



# Bosnia and Herzegovina

Population <sup>1</sup>	3,323,929
Area (km <sup>2</sup> ) <sup>1</sup>	51,210
GDP per capita (USD) <sup>1</sup>	6,065.67
TPES (Mtoe) <sup>2</sup>	6.76
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.35
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	22.33

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020<sup>4</sup>

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	2 projects	new projects	20m EUR total project CapEx

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
3. ©IEA 2020, CO<sub>2</sub> emissions from fuel combustion, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Bosnia and Herzegovina is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Bosnia and Herzegovina's (BiH) overall risk level against the assessed areas is **moderate**.

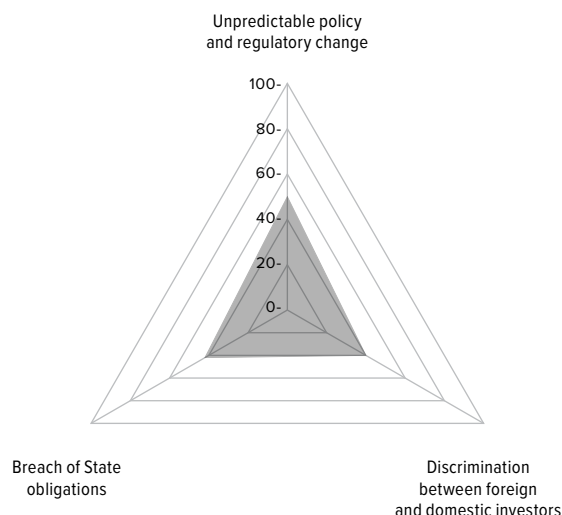
Among the three risks assessed in EIRA, *discrimination between foreign and domestic investors* and *breach of State obligations* are lower compared to *unpredictable policy and regulatory change*.

BiH's performance is moderate on three indicators, and it is good on one indicator. The country has maintained a score of 75 on *regulatory environment and investment conditions*, and 58 on *rule of law*. On the *foresight of policy and regulatory change* indicator it has scored 47. Its score on *management of decision-making processes* is 46.

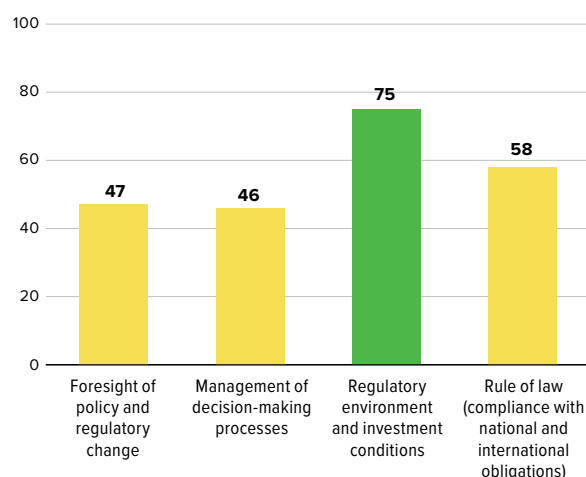
On a more detailed level, BiH's overall sub-indicator performance is moderate. The highest-scoring sub-indicator is *restrictions on FDI* at 80. On *management and settlement of investor-State disputes* (75), *regulatory effectiveness* (70), and *transparency* (67) it has the same score as last year. On *communication of vision and policies* it has scored 56. Following this is the sub-indicator *respect for property rights* at 42. On *robustness of policy goals and commitments* it has scored 38. *Institutional governance* is again the lowest-scoring sub-indicator at 25.

While BiH has maintained its performance from last year, further steps must be taken to build on the work done. Particular attention should be given to strengthening the country's institutional governance.

## RISK LEVEL



## INDICATOR PERFORMANCE



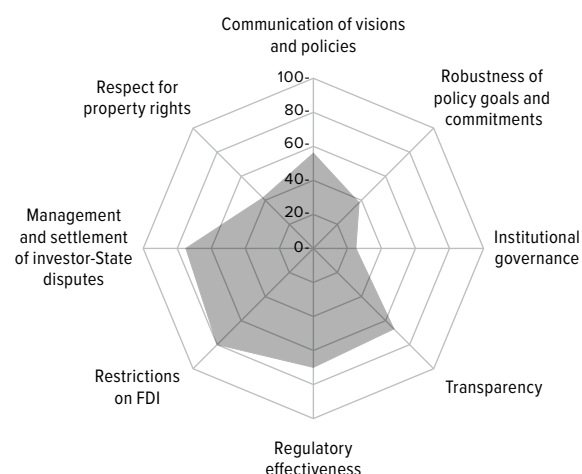
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	55	50	50
Discrimination between foreign and domestic investors	40	40	40
Breach of State obligations	42	42	42

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	30	47	47
Management of decision-making processes	46	46	46
Regulatory environment and investment conditions	75	75	75
Rule of law	58	58	58

## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The BiH Framework Energy Strategy until 2035 was adopted by the Government in 2018.

BiH ratified the Paris Agreement in 2017 and submitted its first NDC.

### STRENGTHS

The State and the entities are making efforts to align the country's legislative framework with the EU acquis for the energy sector. In 2019, the Ministry of Foreign Trade and Economic Relations (MoFTER) submitted to the Energy Community Secretariat the third progress report under the respective energy efficiency and renewable energy directives. It also presented the first report on the implementation of the National Emission Reduction Plan to the European Environment Agency. In February 2019, BiH created a national working group to develop its National Energy and Climate Plan. Once implemented, this Plan will harmonise the country's energy and climate goals with the EU. The State is updating the Strategy for Adaptation to Climate Change and Low-Emissions Development. It is also revising the country's NDC contributions, and developing the NDC Implementation Action Plan for the period 2020-2030.

MoFTER, and other public institutions, regularly contribute to the Annual Report of BiH on the European Integration Process, and the Report on the Implementation of Measures from the Action Plan for Realisation of Priorities from the European Commission's Analytical Report. MoFTER has prepared a report on the implementation of the Framework Energy Strategy of Bosnia and Herzegovina until 2035. In October 2019, BiH developed the Action Plan for the Implementation of Priorities in the European Commission Analytical Report. The Ministry of Finance and Treasury has submitted to the Council of Ministers of BiH an annual consolidated report on the financial management and control of the public institutions.

### AREAS FOR IMPROVEMENT

The BiH entities have only partially transposed the energy efficiency acquis and the renewable energy directive. The Brčko District does not have a legislative framework on either renewable energy or energy efficiency. Accordingly, the entities and the Brčko District are advised to adopt the related laws as soon as possible. At State-level as well, long-term action plans for these areas should be adopted because the existing action plan on energy efficiency only covers the period up to 2018, and the one on renewable energy will be relevant only until 2020.

The State and the entities should harmonise the guidelines and processes on monitoring the implementation of the energy targets. They should develop a unified system for collecting and processing the country's GHG emissions data, and for ensuring quality control.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Industry, Energy and Mining of Republika Srpska plans and manages the entity's electric power strategy.

The Federal Ministry of Energy, Mining and Industry formulates energy policies for the FBiH. The FBiH is divided into ten cantons each of which has distinct regulations on local energy generation.

All government levels have legislation on access to information.

### STRENGTHS

During the last year, MoFTER took steps to improve coordination with other public sector entities. In 2020, MoFTER and the State Concessions Commission continued to work on defining the process of determining "public interest" in concessions. This issue is particularly important because granting energy infrastructure projects the status of "project of public interest" has been a hurdle in the implementation of the Energy Community Treaty. In June 2019, the BiH Council of Ministers adopted a decision establishing an energy management system and an energy efficiency information system. The Foreign Investment Promotion Agency's (FIPA) Medium Term Work Plan 2019-2021 requires collaboration between FIPA and the MoFTER, on trade and economic relations, so they can work together to increase FDI in BiH.

In 2019, the Legislative Office received 215 legislative acts that were published in the Official Gazette of BiH upon adoption by the Council of Ministers. According to the Law on Freedom of Access to Information, during 2019, the Legislative Office received two requests for access to information. The Office issued a decision approving these requests within the set deadline. The e-consultation website of the Government, E-Konsultacije, contains the work reports and work programmes of ministries and public institutions. The annual plan of legislative activities for all the institutions of the Council of Ministers is also available for public consultation and download.

### AREAS FOR IMPROVEMENT

Due to the complex constitutional structure of BiH, proactive efforts are needed to improve coordination between the State, the entities and the Brčko District. The different government levels should develop common standards for sharing information among themselves.

The entity governments should take measures to give investors more information on their respective licensing and approval processes. In FBiH, one-stop shops may be established at the cantonal level to provide investors local assistance and improve the ease of doing business.

All the government levels should make legal documents available in foreign languages, and at no cost.

## Regulatory environment and investment conditions

### QUICK FACTS

The State Electricity Regulatory Commission (SERC) is responsible for the transmission of electricity, the transmission system operation, and international trade in electric power.

The Federal Commission for Energy Regulation (FERK) is the regulatory authority in the FBiH.

The Regulatory Commission for Energy of Republika Srpska (RERS) regulates the electricity market in the entity.

The Concession Commission grants concessions that fall under the State's exclusive competence or through the Joint Concession Commission in the case of non-exclusive competence.

### STRENGTHS

The State and the entities are making continuous efforts to harmonise regulatory structures. The draft Law on Regulator, Transmission and Power Market has been prepared, although it is still pending approval. The sections related to electricity are consistent with the EU's third energy package, while those on gas are currently in the harmonisation process. At the entity level, in July 2019, Republika Srpska submitted a new draft Electricity Law for adoption by the entity Parliament. The Law transposes unbundling provisions as required in the third energy package. It is currently undergoing the final public hearing procedure. Republika Srpska has successfully transposed the unbundling and certification requirements in line with the gas acquis. This achievement results from the adoption of its energy law, and a certification rulebook, in March 2019.

Attracting FDI is a priority for BiH. The two entities and the Brčko District have harmonised their respective corporate income tax rates at 10%. Each entity also offers special incentives to investors that undertake operations within their territory. Mandatory electronic submission of VAT declarations was introduced on 1 January 2019. Increased output was recorded (an annual increase of 11.3%) in the production and supply of electric power and gas. Electricity exports have also increased by 24% compared to 2017. In 2019, the Government published its macroeconomic and statistical data after categorising it by reporting periods, incentives and strategies, credit rating, taxes, and production costs.

### AREAS FOR IMPROVEMENT

The multi-tiered legal and regulatory framework can be an obstacle for foreign investors that are not familiar with it. The country should establish a State-level legal framework to coordinate and define the responsibilities of national, regional and local administrative bodies on business registration, as well as on granting authorisation, certification, and licences for energy activities and projects, particularly in renewable energy.

## Rule of law

### QUICK FACTS

BiH ratified the Energy Charter Treaty in 2001.

The Ministry of Justice of BiH has launched the Action plan for implementing the justice sector reform strategy in Bosnia and Herzegovina 2019-2020 (Reform Implementation Plan).

### STRENGTHS

The Reform Implementation Plan is comprehensive, and it spans a range of activities to modernise the country's judicial setup. It sets out the different strategic programmes, the underlying actions and execution deadlines, institutions responsible for implementing the programmes, and the indicators for monitoring the implementation status. The Ministry of Justice has already completed some of the tasks outlined in the Reform Implementation Plan. For example, it has standardised the websites of the judicial institutions, the Judicial Documentation Centre, and the judicial portal. It has prepared consolidated rules to ensure that courts deliver decisions within defined timeframes, and also developed corrective measures for this purpose. The Ministry has also drafted an Alternative Dispute Resolution (ADR) Strategy.

BiH upholds the property rights commitments of investors. The entities and the Brčko District have harmonised their respective expropriation laws. To date, the entities and the Brčko District have not expropriated any foreign investment or assets in the energy sector. In 2019, BiH made progress on its accession to the WTO. It addressed some requests made by the Russian Federation, on access to the market for goods and services. By the end of December 2019, it submitted revised proposals, and reasons thereof, to the Russian Federation.

### AREAS FOR IMPROVEMENT

The State may establish an investment ombudsman to address the grievances of foreign investors. It can seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes to enhance the management of investment disputes. The general investment climate will also benefit from an update of the ADR strategy drafted in 2008.

The expropriation laws of the entities and the Brčko District should be updated to clarify the process for deciding whether an expropriation qualifies the "public purpose" criteria. These laws should specify the timeframe, legal effects, and bodies responsible for making this decision, as well as how the different government levels will coordinate the decision-making process. Moreover, the entity laws primarily protect real estate and immovable property, so extending the scope of protection to cover intangible property may be worth considering.

# IMPLEMENTATION STATUS



## Bosnia and Herzegovina

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
<b>Indicator 1</b>		
2018	Adopt the Framework Energy Strategy of Bosnia and Herzegovina (BiH) until 2035 at State level.	<b>Fully implemented.</b> The Framework Energy Strategy of Bosnia and Herzegovina until 2035 was adopted in late 2018.
	Finalise and adopt the draft legislation for the electricity and gas sub-sectors at State level.	<b>Work ongoing.</b> The Draft Law on the Regulator of Electricity and Natural Gas, Transmission and Electricity Market in BiH is ready. The sections related to electricity are consistent with the third energy package, while those on gas are currently in the harmonisation process.
2019	Draft and adopt an updated action plan on energy efficiency as the previous one expired in 2018.	<b>Work ongoing.</b> The process of preparing a new National Energy Efficiency Action Plan (NEEAP), in line with requirements of the Energy Efficiency Directive, has commenced. The new NEEAP will report on the progress made towards achieving savings in final energy consumption between 2016-2018.
2020	Adopt entity-level legislation on renewable energy and energy efficiency, completely transposing the energy efficiency acquis and the renewable energy directive.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Develop a legislative framework for energy efficiency and renewable energy in the Brčko District.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Draft and adopt an updated action plan for renewable energy as the existing one covers the period 2016-2020.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Develop a system for data collection and processing, quality assurance, and control of input data for GHG emissions.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
	Harmonise policy monitoring and evaluation mechanisms at State and entity level.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.
<b>Indicator 2</b>		
2018	Publish the enacted and draft laws, regulations, and policies in foreign languages and make the translations available free of cost.	<b>Pending</b>
	Set up one-stop investment shops in the entities and the Federation of BiH cantons.	<b>Pending</b>
<b>Indicator 3</b>		
2018	Harmonise licensing procedures for energy projects across entities and in the Brčko District.	<b>Pending</b>
<b>Indicator 4</b>		
2018	Consider establishing a foreign investment ombudsman authority to settle conflicts arising in the course of energy projects.	<b>Pending</b>
	Update the expropriation laws of the entities and the Brčko District to define "public purpose or in the public interest".	<b>Pending</b>
2020	Update the Alternative Dispute Resolution strategy that was framed in 2008.	<b>Improvement suggested in 2020.</b> Status will be updated in 2021.