



What should BiH do about climate change?

Milena Kozomara

What is the Kyoto Protocol about?

There is no doubt that climate change is one of the most important issues facing the global community today. Climate change is happening and affecting all regions in the world and Bosnia and Herzegovina witnessed changes in weather patterns and a substantial increase in floods, fires and droughts over the past decade. The impacts of climate change are affecting almost all economic sectors including forestry, agriculture, tourism as well as natural ecosystems, biodiversity, human health, water resources and infrastructure.

BiH ratified the UNFCCC in September 2000, and the Kyoto Protocol in April 2007, but to date its implementation has not been initiated, due to weak government capacities and low awareness of the convention requirements. The ratification of the Kyoto Protocol opened an opportunity for BiH to reduce its greenhouse gas emissions, mobilize resources for clean technologies and contribute to the sustainable development of the country. Establishment of an appropriate institutional framework for Kyoto participation would send a signal to the international community and potential investors that the country is ready for Kyoto implementation.

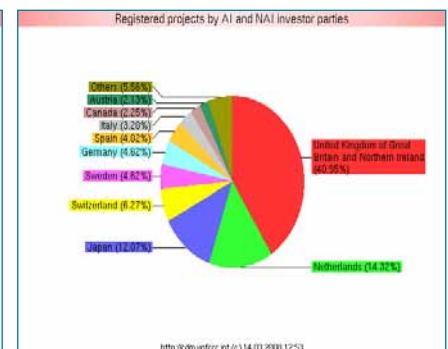
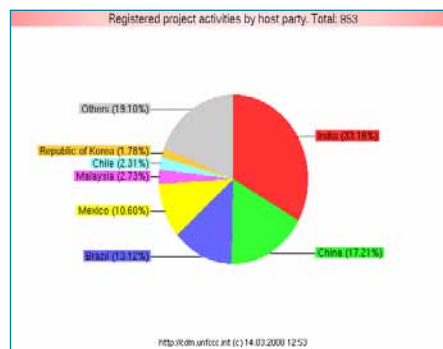
Once BiH becomes an EU candidate country, the timing of accession to the EU will depend on the progress made in preparing for the membership. Environmental responsibility is a key aspect of EU policy, initiatives and legislation. BiH is at the moment responsible to implement the Kyoto Protocol under the international law but will also share the responsibility with other EU member countries under the EC law once it becomes a full member.

Clean Development Mechanism - requirements and opportunities

In order to implement the Kyoto Protocol and participate in the CDM, BiH must meet eligibil-

ity criteria. The participation has to be voluntary and the country has to establish a CDM Designated National Authority (DNA) for approval and project authorization. An effectively operating institution would have to be well positioned to attract potential donors and investors to develop and invest in CDM projects. Therefore, it is of utmost importance for BiH to initiate the DNA setup and use benefits from participation in the Kyoto Protocol by 2012, when its first commitment period expires and will be replaced with another international agreement.

There are currently more than 950 registered CDM projects in 49 countries, and about another 2000 projects in the project registration pipeline. The CDM is expected to generate more than 2.7 billion CERs by the time the first commitment period of the Kyoto Protocol ends in 2012, each equivalent to one ton of carbon dioxide. In the first nine months of 2006, the carbon market grew to USD 30 billion, which is three times greater than recorded in 2005. CDM statistics show that the largest number of projects is coming from India, China and Brazil, and EU countries are dominant on the buyer side.



Policy options

The Kyoto Protocol itself does not specify the arrangement under which the DNA should be established, this is left to each individual country to find the best institutional structure that is sustainable for a long-term.

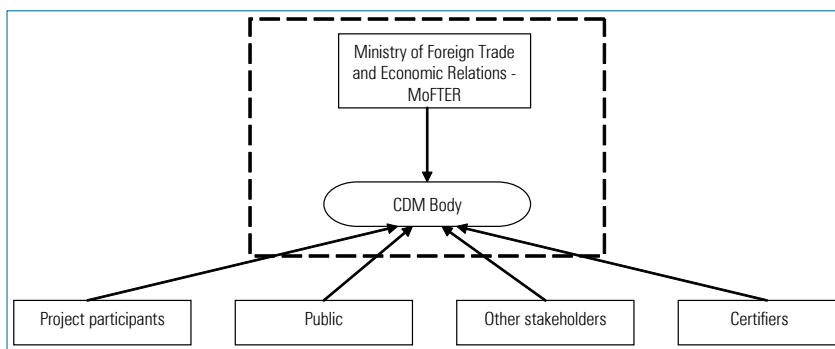
Approaches taken by countries to date regarding DNA establishment show four possible models:

- DNA as a Single Ministry Model
- DNA as a Multi-tiered Inter-ministerial Committee Model
- Independent DNA outside the Government
- DNA as a new Government entity

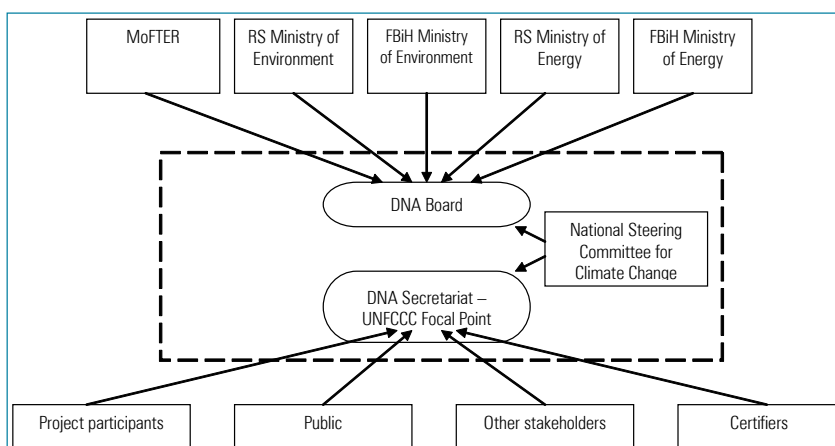
Single ministry model

This model is generally adopted when there is an institution or ministry that has a clear lead on the issue and other ministries do not show significant interest. Benefits of establishment the DNA under this option would be low costs and relatively easy implementation as the new institution would rely on already existing infrastructure, but the challenge lies in the fact that this model concentrates the decision making power within one institution. This might cause significant problems among institutions and certainly will not contribute to their already inefficient cooperation and coordination. Furthermore, the mandate of the state level in the environment field is limited. There is no permanent secretariat or unit at the state level to support the work of MoFTER at the state level.

Single ministry model



Multi-tiered inter-ministerial committee model

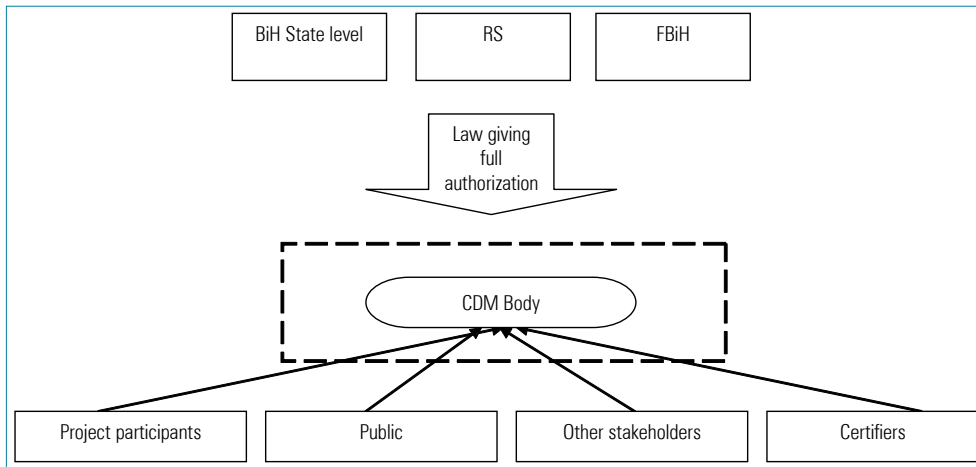


Multi-tiered inter-ministerial committee model

This is the most widely used DNA model as it reduces resource requirements and ensures cross-sectoral coordination. Under this option the DNA would be created as an inter-ministerial committee with representatives from different ministries and institutions, NGOs, universities and industries. In the context of BiH political and administrative structure, a multi-tiered DNA structure could consist of three organizational structures, namely DNA Board (DNAB), DNA Secretariat (DNAS) and already existing National Sub-Committee for Climate Change (NSCCC). The DNAB would be responsible for all DNA activities and would consist of representatives from the State Ministry in charge of environment - MoFTER, two entity ministries of environment and two entity ministries of energy totaling 5 members. It would be chaired by the UNFCCC Focal Point and would provide guidance to the DNA activities and validate all decisions. DNAS would provide secretarial support to the Board, while the NSCCC would act as an advisory body providing opinion on general or specific sectoral issues.

Independent DNA outside the Government

This option proposes the establishment of an independent DNA office outside the existing Government structures. Under this model the DNA would operate independently of the Government provided that it received full authority through the legislation verifying that it is authorized to sign project approval letters on behalf of the Government. In the BiH context, there is currently no independent institution at the state level that could be appointed as the DNA. There is also no legal base for such outsourcing of the DNA function in terms of direct appointment to a non-government institution and the only possible option to pursue this DNA modality would be through the public procurement process, which is a lengthy and complex procedure. Another potential problem with this option is sustainability of financing for DNA operation. Under this modality the DNA would have to finance from CDM fees, which would impose additional financial burden for project proponents or host sectors. An independent DNA might not be able to stay financially independent once funding from donors or CDM fees dries out.

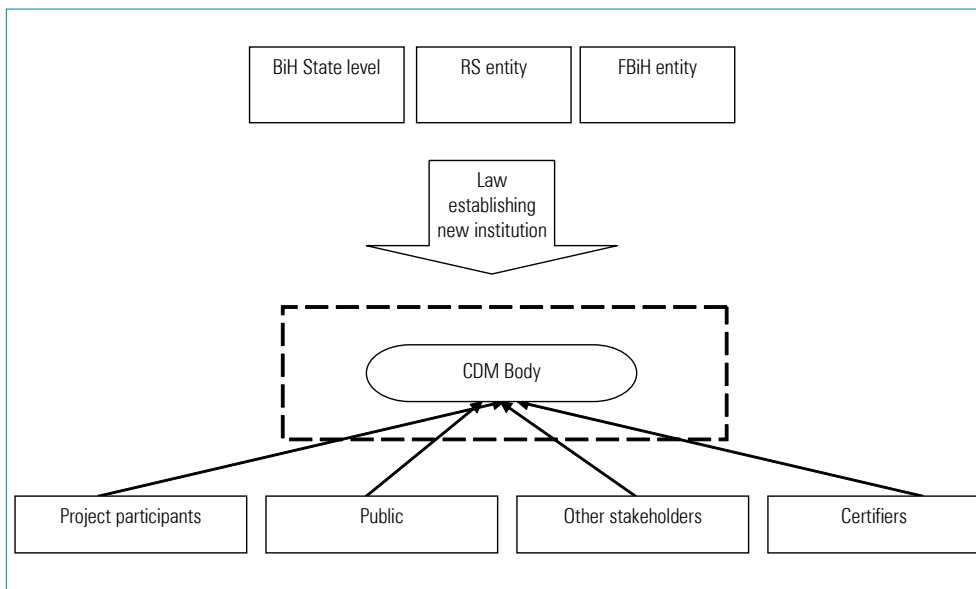


Independent DNA outside the Government

New Government entity

Under this option, establishment of the DNA as a new environment institution or agency in BiH would require a legal base. At this moment no such legal base exists in BiH. The establishment of the DNA could be institutionalized through a new state level Law on Environment or Law on DNA. Given that the BiH Constitution does not explicitly cover the environment, a direct Constitutional base for the adoption of new laws does not exist. The entity constitutions neither

contain provisions that allow delegation of entity responsibilities to the State level nor provisions that forbid them. In addition, both entities have already adopted their environmental laws and agreed on establishing the inter-entity body with a responsibility to deal with environmental issues delegated by the entity governments, which indicates that there is no readiness to further delegate competencies to the state level.



New Government entity

What is the best option for BiH?

The carbon market is currently characterized by high competition among CDM host countries and since BiH will be joining the market in the second-phase it is important that its entry is well publicized. However, as a second

phase market entrant, BiH needs to quickly catch up with first phase market entrants and facilitate project development ensuring efficiency and transparency of the project evaluation process.



Milena Kozomara

holds a Master’s degree in International Environmental Policy from the Monterey Institute of International Studies, United States of America. During the past years, she worked within numerous environmental projects in BiH and Serbia financed and implemented by international organizations, including aligning to EU standards, biodiversity protection and climate change.

Since 2005, she has been working with UNDP on energy and environmental projects.

The table below is a comparison of the strengths and weaknesses of the different DNA models, taking into account the following criteria:

- Compatibility to existing activities
- Sectoral biases
- Institutional rivalry
- Legal issues

Model	Strengths	Weaknesses
1. Single ministry model	Compatible to existing activities	Sectoral biases Institutional rivalry Legal issues
2. Multi-tiered inter-ministerial committee model	No sectoral biases No institutional rivalry No legal issues	No synergies with existing activities
3. Independent DNA outside the Government	Compatible to existing activities Legal issues	Sectoral biases Institutional rivalry
4. DNA as a new Government entity	No sectoral biases No institutional rivalry Legal issues	No synergies with existing activities Sectoral biases Institutional rivalry

Based on the above, the proposal is to set up the DNA as a Multi-tiered Inter-ministerial committee model. This model is preferred to the other structures as it:

- Ensures full cross-sectoral coordination without biases and competition
- Requires no significant legal procedures for establishment

Even though this model has weaknesses such as delayed decision-making, the above listed benefits overshadow them and weaknesses might be easily overcome by setting clear timelines and deadlines in project approval procedures.

Furthermore, the RS Ministry of Urban Planning, Civil Engineering and Ecology was considered the most appropriate institution to chair the DNA Board and provide secretarial support as it is acting as BiH Climate Change Focal Point and the DNA chairmanship will ensure operational synergies with other Kyoto related activities as well as sustainable development assessments.



Open Society Fund
Bosnia & Herzegovina

A “Policy Development Fellowship Program” has been launched by the Open Society Fund BiH in early 2004 with the aim to improve BiH policy research and dialogue and to contribute to the development of a sound policy-making culture based on informative and empirically grounded policy options.

The program provides an opportunity for selected fellows to collaborate with the Open Society Fund in conducting policy research and writing a policy study with the support of mentors and trainers during the whole process. Thirty eight fellowships have been granted in three cycles since the starting of the Program.

All policy studies are available at www.soros.org.ba