



Bosnia and Herzegovina

Population ¹	3,323,929
Area (km ²) ¹	51,210
GDP per capita (USD) ¹	6,072.18
TES (Mtoe) ²	7.47
Energy intensity (toe/10 ³ 2015 USD) ²	0.42
CO ₂ emissions - energy (MtCO ₂) ³	22.2

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	2 new projects	Austria: 1 RE project of 15.8 mEUR China: 1 RE project of 4 mEUR

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Bosnia and Herzegovina is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

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

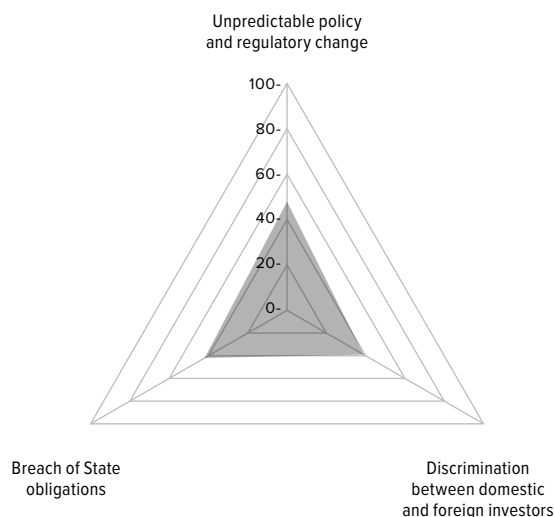
Of the three risks assessed in EIRA, *discrimination between domestic and foreign investors* is lower compared to *breach of State obligations* and *unpredictable policy and regulatory change*.

BiH's performance is moderate on three of the EIRA indicators and good on one indicator. It has scored 75 on the indicator *regulatory environment and investment conditions* and 58 on the indicator *rule of law*. Its score on *management of decision-making processes* has gone up from 46 to 50. On *foresight of policy and regulatory change*, it has a score of 47.

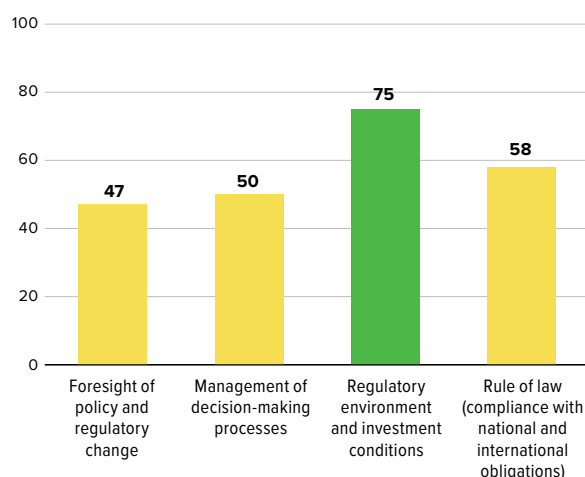
On a more detailed level, BiH's overall sub-indicator performance is moderate. The highest-scoring sub-indicator is *restrictions on FDI* at 80. On *management and settlement of investor-State disputes* (75) and *regulatory effectiveness* (70), it has the same score as in EIRA 2020. Its score on *transparency* has increased from 67 to 74. On *communication of vision and policies*, it has scored 56. Following this are the sub-indicators *respect for property rights* at 42 and *robustness of policy goals and commitments* at 38. *Institutional governance* is the lowest-scoring sub-indicator at 25.

While there are some improvements in BiH's performance compared to EIRA 2020, 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

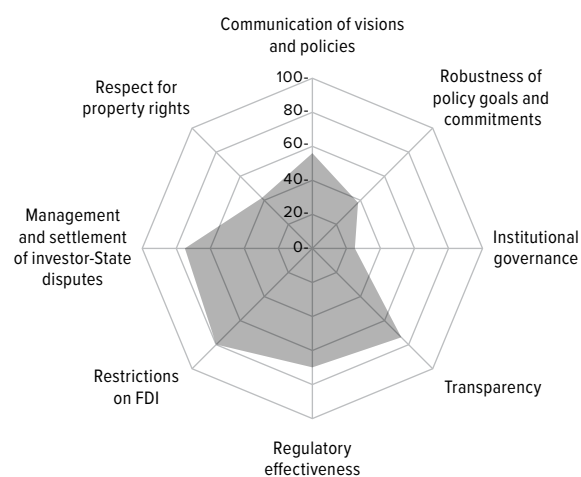


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	55	50	50	48
Discrimination between domestic and foreign investors	40	40	40	39
Breach of State obligations	42	42	42	42

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	30	47	47	47
Management of decision-making processes	46	46	46	50
Regulatory environment and investment conditions	75	75	75	75
Rule of law	58	58	58	58

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Council of Ministers (CoM) of BiH adopted the Bosnia and Herzegovina Framework Energy Strategy until 2035 (Framework Strategy) in 2018.

BiH ratified the Paris Agreement in 2017 and submitted its second NDC in 2021.

STRENGTHS

The Government is currently finalising policies and action plans to support the Framework Strategy's implementation. The Ministry of Foreign Trade and Economic Relations (MoFTER) is in the final stages of preparing the National Energy Efficiency Action Plan 2021-2030 (NEEAP) modelled on the long-term vision of the EU countries. The NEEAP aims to increase energy savings in final consumption by proposing programmes to improve energy efficiency in buildings, industry, and transportation sectors. Its adoption will pave the way for the Integral Long-term Building Strategy 2050, which aims to mitigate adverse environmental impacts and increase energy supply security. In 2020, the CoM of BiH adopted a document, SDG Framework in BiH, to achieve the Agenda 2030 targets and guide the policy planning process in the energy sector. At entity level, the Ministry of Energy and Mining of Republika Srpska (MER) adopted a new Law on Electricity in 2020 and aims to adopt in 2021 a new Law on Renewable Energy Sources that will limit subsidies and introduce a competitive auction system for power generation. By the end of 2021, BiH will also finalise its Integrated Energy and Climate Plan 2021-2030 (NECP).

In 2020, MoFTER submitted to the Energy Community the fourth annual progress report on energy efficiency. This report provides an update on the progress made towards achieving the short-term energy-efficiency targets (2020-2021). In 2020, the Agency for Statistics of BiH published monthly reports on the short-term energy statistics indicators. Last year, the Ministry of Finance and Treasury of BiH published a consolidated report on public institutions' financial management and control. It also released the annual internal audit report of the BiH institutions. The Public Administration Reform Coordinator's Office issued its monitoring and evaluation report on implementing the annual work programme for 2020.

AREAS FOR IMPROVEMENT

The entities and the Brčko District should adopt laws on renewable energy and energy efficiency as soon as possible. At State level, the Government is encouraged to continue its work on finalising the long-term action plans for these areas because the existing action plan on energy efficiency covers the period up to 2018, while the one on renewable energy expired in December 2020.

The State and entity-level institutions should harmonise the guidelines and processes on monitoring the implementation of the energy targets and develop a unified system to collect and process the country's GHG emissions data.

Management of decision-making processes

QUICK FACTS

The MER plans and manages the electric power strategy in the Republika Srpska.

The Federal Ministry of Energy, Mining and Industry (FMERI) sets energy policies for the Federation of Bosnia and Herzegovina (FBiH). The FBiH is divided into ten cantons, each of which has distinct regulations on local energy generation.

All governmental levels have enacted legislation facilitating access to information.

STRENGTHS

In the last year, MoFTER engaged and cooperated with the MER, the FMERI, the Brčko District, and GIZ to prepare the Action Plan on Renewable Energy Sources of BiH. The State and entity governments are also working across different levels to publish the NECP in 2021. MoFTER is leading the NECPs' development with support from the MER and the FMERI. The country is also modernising its public services. For instance, in 2021, the Government of Republika Srpska started developing information and communication technologies infrastructure to provide e-services, such as a platform for electronic payment and online registration of business entities.

The CoM of BiH uploaded 178 law decisions on its e-governance website during 2020. On the federal level, the BiH E-Konsultacije Governmental portal offers the possibility of stakeholder consultations on draft laws and by-laws. In 2020, the Ministry of Foreign Affairs organised stakeholder consultations on the UN Sustainable Development Cooperation Framework 2021-2025, which aims to guide the work of BiH institutions on achieving the SDGs. In August 2020, the BiH Concession Commission opened public consultations on its draft programme comprising concession granting activities. In 2021, the Ministry of Justice (MoJ) of BiH published its report on implementing the rules for consultation on drafting regulations for 2020. At entity level, Republika Srpska's e-Public Administration Portal provides access to public hearings, consumers rights, public participation in drafting laws on profit, income and real estate taxes, open bids and bundles of approved legislative acts for 2020. In FBiH, the FMERI approved and published 186 energy permits in 2020.

AREAS FOR IMPROVEMENT

The independent transmission system operator, NOSBiH, should make comprehensive data available on the European Network Transmission System Operators transparency platform, particularly on congestion management and electricity month-ahead forecasted transfer capacities.

The entity governments should give investors more information on their respective licensing and approval processes. In FBiH, one-stop shops may be established at the cantonal level.

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 electricity trade.

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

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

STRENGTHS

SERC is playing an active role in monitoring the operations of power transmission companies in BiH. In April 2020, it approved NOSBiH's indicative production development plan for 2021-2023. In November 2020, it approved the rules for allocating cross-border transmission capacities between NOSBiH and its Serbian and Montenegrin counterparts. This step aims to enforce regional electricity integration through periodic electricity auctions. In April 2020, SERC approved Elektroprijenos BiH's investment plan for 2020, which contains the finance sources and the plans for the import/export of electricity. In September 2020, SERC increased the transmission network capacities of wind power plants from 460 MW to 840 MW and for solar power plants from 400 MW to 825 MW. This decision will ensure higher integration of renewable electricity in the grid and support GHG emission reduction.

The Government aims to ensure FDI flow reaches 1.6% of the GDP in 2021 and 1.9% of the GDP in 2022. To this end, it plans to stimulate economic growth through public investment in energy projects. In January 2021, FMERI announced the Public Investment Programme of the FBiH 2022-2024, inviting public energy companies to apply for financial support. In 2020, MER signed a concessions contract with the EFT Company to construct and operate a photovoltaic plant in Bileća with an installed capacity of 60 MW and an investment value of EUR 53 million. In 2020, FMERI issued a construction permit to Toplana Zenica d.o.o for a heating plant with an installed electricity capacity of 14.45 MW. Moreover, the State-owned power utility Elektroprivreda BiH has adopted a business plan for 2020-2022, which envisages investments worth almost EUR 1 billion in electricity and mining infrastructure and joint projects with private companies.

AREAS FOR IMPROVEMENT

BiH should establish a State-level legal framework to coordinate and define the responsibilities of national, regional and local administrative bodies on business registration and granting authorisation, certification, and licences for energy activities and projects, particularly in renewable energy.

The RERS should offer greater transparency on its decisions regarding gas and electricity prices. For instance, it could already list the electricity supply and distribution prices for 2020 on its website.

Rule of law

QUICK FACTS

BiH ratified the ECT in 2001.

The MoJ has launched the Action Plan to implement the Justice Sector Reform Strategy in Bosnia and Herzegovina 2019-2020 (Reform Implementation Plan).

STRENGTHS

In August 2020, the Constitutional Court of BiH signed a Memorandum of Understanding (ongoing until March 2022) with the Advice on Individual Rights Europe Centre to execute and implement the Judicial Capacity Building project. This project aims to develop the country's judicial capacity further and harmonise the domestic legal system at State-level. The MoJ has published its action plan for the annual work programme of 2021, emphasising regular cooperation with international judicial bodies and reporting on the implementation of the Justice Sector Reform Strategy in BiH. According to the annual work programme, the MoJ will amend the Law on High Judicial and Prosecutorial Council of BiH (HJPC) concerning the composition and election of its members, the establishment of two sub-councils, the termination of the mandate of judges and prosecutors and other issues related to the functioning of the HJPC of BiH.

Although there is no timeframe for compensating the owner of an expropriated private property, according to the respective entity laws, after a decision on expropriation becomes valid, the municipal body must schedule the hearing to agree on the compensation without delay. BiH is working to strengthen the protection given to IP rights. In 2020, the Institute of Intellectual Property of BiH produced its mid-term work plan for 2020-2022. According to the work plan, the Institute will introduce procedures offering protection to intellectual ownership on par with the standards and practices of the World Intellectual Property Organization, the European Patent Office and the European Union Intellectual Patent Office.

AREAS FOR IMPROVEMENT

The State may establish an investment ombudsperson 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 Alternative Dispute Resolution Strategy drafted in 2008.

The expropriation laws of the entities and the Brčko District should be updated to clarify the process of deciding whether an expropriation qualifies the "public purpose" criteria. These laws should specify the timeframe and bodies responsible for making this decision and how the different government levels will coordinate the decision-making process. Moreover, the scope of protection under these laws may be extended to cover intangible property.

IMPLEMENTATION STATUS



Bosnia and Herzegovina

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
Indicator 1		
	Adopt the Framework Energy Strategy of Bosnia and Herzegovina (BiH) until 2035 at State level.	Fully implemented. The Framework Energy Strategy of BiH until 2035 was adopted in late 2018.
2018	Finalise and adopt the draft legislation for the electricity and gas sub-sectors at State-level.	Work ongoing. 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 EU's Third Energy Package, while those on gas are currently in the harmonisation process.
2019	Draft and adopt an updated action plan for energy efficiency since the last one expired in 2018.	Work ongoing. The process of developing a new National Energy Efficiency Action Plan, in line with requirements of the Energy Efficiency Directive, has commenced at State-level.
	Adopt State- and entity-level legislation on renewable energy and energy efficiency transposing the EU energy efficiency acquis and the renewable energy directive.	Work ongoing. In December 2020, the Federation of BiH (FBiH) adopted the revised National Energy Efficiency Action Plan 2019-2021. The Ministry of Industry, Energy and Mining of Republika Srpska aims to adopt in 2021 a new Law on Renewable Energy Sources that will introduce a competitive auction system for renewable power generation.
2020	Develop a legislative framework for energy efficiency and renewable energy in the Brčko District.	Pending
	Draft and adopt an updated action plan for renewable energy since the existing one is for the period covering 2016-2020.	Work ongoing. The Ministry of Foreign Trade and Economic Relations of BiH, in cooperation with the relevant entity-level ministries and GIZ, is preparing the Action Plan on Renewable Energy Sources 2021-2030.
	Develop a system to collect and process data on national GHG emissions and exercise quality assurance and control over the data.	Pending
	Harmonise policy monitoring and evaluation mechanisms at State- and entity-level.	Pending
Indicator 2		
2018	Publish the enacted and draft laws, regulations, and policies in foreign languages and make the translations available free of cost.	Pending
	Set up one-stop investment shops in the entities and the FBiH cantons.	Pending
2021	Ensure the independent electricity transmission system operator, NOSBiH, publishes data about congestion management and electricity month-ahead forecasted capacities on the European Network Transmission System Operators transparency platform.	Improvement suggested in 2021. Status will be updated in 2022.
Indicator 3		
2018	Harmonise licensing procedures for energy projects across entities and in the Brčko District.	Pending
2021	Strengthen transparency in the activities of the Regulatory Commission for Energy of Republika Srpska by regularly publishing its decisions on gas and electricity tariffs prices and listing the electricity supply and distribution prices for 2020 on its website.	Improvement suggested in 2021. Status will be updated in 2022.
Indicator 4		
2018	Consider establishing a foreign investment ombudsperson to settle conflicts arising in the course of energy projects.	Pending
	Update the expropriation laws of the entities and the Brčko District to define "public purpose or in the public interest".	Pending
2020	Update the Alternative Dispute Resolution Strategy that was drafted in 2008.	Pending