

The State Aid Council of Bosnia and Herzegovina (BiH) assessed that the guarantees which the Government of the Republic of Srpska (RS) provided to power utility ERS for loans for the purchase of shares in the company Ruding and for the overhaul of the thermal power plant Gacko are not legal.

ERS was ordered to pay the market premium for the issued guarantees within 90 days and submit proof of that to the Council. If ERS does not pay the market premium, the Council will make a negative decision and determine the obligation to return the illegally granted state aid.

In assessing whether the regulations were met, the Council found that no market premium had been paid to the guarantor of the RS for the issued guarantee and that it was therefore an instrument of state aid. In addition, the guarantee did not have the approval of the Council, which is not in line with the Law on the State Aid System in BiH.

The RS government then gave guarantees to ERS to borrow some 6 million euros for the purpose of acquiring the capital of the company Ruding. In addition to this, the Council also assessed as illegal the guarantee given for the loan to ERS' subsidiary RiTE Gacko for the purpose of capital overhaul of the thermal power plant.