS have a real challenge, they must demonstrate, quickly and effectively, that they are serious about implementing the Special Auditors' recommendations and ending the theft at ERS. We have raised our concerns with the government that despite encouraging statements, since the release of the audit report, a number of individuals charged with fraud and corruption remain employed by EPRS, tender procedures continue to be violated, management of the collection function is still dubious, and no improvements have been made in financial and cash controls."

Ambassador Hays called on the RS Government to ensure that individuals identified in the Special Auditors' report and by the government as having been responsible for the most egregious mismanagement failures at EPRS be removed immediately and completely from the company. The company must also demonstrate that it is systematically improving – not diminishing, as is the case at present – its revenue-collection capacity. In addition, EPRS must suspend the costly and unsound development projects cited in the Special Auditors' report, which stand to lose RS tax payers millions of KM.

Ambassador Hays said that at his meeting in Dobož with Prime Minister Mikerevic, Interior Minister Zoran Djeric, Energy Minister Milan Bogicevic and Acting ERS General Manager Pantelija Dakic he had emphasised that the International

Community will make available whatever assistance the RS authorities require in order to implement the Special Auditor's recommendations, as long as they are serious. He said the IC could provide help, but that ultimately this was the government's responsibility and a significant test of its effectiveness and commitment in serving the citizens.

"The IC is committed to helping the Entity governments clean up the corporate governance structure of public corporations," Ambassador Hays said. "That process has begun with the Elektroprivredas, but it is likely that the conditions that have been revealed there are replicated in other public corporations. The Entity governments have to act – transparently and decisively – in order to stop criminals stealing money from public companies. We expect the RS government and the new management team in the Elektroprivreda immediately to correct revenue collection, bring contracting procedures in line with existing legislation, remove all those involved in either degrading the operational capability of the company or actively undermining its financial wellbeing, and finally we expect a full and complete accounting for the actions taken in line with our letter to the Prime Minister and the subsequent RS government decision by the end of this month."