

# **Public Private Partnership (PPP) - Challenges and Opportunities for BiH**

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## Glossary

BAM	Bosnia and Herzegovina Convertible Mark
BD	Brcko District
BiH	Bosnia and Herzegovina
BOT	Built Operate Transfer
BPR	Business Process Reengineering
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECE	Economic Commission for Europe
EIB	European Investment Bank
EPEC	European PPP Expertise Centre
EU	European Union
FBiH	Federation of BiH
FGP	Family Group Practices
FGPA	Family Group Practice Associations
GDP	Gross domestic product
IFI CO	IFI Coordination Office
IMF	International Monetary Fund
LED	Local Economic Development
NGO	Nongovernmental Organisation
OECD	Organisation for Economic Co-operation and Development
PARCO	Public Administration Reform Coordinator's Office
PFM	Public Financial Management
PIFC	Public Internal Financial Control
PPP	Public Private Partnership
RCC	Regional Cooperation Council
RESPA	Regional School of Public Administration
RS	Republika Srpska
SEE	South East Europe
SIGMA	Support for Improvement in Governance and Management
SME	Small and Medium Enterprises
ToS	Team of Specialists
UN	United Nations
WBIF	Western Balkans Investment Framework

# 1. Introduction and Background

## 1.1. Introduction to Public Private Partnership (PPP)

There is no common definition shared internationally for PPPs. This reflects the broad application of this formula across many different sectors, the great diversity of risk sharing arrangements between the public and private parties, as well as the varying degrees to which the public and private sectors contribute financial resources directly or indirectly.

However, it is widely recognised that PPPs should generally involve the following basic elements:

- ✓ A long-term contractual arrangement between the public sector and a private entity, whereby the latter commits to delivering a predetermined quantity and quality of infrastructure and associated services;
- ✓ The private sector contributes some level of risk capital (equity) and some level of private financing is involved in the funding of the PPP;
- ✓ For having built and for delivering the services, the private partner receives a stream of payments either from direct user charges (e.g. tolls, fares, water charges, etc.) or from the government (e.g. availability payments, revenue guarantees), or some combination of both;
- ✓ The contract embodies a whole-of-life approach, which involves design, construction, operation, maintenance and transfer; and
- ✓ There is some form of risk sharing between the public and private partners.<sup>1</sup>

As explained by the European Bank for Reconstruction and Development (EBRD)<sup>2</sup>, there are four basic reasons why PPPs have developed world wide as a project delivery mechanism and why more specifically the Western Balkan countries, including Bosnia and Herzegovina (BiH) may wish to pursue PPPs at both the national and sub-national levels:

- ✓ Fiscal space is limited: fiscal constraints inhibit the ability of governments to finance, either out of fiscal revenue or out of borrowings, the amounts required to build the needed infrastructure; therefore governments are looking for private partners capable of raising the required amounts (please refer to section 2 regarding BiH fiscal space issues)
- ✓ Infrastructure suffers from a classic 'time-inconsistency' problem: it has very high up-front fixed costs, long asset lives and low marginal costs following construction completion; therefore a long term commitment between a public and a private partner is needed to amortize the sunk costs;
- ✓ There is an assumption and substantial evidence that the private sector can achieve efficiency gains, above and beyond what a comparable public sector agency can achieve; and
- ✓ Certain risks can be managed better by the private sector; overall, PPPs are expected to provide better value for money and better services for citizens.

The latter two are of a particular relevance for BiH. Linked to this and of particular importance for BiH is the fact that mutual trust between private and public sector is not yet developed in BiH and this is something that needs to be overcome without delay.

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<sup>1</sup> IFI CO paper: *Potential for Promoting PPPs under the WBIF Report for Task Force on Evolution of the WBIF* presented at the WBIF Task Force in March 2014 and distributed to the countries and the Regional Cooperation Council.

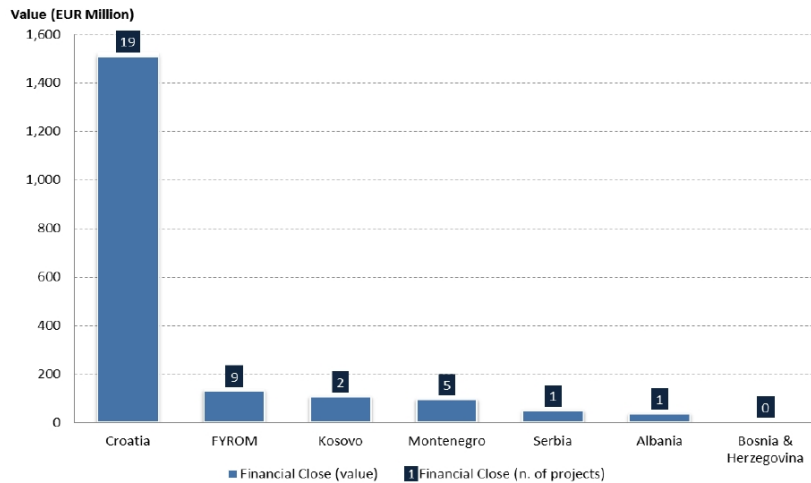
<sup>2</sup> Mathew Jordan-Tank, Draft Policy Note on Infrastructure PPPs: Incorporating Lessons Learned for the EBRD Region, 2013  
[http://www3.weforum.org/docs/WEF\\_AcceleratingInfrastructureDelivery\\_2014.pdf](http://www3.weforum.org/docs/WEF_AcceleratingInfrastructureDelivery_2014.pdf)

## 1.2. Background - Why is it important to promote and emphasise use of PPP in BiH?

### 1.2.1. *BiH Is lagging behind all the countries in the region*

Latest findings indicate that PPPs realistically can target between 5 - 10% of the overall public investment needs in the Western Balkans.<sup>3</sup> While other countries in the region have closed a number of PPP projects in the last 15 years, BiH is the only country not to close successfully a single project.

Figure 1: Western Balkans PPP market 1998-2013; number and aggregate value of closed projects by country

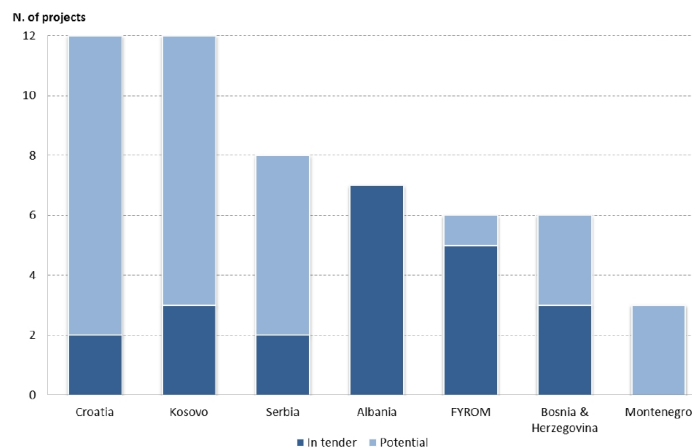


Source: EPEC - PPP Legal and Institutional Frameworks in the Western Balkans

Therefore, PPP agenda needs to be promoted and pushed in BiH, as well as the importance of effective working and cooperation between private and public sector, to capitalise on its potential for future projects, but also to expedite the existing projects.

### 1.2.2. *BiH demonstrates very weak capacity to implement PPP projects*

Figure 2: Western Balkans PPP projects in tender and potential future projects by country



Source: EPEC - PPP Legal and Institutional Frameworks in the Western Balkans

More specifically, in an important PPP sector, the transport sector, in BiH there has not been a single substantive PPP or concession project (projects are mainly funded by loans) In the energy sector in BiH, there are 10% concession projects, while health sector projects are kept secret.<sup>4</sup>

<sup>3</sup> [www.wbif.eu](http://www.wbif.eu)

<sup>4</sup> Mr Milomir Amovic, BiH Commission for Concessions, March 2013 WBIF Workshop on PPP Institutional Structures.

It is important to emphasise that the entire region is characterised by a high PPP mortality rate during the preparation and tender phases (the regional average is estimated at around 50%). This seems to result from a tendency to launch the procurement process for projects that are not mature enough or have been poorly prepared. Both are a direct result of lack of capacity.<sup>5</sup> More specifically, in BiH, a construction of hydropower plants PPPs were cancelled during the late stages of tender process or after contract signature as a result of failing to raise financing.

Having recognised the above as a serious problem, the European PPP Expertise Centre (EPEC)<sup>6</sup> has most recently (December 2014), presented a preparation status assessment tool that can be used for a broad range of projects, by reference to a typical good-practices PPP project development process (i.e. *EPEC Guide to Guidance*). The tool should spot potential areas of weakness and address the early enough in the process and develop a structured approach to PPP preparation. It is expected that the effective usage of the tool will revert the above statistics.<sup>7</sup> BiH should seek to use this tool for all its future PPPs.

### 1.1.3 Limited Fiscal Space

Please see section 2.

## 1.3. Purpose of Report

The purpose of this paper is to highlight the Importance of PPP as a financing tool that also fosters better relationship between public and private sector in BiH.

It will do so by demonstrating that PPP can indeed be an important tool for governments in BiH to mobilise public infrastructure, as well as small-scale sub national PPP projects within limited fiscal space. This in turn will boost economic activity and development in BiH.

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<sup>5</sup> Conclusions from the first meeting of regional PPP network. Regional School of Public Admiration (RESPA) has in cooperation with the Regional Cooperation Council (RCC) set up a regional PPP network to build region's capacity in PPP. The meeting took place in Jun 2014. For more details and outputs, please refer to <http://www.respaweb.eu/0/events/23/first-ppp-network-meeting-capacity-building-on-public-private-partnership-in-the-western-balkan-countries>

<sup>6</sup> For more details of EPEC see box under 3.1.

<sup>7</sup> 11<sup>th</sup> WBIF Steering Committee, Luxembourg December 9, 2014, and Presentation by EPEC: *Private Sector Participation in Infrastructure Financing in the Western Balkans*.

## 2. Brief Overview of Macroeconomic and Fiscal Trends in BiH

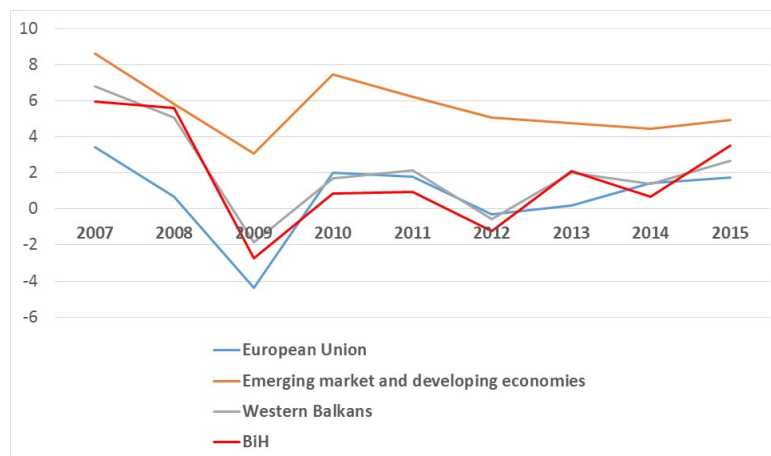
The macroeconomic environment for the whole region of the Western Balkans is driven by their interlinkages with the European Union (EU) (with around 60% of total SEE 2020 trade volume going to the EU), foreign capital inflows, and remittances. Furthermore, interlinkages within the South East Europe (SEE) region are also an important factor (with almost 20% of the total SEE 2020 trade volume being exchanged among the countries).

While, on average, the general global group of emerging market and developing economies continuously shows significantly higher growth (and thus faster convergence to developed countries), the Western Balkans region (Albania, **BiH**, Croatia, Kosovo, The former Yugoslav Republic of Macedonia, Montenegro, and Serbia) area more closely follows the EU growth pattern, as shown in Figure 3.

Thus, after a steady 5-6% annual growth average in the pre-crisis period, the Western Balkans region saw a sharp contraction when GDP fell by 2% in 2009. This was reflected in a fall in consumer confidence, declining exports and foreign investments, strained labour markets and higher unemployment, and a reduced fiscal space for public investment and service delivery.

The 2010-2013 periods saw a slow recovery, with only 1% average annual growth.

Figure 3: Real GDP Growth by Country Groups (in annual % change)

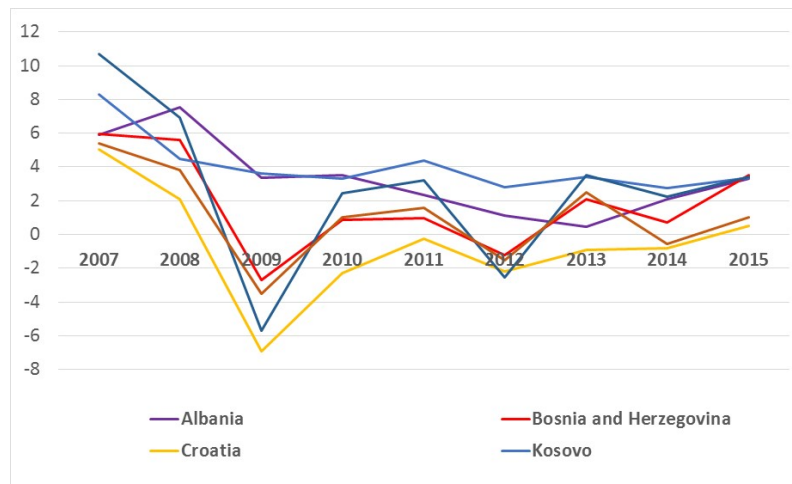


Source: IMF, World Economic Outlook (October 2014)

Within the Western Balkans region, an economy-by-economy comparison of the growth dynamics (Figure 4) shows that those economies, which are more externally open (in terms of foreign capital inflows) and which have a comparatively higher GDP per capita (thus a higher base), predictably displayed a starker economic contraction in 2008-2009.



Figure 4: Real GDP Growth in Western Balkans (in annual % change)



Source: IMF, World Economic Outlook (October 2014)

One of the regional countries with the highest pre-crisis growth, BiH was one of the country's most affected by the crisis, due to dependence on exports and foreign capital inflow from the European Union, but also due to important internal weaknesses in the economy.

With growth of almost 6% in 2007-2008, BiH saw sharp GDP decrease of almost 3% in 2009. The modest growth of below 1% annually in 2010-2011 was followed by another GDP contraction of over 1% in 2012, partially due to the eurozone sovereign debt crisis in 2012.

Fragile recovery in 2013 (with strengthened exports and industrial growth) was again stopped in 2014 with the May floods, which were estimated (by the EU, United Nations (UN), the World Bank (WB) and the Council of Ministers of BiH) to have caused almost losses and damages of around 15% of GDP stock (losses of 5.6% of GDP and damages of 9.3% of GDP<sup>8</sup>).

Consequently, the 2014 BiH real GDP was at the 2008 level, implying that the 2009-2014 was entirely lost period in terms of growth for BiH.

This poor economic growth performance coupled with the fact that BiH GDP per capita (in purchasing power standards) is the second lowest in the region (at around 10,000 USD in 2015, only Kosovo has lower per capita GDP), implies that BiH has seen the slowest convergence in the region.

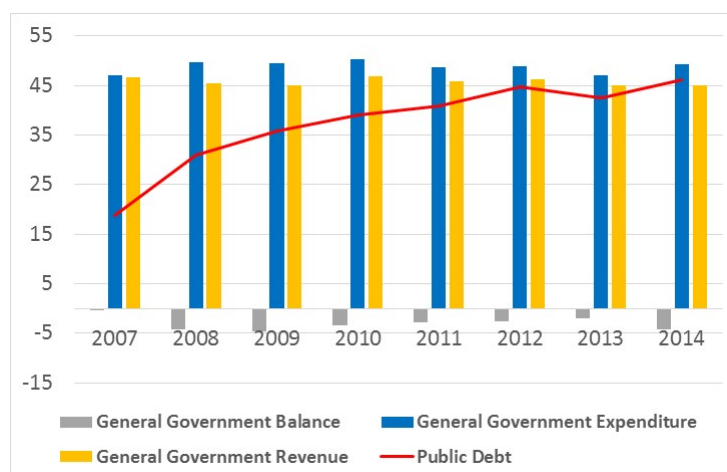
Unemployment has also been particularly high in BiH, constantly increasing since 2008 from 23.4% (as measured by the Labour Force Survey) to 28% in 2012 and dropping only slightly to 27.5% in 2013 and 2014. Strong structural reforms are needed to address the long-lasting labour market weaknesses, including the rigid institutional set-up and low flexibility of labour markets, the continuing sub-optimal investment climate, as well as labour cost factors. The reduction in GDP growth rates also affected the government's fiscal positions, which deteriorated from broad fiscal balance prior to the crisis to deficit of almost 5% in 2009. The 2014 deficit was again high at over 4% of GDP (partially due to election-spurred expenditure).

The general government sector in BiH is the largest in the region at almost 50% of GDP (Figure 5) and is also very large globally when compared to countries with similar income levels. Pre-crisis fiscal policies (following sharp revenue increase due to increased taxation coverage resulting from the indirect taxation reform and due to strong economic growth reflecting mostly favourable external environment) were extremely expansionary, mostly through increases in wage bill and social transfers, rather through much needed capital investment.

<sup>8</sup> [http://ec.europa.eu/enlargement/pdf/press\\_corner/floods/procjena-potreba-za-oporavkom-i-obnovom-sazetak-u-eur.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/floods/procjena-potreba-za-oporavkom-i-obnovom-sazetak-u-eur.pdf)

In 2009-2013, some expenditure was cut, however mostly through one-off cuts in discretionary spending and capital investment, rather than through the structural reform measures, which would improve quality of public finances and ensure long-term savings and fiscal sustainability. Furthermore, total expenditure in 2014 is broadly at the same level as in 2008-2010 as expressed in % of GDP (over 49% of GDP).

Figure 5: General Government Sector in BiH (in % GDP)



Source: International Monetary Fund (IMF), World Economic Outlook (October 2014)

At the same time, public debt increased significantly from below 20% in the pre-crisis period to 46% of GDP. While some increase in loans for capital investment has been seen recently, the most of this public debt increases came from general budget support loans - including foreign loans for budget support (mostly from the IMF), as well internal debt through treasury bonds, also used for general budget support.

In addition to this general worrying trend of explosive debt increases, other reasons for taking the current level of public debt in BiH with caution are still remaining high infrastructure needs, as well as underestimation of the internal debt due to the fact that restitution is not included while additional debt may come from government guaranteed enterprise debt. Thus, further debt considerations should be taken with care, with a focus on capital investment and structural reform financing needs. These concerns about the increasing public debt level and high general government sector which leaves no space for raising additional revenues (given already extremely high taxation level) indicate that BiH does not have fiscal space for much needed public investment (total investment in BiH is the lowest in the region).

**Thus, it may be useful to consider expansion of the limited fiscal space in BiH by carefully mobilising private capital for investment, primarily through PPP model.**

In sum, an overall macroeconomic review confirms the need for BiH to implement growth-enhancing reforms. Some of the major internal economic weaknesses which need to finally be addressed include feeble investments; a sub-optimal business environment and poor trade competitiveness; growing public debt and wanting efficiency and effectiveness of the public sector; and significant structural weaknesses in the labour market.

### 3. Overview of the PPP in BiH

In all countries of the region aspiring to EU accession, including BiH, the will to comply with the EU legal framework on public procurement has led, or is about to lead to the adoption of competitive procedures as opposed to direct contract award without a formal and transparent procedure. This is an on going legal and institutional reform process. Below we outline the current PPP legal and institutional framework in BiH.

#### 3.1. Analysis of legal framework and administrative procedures PPP in BiH

N.B. EPEC<sup>9</sup> has been awarded a € 1 million project under the WBIF's sectoral studies window to assist the countries of the Western Balkans to strengthen their institutional capacities for PPP. Subsequently, it has carried out analyses of the existing legal and institutional PPP frameworks in the countries of the Region to assess their strengths and weaknesses for the effective delivery of PPP projects. Based on a series of fact-finding meetings with key PPP players in the Region, EPEC has prepared an overview report on the PPP-related legal and institutional arrangements in the Region.<sup>10</sup>

The overview contains some recommendations on how to further strengthen the ability of public bodies to implement PPPs. In addition to the overview covering all Western Balkans countries, four detailed country reports have been prepared. The specific country reports do not include BiH. The assessment and analysis contained in this section of the paper is based on the findings of the said report and elaborated further based on additional analysis, research, interviews and the fieldwork.

##### 3.1.1. Institutional system

In BiH, at the national level, the Council of Ministers is responsible for the decision on types, subjects and volumes of concessions to be granted. The decision of the Council of Ministers needs to be approved by the BiH Parliamentary Assembly.

At the sub-national level, the role of two federal PPP Units is complemented by the activities of line ministries and the Ministry of Finance.

In Republika Srpska (RS), line ministries evaluate feasibility studies prepared by procuring authorities and approve contracts before signature (for projects in their domain). In addition to the PPP Unit of Federation of BiH (FBiH), feasibility studies are assessed and contracts are approved by the Ministry of Finance.

<sup>9</sup> EPEC <http://www.eib.org/epec/about/index.htm> was established as a joint initiative of the EIB, the EC and the EU member states and candidate countries. The EPEC's tasks are to help strengthen the capacity of the public sector to enter into PPPs, sharing experience and expertise, analysis and best practice in the PPP area. Most recently EPEC extended its activities to the Western Balkans through the *PPP Institutional Strengthening in the Western Balkans* assignment. EPEC has helped the countries of the Region in their efforts to harmonise their institutional structures and go forward with their PPP programming and PPP project readiness assessment to procure and deliver projects (improvement of a PPP project pipeline).

<sup>10</sup> European PPP Expertise Centre - PPP Legal and Institutional Frameworks in the Western Balkans.

### 3.1.2. Legal framework

Table 1: Overview of primary PPP legislation in BiH

Country	PPP Law	Link	Entry into force	Coverage	PPP Unit	Contract duration	Institutional PPPs	
BiH <sup>11</sup>	BiH	Law on Concessions of BiH	<a href="#">link</a>	2002	User-pay	Yes-Commission for Concessions BiH	Up to 30 years	NO
	RS	Law on PPPs	<a href="#">link</a>	2009	Authority-pay	Yes-a department within MoF	Not defined	YES
	FBiH	PPP Act	N/A	2014	Authority-pay User-pay	Yes-Commission for Concessions BiH	Not defined	YES

Source: European PPP Expertise Centre - PPP Legal and Institutional Frameworks in the Western Balkans

The following key points should be noted:

- ✚ Due to the complex administrative system, the PPP legislation is a mixture set of state, entity and local authority-pay PPP laws complemented by national, federal and local concession laws;
- ✚ BiH has not yet adopted a specific authority-pay PPP law at the national level. The law governing user-pay PPPs (concessions) is the Law on Concessions of BiH;
- ✚ The two entities have adopted separate PPP laws. RS adopted a Law on PPP of the RS<sup>12</sup> and the FBiH adopted a PPP Act of the FBiH. Aside from the two entities, the Brcko District (BD) adopted a PPP law in 2010;
- ✚ At the local level three separate PPP laws have also been adopted (Sarajevo in 2011, Unsko-Sanski in 2012, Hercegovacko-Neretvanski in 2013);
- ✚ RS specific: Secondary regulations, which complement the PPP laws, have been adopted in the RS. These regulations typically go further in defining the process for the preparation and approval of PPP project proposals, how PPP contracts are registered and the responsibilities and procedures for the monitoring of contracts post-signature. New amendments to the existing law have also been proposed and the following law has been passed Law on Amendments to the Law on Public Partnership in the RS (Official Gazette of the RS, number 63/11)<sup>13</sup>. Proposed amendments to the Law aim to make the procedures in closing PPP projects simpler and shorter. The Government of the RS, at its meeting held on 14 June 2012, adopted Regulation Amending the Regulation on the Procedure of Implementation of PPP Projects in the RS<sup>14</sup>.

<sup>12</sup> Issues within the field of PPP, such as subject, principles, methods, forms and conditions under which a PPP can be achieved as a way of joining resources, capital and expert know-how for the purpose of construction, repair, and maintenance of infrastructure, are regulated by The Law on PPP in the RS (*RS Official Gazette*, number 59/09), while the procedures in the realization of projects of PPP are regulated by Regulation of PPP Procedures in the RS (*RS Official Gazette*, number 104/09);

<sup>13</sup> <http://www.investsrpska.net/files/Zakon%20o%20JPP%20i%20Zakon%20o%20izmjenama%20Zakona%20o%20JPP%20ENGLISH.pdf>

<sup>14</sup> For more information on public-private partnership in the Republic of Srpska, please refer to:

<http://www.investsrpska.net/index.aspx?PageID=411&menuID=383&langid=1>

In addition, PPP laws often make reference to the overarching public procurement legislation, as this also regulates the award of PPP contracts. An overview of the procurement laws regulating the award of PPP contracts in BiH is below:

Table 2: Procurement legislation in BiH

Country		Law regulating the contract award procedures	Link	Entry into force	Contract Type
BiH	BiH	Law on Concessions of BiH	<a href="#">link</a>	2002	User-pay
	RS	Law on PPPs	<a href="#">link</a>	2009	Authority-pay
		Concession Law	N/A	2013	User-pay
	FBiH	PPP Act	N/A	2014	Authority-pay User-pay
		Concession Law	N/A	2002	User-pay

Source: EPEC - PPP Legal and Institutional Frameworks in the Western Balkans

### 3.1.3. Administrative system

Like the legal framework, the institutional framework for PPPs in BiH reflects the complex administrative structure of the country with separate institutions at national and sub-national levels:

- ✓ At the national level, the Commission for Concessions of BiH performs its duties only in respect of concessions launched at the national level and for user-pay PPP projects;
- ✓ In the RS, the Department for Implementation of PPP Projects is responsible for the development of PPP policy and projects. The RS Commission for Concessions is responsible for concession policy; and
- ✓ In the FBiH, the Commission for Concessions of the FBiH is the body responsible for the development of PPP and concession policies and projects.

Table 3 sets out the PPP Units of BiH identifying their date of establishment and coverage.

Table3: Overview of PPP Units in BiH

Country		PPP Unit	Link	Entry into force	Staffing	Contract Types	Coverage
BiH	BiH	Commission for Concessions of BiH	<a href="#">link</a>	2005	16	User-pay	National
	RS	Department for Implementation of PPP Projects	<a href="#">link</a>	2009	4	Authority-pay	Sub-national
	FBiH	Commission for Concessions of FBiH	N/A	2007	7	Authority-pay, User-pay	Sub-national

Source: EPEC - PPP Legal and Institutional Frameworks in the Western Balkans

Table 4: Policy related functions of the PPP Units in BiH

Country		PPP policy development and support		Capacity building, knowledge sharing, general PPP promotion and communications			Intelligence/Monitoring of PPP Market
		Development of legislation (primary or secondary), policy or guidance on PPP	Development of standard contracts or standard contract provisions	Determine and share best practice (incl. internationally)	Promotion of PPPs (e.g. market awareness)	Provision of training	PPP database development and management
BiH	BiH	Commission for Concessions of BiH	N/A	Commission for Concessions BiH	Commission for Concessions BiH	N/A	Commission for Concessions BiH
	RS	Department for Implementation of PPP Projects	N/A	Department for Implementation of PPP Projects	Department for Implementation of PPP Projects	N/A	Department for Implementation of PPP Projects
	FBiH	Commission for Concessions	N/A	Commission for Concessions	Commission for Concessions	N/A	Commission for Concessions

Source: EPEC - PPP Legal and Institutional Frameworks in the Western Balkans

### 3.2. Pilot Specificities and Relevance

#### I. Bosnian Podrinje Canton and Novo Gorazde

By its nature, PPP legislation implies the cooperation between public and private sectors with synergy effects, which combine the resources of partners, all with the purpose of providing public services or public infrastructure development.

The Law on Public-Private Partnership was adopted by the Assembly of the Bosnian - Podrinje Canton Goražde in April 2013 (*Official Gazette of Bosnia-Podrinje Canton Goražde*, No. 5/13)<sup>15</sup>. The Law on PPP regulates the following: concept and subject-matter of PPP establishes goals and principles governing the PPP model, the approval of PPP projects in the areas that are the responsibility of the Canton and the municipalities within the Canton, the selection procedure of private partner, supervision of implementation of PPP projects, legal protection, rights and obligations of public and private partners and other issues of importance to PPP<sup>16</sup>. PPPs are regulated by the Law on Public-Private Partnership BPK Gorazde can be defined as a contractual relationship wherein the private partner assumes the responsibility for a part (or the whole) of any public office.

The Municipality of Goražde, has identified a number of projects that can be implemented by applying a model of public-private partnerships, related to municipal infrastructure projects in accordance with applicable legislation. For each project, documentation must be prepared pursuant to the relevant law, prior to inclusion on the list of projects for PPP, and then proceed in accordance with the applicable provisions of this stage of the implementation of projects through PPP. The process of selecting a private partner is carried out in accordance with the provisions of the Law on PPP, with the appropriate application of the Law on Public Procurement and the Concessions Act, depending on the area in which PPP projects are intended.

The amount of financial resources allocated from the public partner budget cannot exceed 1% of the total tax and non-tax revenues of the public partner's budget for the fiscal year in which the project is implemented.

<sup>15</sup> <http://www.bpkg.gov.ba/media/images/2011/07/novine-5-13.pdf>

<sup>16</sup> Article 1. PPP Law of BPK Goražde

Projects are intended to secure Sustainable Development Strategy for the Municipality of Goražde for the period 2012 - 2016<sup>17</sup>, and, prior to realisation, each of the projects is proposed for adoption by the Municipal Council. At the proposal of the Mayor of the Municipality the Municipal Council decides whether to approve projects proposed in the list of projects in case they meet public interest<sup>18</sup>. Below are some of on-going and planned projects of public-private partnerships in the Municipality of Goražde:

- ✓ Industrial zone *Vitkovići*, which works on the basis of PPP, e.g., *Prevent* company, which has the manufacturing facilities within this zone, and employs more than 1,000 production workers;
- ✓ Construction of residential buildings for young families with 38 residential units; and
- ✓ The construction of a sanitary landfill for municipal waste.

PPP in the municipality of Novo Goražde based on the concession PPP model includes the following projects:

- ✓ Construction of mini hydro-power plant *Ustiprača* on the *Prača* river, built by the *Hidroinvest* company from Rogatica;
- ✓ Construction of mini hydro-power plant *Bistrica* on the *Janjina* river, built by the *Bistrica* company from Foča; and
- ✓ Exploration and exploitation of the antimony ore in the *Potkozara* village, conducted by the *Mineco* company from Belgrade.

These projects are implemented on the basis of the Law on Concessions, where Novo Goražde had an active role in the issuance of necessary permits and concluding contracts with concessionaires.

*In the RS, concessions are regulated by the Law on Concessions<sup>19</sup> (Official Gazette of the RS, number 59/13). This Law provides a transparent, widely available, non-discriminatory, and clear legal framework, and determines the requirements that need to be fulfilled in order for domestic and foreign legal entities to be granted concessions the RS. For the purpose of granting concessions, the Commission for Concessions of the RS has been formed as a standing, independent regulatory legal body. All legal regulations, as well as additional information, are available on the web page of the Commission for Concessions of the RS<sup>20</sup>.*

Applying the model of contract-based and institutional PPP there are opportunities in the territory of the Municipality that require minor investment. These are:

- ✓ Purchase of the DC *Gradina* building owned by the Municipality. This building was built for the purpose of supplying the region with wholesale commodities. The size of the building is 6200 m<sup>2</sup>, with adjoining 12,000 m<sup>2</sup> of land that belongs to it. The building has all the necessary infrastructure and an adequate exit to the main road. Currently, the activities of finding an investor and putting the building into use are under way; and
- ✓ The *SOČA* complex is an underground facility built for military purpose with appr.15,000 m<sup>2</sup> of usable space, organised in 8 blocks that are mutually connected by horizontal communication. The blocks are actually 8-meter wide and 4-9,5 meter-high tunnels. The Feasibility Study for possible growing of champignons and shiitake mushrooms was developed.

In addition, the facility has the capabilities to other business activities - the possibility of establishing a PPP for municipal waste management through the establishment of a transfer station with recycling yard. This transfer station could be used as a regional center for waste management, since the municipality of Novo Goražde is the Center of Upper Drina region.

By establishing strong PPP activities, the Municipality of Novo Goražde could attract foreign investors, who will bring fresh capital necessary for the development of the region.

<sup>17</sup> [http://www.gorazde.ba/files/Strategija\\_Gorazde\\_final\\_local/index.html](http://www.gorazde.ba/files/Strategija_Gorazde_final_local/index.html)

<sup>18</sup> Armin Čavrk, USAID/SIDA GOLD Project Coordinator in Goražde Municipality

<sup>19</sup> [http://www.investsrpska.net/files/Law\\_on\\_Concessions.pdf](http://www.investsrpska.net/files/Law_on_Concessions.pdf)

<sup>20</sup> <http://koncesije-rs.org/eng/>

## II. PPP in Gradiška Municipality

The aforementioned Law on Public-Private Partnership of the RS<sup>21</sup> defines PPP as a form of cooperation between public and private sectors, realized by combining resources, capital and expertise. This cooperation objective is to ensure financing for building, repairs, reconstructions, management, or maintenance of infrastructure, as well as the provision of services and the building of facilities, in order to satisfy public needs.

In the Gradiška Municipality, this cooperation has been implemented in two projects since the Law was adopted. The first is the construction of the Sports and Business Center *Servitium*, which began in 2008, while the second is the reconstruction of the Municipal Heating Plant that began in 2013.

Unfortunately, only one of them has been successful. More specifically, the construction of the Sports and Business Center is still not completed, although 7 years have passed. All the works on this object are put on hold and its future depends on available funding. This case can be taken as a warning and a reminder that due attention should be paid to the choice of private partner and realistic project. In this case, the private partner has overestimated his financial abilities, which resulted in the current situation.

A positive example of PPP in Gradiška Municipality is the reconstruction of Municipal Heating Plant. Originally, this Heating Plant was built in 1982. According to available data, its services are used by 35% of households as well as by commercial and administrative objects in total urban area of 148.000 square meters. Overall efficiency of the plant measured as a produced/delivered energy ratio was about 60%, which well below the European standard of 80%. This is mainly due to the losses in the old and poorly functioning distribution network, and the problems with beneficiaries of the service who are not registered and do not pay any service fees. Also, a major problem in the plant was the high cost of the use of fuel oil for heating.

These are the major reasons why the total reconstruction and modernization of the heating plant was necessary and it was decided that a PPP model should be used for this purpose. A private company, Institute of Ecology and Energy Ltd. from Banja Luka took over the management of the plant from the Gradiška Municipality for a period of 15 years and, with it, the risks of operations and capacity maintenance for that same period.

The reconstruction was successfully completed, with one of the mayor changes being the transfer from fuel oil to biomass. In terms of energy, the biomass includes agricultural and industrial waste (wood industry, forestry, etc.). It is important to emphasize that these are domestic and renewable energy resources, which do not contribute to the greenhouse effect, which makes it an ideal replacement for the expensive and imported fuel oil. With this project, the Gradiška Municipality was the first municipality in the RS and BiH to be heated using this energy source, which is significant both in financial and ecological terms.

With this PPP project beneficiaries are finally provided with high quality heating which is the cheapest in our country, while the Municipality of Gradiška does not have to subsidize the plant and cover the losses that were measured in millions BAM annually. For the first time it is expected that the plant will achieve financial gain, which shows that it is possible to have a heating plant in BiH capable to operate with positive financial results. Also, as already noted, greenhouse gas emission is significantly reduced.

*The aforementioned is also very important because the Municipality of Gradiška has signed the Covenant of Mayors<sup>22</sup>, in April 2011. This initiative was launched by the European Commission, when the EU accepted the climate and energy package of measures in 2008. It includes over 3,350 cities from all parts of Europe. By signing the Agreement, the mayors undertake the implementation of these measures, which will result in the reduction of CO2 emissions in each of these cities by up to 20% and also increase the use of renewable energy sources by 20%, by 2020.*

<sup>21</sup><http://www.investsrpska.net/files/Zakon%20o%20JPP%20i%20Zakon%20o%20izmjenama%20Zakona%20o%20JPP%20ENGLISH.pdf>

<sup>22</sup>[http://mycovenant.eumayors.eu/docs/seap/2621\\_1334150713.pdf](http://mycovenant.eumayors.eu/docs/seap/2621_1334150713.pdf)



In the coming period it is expected that new PPP projects will be implemented in the Municipality of Gradiška, especially because the Municipal authorities continuously carry out activities to improve and enhance economic environment and attract domestic and foreign investors. A very important document for the Municipality of Gradiška is the Municipal Development Strategy for the period 2014-2020.<sup>23</sup> It is a key strategic and planning document, which should encourage future growth and community development.

However, global economic crisis and trends of recession we have been witnessing in the last several years significantly impacted the Municipal economy, which in the previous period was recognizable in the wider environment, particularly in the field of metal, food and timber industry. The industrial and business tradition and experienced workforce, developed infrastructure, significant unused production capacities and ideal position on border with the EU provide an opportunity to start a new investment cycle. By combining measures and activities with key development potentials and high quality promotional activities, the Municipality hopes to be able to attract the attention of potential investors for unused *green-field* and *brown-field* locations.

### *III. Project Partnership for Effective Implementation of Local Economic Development in North East BiH*

Currently, a number of initiatives aiming at Local Economic Development (LED) are being implemented in BiH, however just a small portion of them are effective. The main reason for this is that the development actors do not operate in partnerships, do not apply a comprehensive approach; instead, they independently develop and finance unsustainable projects. Several partners have prepared the *Project Partnership for Effective Implementation of Local Economic Development in North-east BiH* confident that their approach and partnership for SME development is comprehensive and will have real effects.

LED Initiative (initiated in November 2014) is strongly coordinated with economic initiatives and economic development actors at all levels, which is evident in the level of their involvement (and supporting letters). The Project's overall objective is to activate potential resources in local communities and make them more competitive for SMEs development (which will, in turn, create new jobs) through innovative approach. The Action/Project promotes territorial cohesion within Bosnia and Herzegovina and sustainable growth (utilisation of steam, standardisation of production in line with environmental standards, revitalisation of degraded land).


The whole Project is based on the work carried out in the partnership (strengthening of public-private initiatives) that includes concrete intervention in the sector (typical products) and work on business environment.

By establishing the cluster, the aim is to increase competitiveness relevant for development of SMEs operating in the typical products sector. In order to ensure a long-term development of SMEs through the operations of the cluster, this project strives to create more favourable conditions for SMEs. More favourable conditions would imply easier access to favourable funding, better business advisory services, less burdens, and access to new resources, or rather a long-term outlook (*work on daring visions of development*).

However, the most innovative part of project activities is related to establishing partnerships for 'daring visions for development', whose implementation could bring about an excellent base for further development of SMEs in the typical products sector as well as in other sectors.

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<sup>23</sup> [http://www.opstina-gradiska.com/images1/Strategija\\_razvoja\\_opstine\\_Gradiska\\_2014-2020.pdf](http://www.opstina-gradiska.com/images1/Strategija_razvoja_opstine_Gradiska_2014-2020.pdf)



The project will be implemented through an extensive public-private-NGO partnership involving 2 development agencies, 2 + 13 local and 1 cantonal authority, 1+2 representative of academic community, 2 representatives of associations for LED, 3 tourist organisations, and other actors.

Implementation of this project should be closely monitored, in order to draw some conclusions on better, more efficient and mutually beneficial benefit between private and public sectors especially NGOs) in economic development of the country, in order to replicate it in other parts of BiH.

## 4. Best Practices for Successful PPP

In many of the EU candidate and future candidate countries, it is generally accepted that the private sector possesses the knowledge to improve service quality providing availability of the assets in decades long operating period.

Until now, in many of these countries there is a progress in concession and PPP activities and debate of the necessary reforms were in place on several forums/conferences under the hub of UN Economic Commission for Europe (ECE)/Team of Specialists (ToS) on PPPs and Organisation for Economic Co-operation and Development (OECD)/ Support for Improvement in Governance and Management (SIGMA).

According to European Investment Bank (EIB's) Economic and Financial Report: *PPP in Europe before and during the Recent Financial Crisis*, published in July 2010<sup>24</sup>, more than 1,400 PPPs were signed in the EU in the value of around Euro 200 billion. However during the recent crisis, it is estimated that there was a decline of around 40% in PPP deals.

### 4.1. EU Case Study: Experience of the New Member State

Croatia has emerged as the PPP pioneer and most active PPP country in the region over the reference period: signed PPP in Croatia represented 80% of the aggregate value for the region. Croatia's comparative advancement on PPPs is likely to be attributed to the early development of its PPP legal and institutional frameworks and the political support for PPPs in the country.<sup>25</sup>

**Croatia** is one of the first countries that have recognised the importance of PPP and initiated projects of this type. The first PPP contract in this country has been concluded in 1995. The first Croatian PPP was *The Istrian Ypsilon Project*. It included financing, projecting, construction and management of a road network of 141 km, and the reconstruction of the Učka tunnel. The concession was signed for 32 years, after which the motorway becomes the property of the state with no further fees. The majority of PPPs in Croatia are related to projects for motorways and to waste water purification because investments in these areas are too high for the state to develop and implement them on its own (*Muk et al., 2010*).

The implementation of the Law on PPP in the Republic of Croatia is entrusted to the PPP Agency. The Agency was registered as a national institution in 2008, while it started to work in 2009. In Croatia, any PPP proposal and any draft contract need to be approved by this Agency. In addition, after the approval of the project drafts, this institution publishes the list of PPP projects. All the concluded contracts are enlisted in the register. In this way, a database of PPPs is established, while the transparency of the entire project is ensured (*Muk et al., 2010*).

The Act on PPP refers to:

- ✓ The process of preparing, proposing and approving proposals for PPP;
- ✓ Rights and obligations of public and private partners; and
- ✓ The establishment and jurisdiction of the Agency for PPP.

The PPP Agency in Croatia also educates national experts in this area. The experts are educated by participating in international cooperation and by studying domestic and international PPP practice. In this way, the Agency also becomes the birthplace of proposals for laws and derived legislation that will regulate PPP, while providing expert interpretation of these regulations.

City of Varazdin is the first example in Croatia that applied the practice in which the new model of financing school construction and reconstruction of the county's palace was used. City of Varazdin choose a BOT (Built Operate Transfer) model. Private partners have financed the construction and maintenance of public buildings owned by the City of Varazdin while the City of Varazdin committed

<sup>24</sup> [http://www.eib.org/epec/resources/efr\\_epec\\_ppp\\_report1.pdf](http://www.eib.org/epec/resources/efr_epec_ppp_report1.pdf)

<sup>25</sup> [http://www.eib.org/epec/resources/publications/epec\\_wbif\\_overview\\_ppp\\_institutional\\_arrangements\\_institutional\\_frameworks](http://www.eib.org/epec/resources/publications/epec_wbif_overview_ppp_institutional_arrangements_institutional_frameworks)

to pay to its private partners monthly fees for a period of next 20-30 years. City of Koprivnica applied the BOT model to finance the construction of new schools (*Damjanovic et al., 2010*).

However, despite the fact that Croatia was among the first countries to recognise the significance of a specialised PPP coordinating institution, it also faces significantly challenges in PPP closing. Namely, there are some examples of PPPs in Croatia that have not brought the desired results to the state. Such was the case with the wastewater purification device in Zagreb, which was widely politicized in public debates, due to multiple deficiencies in the implementation phase of this project. The main characteristic of this project was poor risk distribution, while a high fee burden was transferred to citizens and to companies. The construction contract for this device contained highly unfavourable conditions, and it cost the citizens of Zagreb much more than expected.

All this could serve as *lessons learnt* for all the countries of the region, including BiH.

Below is a selection of some sectors with a selection of contracted PPP projects:

- ✓ Highways - 2 projects;
- ✓ Buildings and institutions of public interest (e.g. schools, public administration, etc.) - more than 30 projects;
- ✓ Sports halls - 3 projects;
- ✓ Urban infrastructure (garages, bus/railway stations) - more than 3 projects; and
- ✓ Environmental projects (urban wastewater treatment facilities).

In addition, new projects are announced in following sectors:

- ✓ Buildings and institutions of public interest (hospitals, prisons, schools);
- ✓ Urban infrastructure;
- ✓ Environmental projects (landfills, wastewater treatment); and
- ✓ Transport infrastructure (seaports, airports, railroads).

In sum, having in mind that PPPs are getting the regional dimension (e.g. Bar-Boljare highway, a Montenegrin PPP project, after three unsuccessful selections of partners, will be realized with technical support of Western Balkans Investment Framework – WBIF) special consideration should be paid to comparative experiences from neighbouring states, such as Croatia, as it has developed a sound PPP framework, as well as implemented a large number of successful PPPs.

## 4.2. Examples of Financing PPP in Selected Countries

### 4.2.1. Healthcare PPP (Kazakhstan and Kyrgyzstan)<sup>26</sup>

In the republics of the former Soviet Union and other East European countries, the government did not allow other parties to play a role in health care provision or financing. The health system of the Soviet Union was centralised, hierarchical and standardised. Policies, practices and treatment norms were developed in Moscow and passed to each republic for implementation. The health ministries of each republic issued directives to provinces (oblasts). The system emphasised tertiary care and specialty services. Hospitals and polyclinics received most of the resources, while primary health care was underfunded.

Given this background, the two case studies, although referring to developments in the 1990s, are interesting as Kazakhstan and Kyrgyzstan were countries in Central Asia with the greatest experience in reforming the health sector. The reform consisted principally of four elements: **introduction of health insurance schemes, cost reduction, separating service provision from financing and rationalisation of health services**. The core of the reform was the introduction of a mandatory health insurance fund, a capitated provider system, and the development of a basic benefit package in selected oblasts.

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<sup>26</sup> The Report by the Centre for Development Research from Bonn University entitled *Public Private Partnership in Developing Countries: The Case of the Health Sector* written by Johannes (1999).

The institutional 'innovation' in the health sector was the creation of Family Group Practices (FGP), not-for-profit, voluntary-based entities, which provide primary health care on a decentralised level to all family members of a group from a single location. The creation of FGP set the stage for Family Group Practice Associations (FGPAs), which are intermediary organisations between the government and the FGP. The FGPA works together with government health services and participate in direct service provision, health status monitoring and reporting. Although in both countries the role of FGPAs includes the representation of their members and the lobbying for a better access to health services, it seems that in neither of the countries health advocacy of FGPAs was achieved.

The public sector still plays a major role in the health sector of both countries. However, due to the need and willingness of health care reformers to downsize the public sector, FGPAs as not-for-profit health care providers are gaining increasing importance at oblast as well as at national level. At this point in time it is far too early to measure any detailed impact on efficiency and equity, yet it appears as if the devolution of some regulatory functions and shared approaches to quality assurance have been useful in contributing to solve the major problems of the health sector in both countries.

**In the case of both Central Asian countries, the PPP is based on a relationship between the state and not-for-profit organisations. The commercial sector does not play a role at all. Moreover, in both cases a severe financial crisis has led to pressure on the government to give some of its power to the not-for-profit sector.**


However, the government itself, together with donor support, established these not-for-profit organisations. In addition, as briefly mentioned before, in Kazakhstan and Kyrgyzstan donors have played an important role insofar as they have helped to strengthen the institutional capacity of the FGPAs, which enabled them to fulfil their new roles and responsibilities, thus demonstrating to the state that these organisations can be viable partners. The preliminary lessons learned from the experience with a PPP in the health sector of Kazakhstan and Kyrgyzstan are positive. The limitations of the former publicly controlled and driven health system can, partly, be overcome by introducing more demand-based, flexible and open elements. The promotion of not-for-profit organisations operating on a voluntary basis at a local level is an important step toward that direction and an interesting case in point that deserves some reflection.

#### 4.1.3. Municipalities in Serbia

Complex and unclear legal environment, as much as risky market for investments are the things that prevent incentive for private sector investment in activities of public utility services and this is the result of poor or incomplete institutional structures, lack of strategy for the reform of the public utility companies, etc.

Over the past few years, municipalities in Serbia have made the first steps towards the introduction of PPP in the area of utilities. Desperate need for new investment in traditionally neglected sectors, such as public transport, heating, natural gas supply and solid waste management, have made the municipal authorities in Serbia to establish a PPP and open its doors for some more innovative forms of delivering utility services (*Damjanovic et al., 2010*).

PPPs have not been regulated by a single piece of legislation in Serbia, but by a number of specific (primarily Law on Concessions, Law on Public Procurement, Law on Public Enterprises and Performance of Activities of General Interest, and Law on Communal Activities) as well as sector (e.g. Law on Waste Management etc.) laws instead. These laws have often not been adjusted and the need for a single piece of legislation has been greater and greater as time went by and number of PPP projects on the rise. Finally, Ministry of Economy and Regional Development has come out with a draft Law on PPP and Concessions in July 2011, which was primarily based on EU law. Along with the new Law on Public Property that entitle units of local self-government to the property rights granted by the Constitution of the Republic of Serbia, the legal framework for PPPs has been completed in 2012.



Analysis of the PPP in Serbia is based on the experiences of the City of Belgrade's public transport sector and its struggle to provide safe, secure, reliable and clean public transportation for citizens. The City is faced with problems of rehabilitation and capacity expansion of the city landfill in Vinča, (where it disposes the most of the urban solid waste) and establishing PPP large-scale systems for improving water supply and sewerage. Two small-scale PPP based in Kikinda and Smederevska Palanka, the first one bringing income from parking services, and second one maintaining the landfill in Smederevska Palanka, are very illustrative in terms of the results of the PPP in the smaller municipalities (*Damjanovic et al., 2010*) and should be referred to.

Below are some examples of PPPs in Serbia:

- ✓ Public transport - Belgrade;
- ✓ Treatment and disposal of solid waste - Belgrade;
- ✓ Water supply and sanitation- Belgrade;
- ✓ Parking services in the Municipality of Kikinda; and
- ✓ Hygiene and landfill in the municipality Smederevska Palanka.

## 5. Main Challenges Arising for PPP in BiH

The key challenges that were identified for successful PPPs in BiH are as follows:

### **Complex Legal and Administrative System**

As a result of this many contracts have been cancelled and many contracts are still waiting. As a way of example, it has been assessed that RS granted more than 200 concession contracts in the past:

- ✓ More than 100 contracts in the energy sector;
- ✓ 66 contracts in the mining and minerals sector;
- ✓ 50 contracts in the agricultural sector; and
- ✓ 1 contract for the construction of roads (400km) and it is the most important one.

**Unfortunately, many contracts have been cancelled because they were not well prepared (administrative and institutional failure).**

In Federation of BiH, cantons generally awarded tendered contracts. However, there is no data on cancellation of contracts. So far, just four, out of ten, cantons adopted Law on PPP: *Canton Sarajevo, Una-Sana Canton, Hercegovacko-Neretvanski Canton and Tuzla Canton.*

### **No Trust Between Private and Public Sector**

One of the key challenges to overcome in BiH is a lack of mutual trust between private and public sector, and their willingness to enter into a mutually beneficial arrangement. This paper aims to address this by promoting PPP model.

### **Lack of Know How and Financial Means to Carry out Feasibility Studies, Project Assessments and Preparation**

This aspect was elaborated by Mr Milomir Amovic, from the *BiH Commission for Concessions*, March 2013, in previously referenced WBIF Workshop on PPP Institutional Structures.

As the experience of many countries shows, well-prepared arrangements PPP allow the introduction of commercial discipline in the delivery of infrastructure services and at the same time increase efficiency. Furthermore, high technical competence is required on both sides (on the side of both the private and public sector) so that PPP projects are effective.

This is the area where BiH will have to invest substantial efforts to reform and improve in all aspects.

## 6. Some Implications/Recommendations for PPP in BiH

Based on the analysis and research carried out, the following implications can be drawn and recommendations made:

### **Enlarging the Fiscal Space by Mobilising Private Capital**

In the last decade concessions and PPPs have been often considered by the governments aiming to provide higher standards in public services delivering accelerated development of the existing infrastructure and/or construction of the new public infrastructure. Strong growth at the same time reduces the burden on public budgets and imposes the need to involve the private sector via PPP model. Also, these topics were discussed at many international forums raising the issues on the availability of finance in the time of financial crisis.

The public sector in BiH does not have enough available resources to execute economically desirable investment in infrastructure in the medium term. By mobilising more PPP projects in BiH (both large scale infrastructure and small scale sub national project), PPP model can help to close the gap.

### **Refocus Support for PPP and Build the Intellectual Case**

While recognizing the differing objectives of the private and the public sectors and in particular stressing that the responsibility and accountability for sustainable and inclusive development ultimately lie with governments, it is critically important to engage the for-profit private sector as a key engine of economic growth, job creation, innovation and sustainable development.

The private sector is now widely acknowledged as a key partner in development, including through establishing new enterprises, creating jobs, providing goods and services, generating income and profits, and contributing to public revenues, which are critical to increasing countries' self-reliance and sustainable growth.

Inclusive dialogue between the public and private sectors is needed to improve cooperation amongst all actors, develop synergies and generate new effective partnerships for development. Governments should consult closely with the domestic and foreign private sectors in order to create an enabling environment for development which promotes peace and stability, the rule of law, enforcement of human rights, good governance with accountability and transparency, the absence of corruption, adequate economic and social infrastructure, stable economic policy, an educated workforce, clear property rights and enforceable contracts, enhances the competitiveness of the local private sector and promotes equitable growth.

Collective action: It is believed that development requires the establishment of more permanent interactive platforms for dialogue within the country to enable sustainable and competitive private sector development and the involvement of the private sector in finding solutions to development challenges.

Sustainability: Public and private activities should comply with relevant national laws and respect applicable international norms promoting social, environmental, financial, economic as well as good governance progress.



## **Consistency with the EU Enlargement Strategy**

In addition to lessons learnt from new EU member states, it is equally important to follow EU standards and *acquis* in this sector.

Contrary to the EU regulations, legislative regulations of concessions, public procurement and PPPs are separated. There is no need for a separate regulation, and future steps will require harmonization.

## **Be Innovative and Involve More New Partners, Including NGO's in Implementing PPPs**

There is a growing evidence to believe that governments and NGOs have accepted reasons for 'working together as partners' and complement each other's efforts. Ideally, social development is a prime duty of state. However in developing countries, the importance of business and NGO sectors, and limitations of state in realizing the social ideals cannot be ignored.

Each sector has immense potentialities in their respective field, such as: state can provide enabling environment and space for the other two sectors; business can solve the financial problems for the government's agenda of development; and NGOs can implement the development agenda of government more economically, efficiently and effectively at the grass root level. The partnership for social development can be built on both - the strength and weakness of the three sectors of society.

Relations between governments, business organizations and NGOs are often complex. Much of recent research has examined the costs and benefits of PPP, involving the NGO sector. The aim of the research was to better prepare and guide public actors in potential collaborations. NGOs and the private sector have recently initiated a remarkable, though precarious, movement away from confrontation and towards dialogue and co-operation.

Collaborative efforts are sought out and desired on the part of both the business sector and NGOs. The relationships between NGOs and their business partners are varied. PPP include activities such as fundraising or 'resource mobilisation', negotiations for lower product prices, research collaborations, consultations or discussions, arrangements to implement codes of conduct, corporate social responsibility marketing projects, and contracting out public services.

BiH should seek to embrace this model of cooperation and include its vibrant NGO sector in the PPP models in future.