

THE EBRD IN BOSNIA AND HERZEGOVINA



European Bank
for Reconstruction and Development

Results snapshot

#EBRDImpact

Overview

The EBRD has been active in Bosnia and Herzegovina (BiH) since 1996, investing over €2.9 billion across 211 operations. In 2017-2022 alone, the Bank invested over €1 billion, mainly in sustainable infrastructure, which highlights the sustained need in the country for connectivity and green investments.

The Bank's strategic focus in BiH is on developing:

- ▶ Sustainable transport infrastructure
- ▶ Competitive and resilient private sector and SMEs
- ▶ Green cities and low carbon transition

The EBRD is also increasingly focusing on economic inclusion by enabling wider access to better infrastructure, finance and improving skills, as well as digitalisation. In response to the Covid-19 crisis, the Bank has provided targeted funding under its Solidarity Package to support local partner banks, corporate clients and SMEs in weathering the negative impact of the pandemic.

EBRD in Bosnia and Herzegovina

Total	2017-2022*
€2.94 billion	€1.02 billion
Net cumulative investment	
211	81
Number of projects	
€712 million	€392 million
Green economy financing commitments	

Our policy engagement

- ▶ Credit guarantee schemes
- ▶ SOE governance and commercialisation of municipal operators
- ▶ Energy efficiency regulations and standards
- ▶ Support for regional coordination and business registration
- ▶ Decarbonisation and energy sector reform advocacy



[Read the EBRD country strategy for Bosnia and Herzegovina](#)

EBRD results in Bosnia and Herzegovina

Better environment

EBRD Green Cities investments in Banja Luka, Sarajevo, and Zenica are estimated to annually save 4 million m³ of water (equal to 1600 Swimming Pools) and avoid 63,400 tons of CO₂ emissions (equivalent to taking 14,000 cars off the road for one year)

SME growth

79 per cent of local SMEs advised by EBRD between 2017-2021 increased turnover and 72 per cent hired more staff. 52 per cent of these SMEs increased exports creating €95 million of additional exports

Improved connectivity

Between 2017 and 2022 EBRD provided almost EUR 650 million of financing to improve road connectivity & safety, reduce travel times for citizens and goods, invest in cleaner public transport, and climate proof sections of Corridor Vc and other urban roads

Bosnia and Herzegovina in context

Bosnia and Herzegovina (BiH) is an upper middle-income country that shares common features with its neighbours in the Western Balkans but also has unique characteristics and challenges related to its constitutional set up and lack of common economic space. While BiH's economy has been relatively resilient from various economic shocks, recording a stable low single digit growth rate, its political and economic fragmentation has presented a substantial structural challenge.

In 2016, BiH embarked on an ambitious Reform Agenda to address some of the country's structural problems, followed by an application for EU membership in the same year. However, over the years little progress on key reforms, including the 14 priority actions, has been made, as a result of the general political stalemate in the country. The country lags behind its peers in the region across most components of a sustainable market economy – the EBRD assessment score for 'well-governed' quality is particularly low. Legal and administrative complexity and corruption create significant obstacles for the private sector, while state owned enterprises remain largely inefficient. Despite some improvement in recent years, unemployment has remained persistently high, especially among the young.

The country enjoyed a better-than-expected post-pandemic recovery. Due to Covid-19, the economic activities in BiH have shrunk by 3.1 per cent in 2020. Up to 70 per cent of MSMEs reported cash flow challenges, revealing issues with private sector resilience in the country. The economy recovered by 7.5 per cent in 2021, driven by very strong external demand and recovering domestic consumption. Robust economic growth continued in the first half of 2022. However, growth is expected to moderate on the back of elevated inflation, a slowdown in the European markets, Bosnia and Herzegovina's main export destination, and increased uncertainty.



Key economic indicators

	BiH (2017)	BiH (2022*)	OECD (2022*)
GDP per capita, PPP (constant 2017 international US \$)	13,240	14,813	42,288
Bank non-performing loans to total gross loans (%)	10.0	5.2	1.3
Unemployment, total (% of total labour force)	20.5	15.2	4.8
Exports of goods and services (% of GDP)	40.9	44.9	34.2
Manufacturing value added (% of GDP)	13.0	14.0	13.9

Our approach and operational delivery

The EBRD supports the development of a more competitive, green and integrated economy in BiH through a combination of investment, policy engagement and advisory services. We provide a range of financial instruments including debt, equity, risk sharing facilities and trade guarantees - directly or through financial institutions. We engage in policy dialogue with authorities to improve the legal, regulatory frameworks and create favourable conditions for sustainable economic growth. We also provide business advisory to local businesses (including SMEs) in BiH to help them grow at local and international level, innovate and improve their standards.

Between 2017-2022, the Bank invested over € 1.02 billion across 81 transactions, mainly in sustainable infrastructure (largely through sovereign debt) with the aim of enhancing the country's connectivity and improving public service delivery while promoting commercialisation, sustainability, and private participation in the sector. The EBRD has also actively supported local partner banks to help them expand access to finance to fuel SMEs' growth and improve energy efficiency at a local level. Finally, The EBRD has helped local corporate clients to expand production and become more innovative, efficient and well-governed.

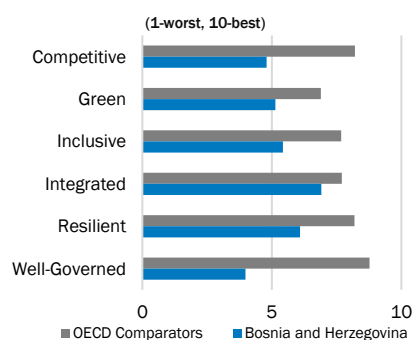
We seek to help countries transition towards democratic and sustainable market economies. We finance projects that strengthen the private sector in economies undergoing transition to a well-functioning market system. Our investment decisions are guided by six "transition qualities", which focus on making economies competitive, well-governed, green, inclusive, resilient and integrated.



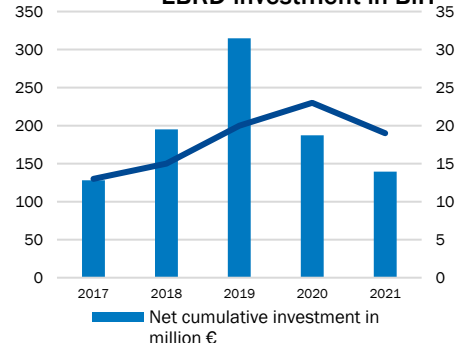
For more detail on our transition qualities visit www.ebrd.com/qualities



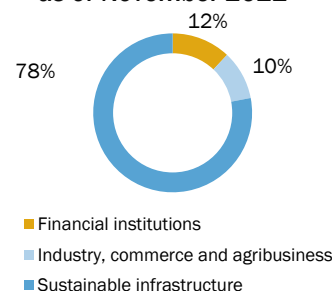
EBRD score



EBRD investment in BiH



EBRD portfolio in BiH as of November 2022



EBRD in Bosnia and Herzegovina



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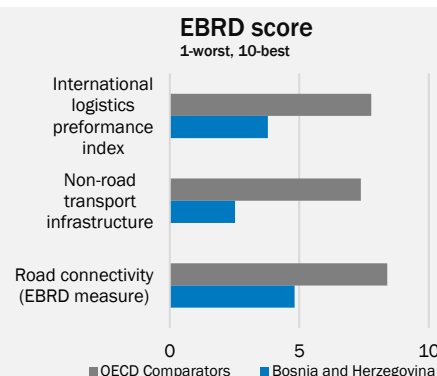
Sustainable Transport Infrastructure

SDG contribution



#EBRDImpact

Bosnia and Herzegovina is well positioned on the crossroads of important regional transport corridors, allowing the country access to its main export markets and to participate in regional cooperation and integration processes within the wider Western Balkans market. Good progress has been made in enhancing the quality of the transport links in the country, including with active participation of the EBRD, but challenges remain. The quality of transport infrastructure needs further improvement, and the country still lacks efficient and modern road, rail and air transport infrastructure. Nearly 60 per cent of respondents of the Balkan Barometer survey in 2021 considered travelling by road in Bosnia and Herzegovina unsafe, the highest percentage in the region. The challenge is exacerbated by a complex and fragmented institutional structure in the transport sector, and remaining inefficiencies in state-owned enterprises.



How we work

The EBRD helps BiH to enhance domestic connectivity and regional integration while promoting commercialisation by investing in transport infrastructure (including roads, railways, ports and public transport). We have been particularly active in improving the road network, being one of the key investors in financing the construction of the motorway Corridor Vc and making local roads safer and more climate resilient. Through its projects in transport infrastructure, the EBRD is also helping operators to improve sustainability of service provision by supporting institutional and regulatory reforms, including through dedicated technical assistance and policy dialogue with authorities.

EBRD in Bosnia and Herzegovina

Total	2017-2022*
€1.8 billion	€639 million
Net cumulative investment in sustainable infrastructure	
€1.4 billion	€470 million
Net cumulative investment in transport	
€812 million	€460 million
Net cumulative investment in Corridor Vc sections in BiH	

Quick links

- [The EBRD and infrastructure](#)
- [Financing efficient and sustainable transport networks](#)

The EBRD's projects in the transport sector promote connected networks, private sector participation, and low carbon and innovative solutions. Our vision for the region is for safe, secure, sustainable and greener transport systems which embody market principles and balance economic, environmental and social needs.



Achievements and results: Sustainable Transport Infrastructure

We help improve connectivity and quality of transport services by:

- ▶ Providing ongoing support to boosting regional integration through investing over €460 million in 2017-2021 alone to construct five new motorway sections on Corridor Vc, with works progressing well even throughout the pandemic.
- ▶ Supporting creation of a modern intermodal transport hub in the Port of Brcko that will facilitate better connections with the EU.
- ▶ Helping quality such as removing congestion and improving mobility by the rehabilitation of domestic and urban roads, including in Sarajevo and from Banja Luka to Doboj.
- ▶ Making roads more climate resilient by repairing a network of trunk roads that are susceptible to flooding.

We help make provision of transport services more financially sustainable and better governed by:

- ▶ Supporting an increase in fuel levy to better cover operational and financial costs associated with building and maintaining Corridor Vc.
- ▶ Supporting improved transparency in transport procurement by the successful introduction of international procurement standards (CIPS).
- ▶ Introducing public sector contracts to support better accountability and clear performance indicators, including as part of Sarajevo public transport project.

Improved road quality for better integration

EBRD co-finances Corridor Vc, a flagship European transport corridor. Once completed, it is estimated to improve travel for at least four million passengers a year and reduce transport costs for thousands of businesses, bringing them closer to export markets in EU

Safer roads

Modern safety standards are being introduced in constructing Corridor Vc, and a road safety unit has been established with EBRD support on the federal level

Pooling commercial resources

EBRD is working on mobilising funds from local commercial banks for the first time to co-finance construction of new sections of Corridor Vc

Taking steps to reform SOEs

Alongside targeted support to commercialise state companies (including those in transport), the EBRD has helped these companies make progress in improving corporate governance, but more work remains to be done in coming years

Flood prevention

The action plan for climate change mitigation was adopted and is being implemented by the government to prevent floods and erosion on roads



[Watch](#) how EBRD with its partners has embarked on one of the biggest construction projects ever in Bosnia and Herzegovina – Corridor Vc, that will bring the region closer to the European Union



[See](#) how EBRD is upgrading equipment and building road and rail infrastructure to help make Port of Brcko a regional transport hub



Faster and safer driving conditions from Banja Luka to Doboj

EBRD and EIB completed the construction of 75km long motorway from Banja Luka to Doboj in 2018, leading to estimated distance savings of up to 30% and reduced traffic incidents due to safer driving conditions. Fuel levy increase introduced in 2018 and revenues from tolls has allowed the motorway operator to service the loans and generate net positive operating cash flow.



Corridor Vc - connecting BiH and Western Balkans region with EU

In 2017-2021, EBRD continued supporting a creation of this flagship European transport corridor, by committing investments to new sections, progressing with construction of ongoing works, and planning on financing final sections of Corridor Vc:

- 16km already completed since 2017;
- 20 km to be completed in 2022;
- 11 km undergoing construction
- 16 km starting construction in 2022 (tendering ongoing).

Reduced traffic and increased private sector participation in Sarajevo

EBRD helped Sarajevo Canton to improve traffic flow in the city centre by widening two key road sections and constructing the Stup Interchange which was accomplished, in 2018. A contract with private contractors was signed as part of the project, which covers rehabilitation and maintenance services for around 30km of roads.



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EBRD in Bosnia and Herzegovina

Competitive and resilient private sector and SMEs

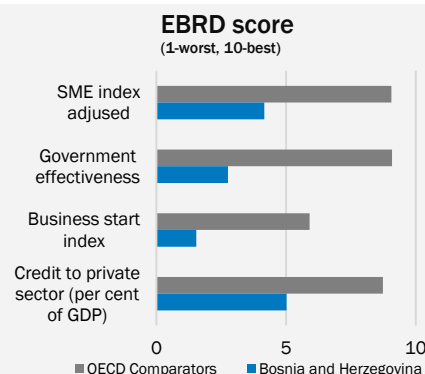
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SDG contribution



Private sector, and in particular small and medium-sized enterprises (SMEs), play a major role in the economy of BiH. SMEs account for more than 99 per cent of all private enterprises, accounting for 70 per cent of employment and 64 per cent of value added. However, SMEs' productivity, at less than one third of the EU average, is low, with growth hampered by lack of innovation, payment delays, and regulatory obstacles.

BiH lags significantly behind its regional peers in the ease of starting a business, while issues remain with getting access to finance for SMEs and female entrepreneurs, hampering their growth. Regulatory barriers and a lack of single economic space in the country, also create a non-conducive environment for foreign direct investment.



How we work

The EBRD works to enhance private sector competitiveness by investing in the expansion of private corporate and SME clients. We support the improvement of private companies' governance and business sophistication, including with dedicated advisory services. We seek to improve SMEs' access to finance and convergence with EU health, safety and efficiency standards through credit lines to partner banks. Our work includes targeted programmes, such as Women in Business, or advisory services through the Advice for Small Business (ASB) and Blue Ribbon programmes.

EBRD in Bosnia and Herzegovina

Total	2017-2022*
€380 million	€135 million
Net cumulative investment in industry, commerce, and agriculture	
€527 million	€141 million
Financing provided in support of local SMEs	

Quick links

- [EBRD Advice for Small Businesses](#)
- [EBRD Women in Business](#)

[READ](#) how the EBRD provides business advice to small and medium-sized businesses.



Achievements and results: Competitive and resilient private sector and SMEs

We help the private sector become more competitive by:

- ▶ Supporting our corporate clients' growth and improved provision of goods and services to their customers, e.g. a retail supermarket chain Bingo increased its sales more than fourfold in 10 years with EBRD's help.
- ▶ Facilitating transfer of technology and demonstrating FDI viability through
 - ▶ A greenfield investment by a Swiss chemical manufacturer in Zvornik; and
 - ▶ An equity investment in Adriatic Metals, an international mining investor - the first FDI into the country's mining industry
- ▶ Helping local companies improve their corporate governance and standards – including electrical installation accessories manufacturer (TEM Mandeks) which introduced IFRS reporting and established a dedicated internal control function

We help small and medium-sized businesses grow by:

- ▶ Supported by EU Funds, helping SMEs meet EU standards, via financing through local commercial banks, including to over 180 SMEs under the SME Competitiveness Support Programme
- ▶ Improving capacity and business know-how through advisory support to over 320 small businesses in the country under the ASB programme, thus contributing to better performance.
- ▶ Supporting women entrepreneurship by facilitating better access to finance (through dedicated credit lines with Unicredit Banja Luka and Raiffeisen Bank) and improving business skills.

We help improve business environment and private sector resilience by:

- ▶ Enhancing local law enforcement capacity by training 60 judges and court clerks on law and judicial practice related to financial services and the role of the Business Ombudsman.
- ▶ Supporting the establishment of credit guarantee funds in each entity for affected SMEs during and after the pandemic.
- ▶ Supporting regional coordination for easier business registration.

SME growth

72 per cent of SMEs advised by the EBRD hired more people, creating almost 3,500 new jobs. 79 per cent increased turnover and 52 per cent grew their exports. In total, EBRD advisory contributed to €161 million of additional turnover and €95 million of additional exports

Better access to export markets

The EBRD helped Artisan, a local furniture maker, to install new equipment and thus open up access to international markets. The company is now generating 95% of turnover from exports

Weathering impact of Covid crisis

The EBRD made €10m available to micro enterprises and small scale farmers affected by the pandemic across the country through microcredit finance institutions

"Taking on projects in the United States, Australia, China and being able to name Starbucks as one of our buyers demonstrate how far reaching our efforts have been, with EBRD as the wind at our back"

Fadir Costovic, owner of Artisan, a furniture maker supported by the EBRD and EU's Enterprise Development Investment Facility (WB-EDIF)

Improved resilience to financial risks

The EBRD is helping protect businesses and citizens against vulnerabilities by supporting the Deposit Insurance Agency with a €30 million standby credit line, safeguarding the country's financial sector

Integrated stock exchange

Banja Luka and Sarajevo Stock Exchanges joined the EBRD-supported SEE Link that now allows investors an easier and more efficient access to the stock exchange markets across the Southeast Europe region

Women entrepreneurship

80 women entrepreneurs received longer tenure loans from Unicredit Banja Luka and around 130 businesswomen benefited from training and advice on access to markets under the EBRD Women in Business programme



Read how the EBRD helped with designing and producing "[Made in BiH](#)" hospital beds



[Learn](#) how EBRD donors help create routes from education to employment for young people in Bosnia and Herzegovina



[READ](#) how the EBRD along with the EU increase finance for SMEs in Western Balkans, following the outbreak of the coronavirus pandemic.



[See](#) how EBRD helped a local furniture maker grow production and access international markets.





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EBRD in Bosnia and Herzegovina

Green cities and low carbon transition

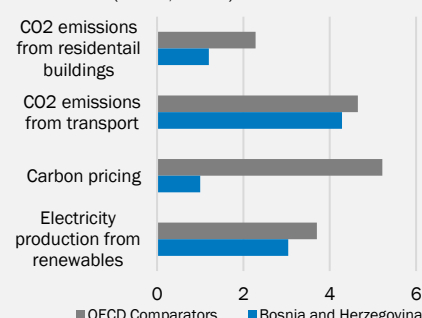
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SDG contribution



Bosnia and Herzegovina is vulnerable to climate change impacts, especially floods, landslides and wildfire hazards, and there are substantial concerns about the country's environmental sustainability. The country's energy intensity is four times higher than the EU average (and 1.5 times higher than the EBRD average), and residential sector accounts for the largest share of final energy consumption. BiH has been working on transitioning towards a lower carbon economy by committing to cut carbon emissions and reducing the environmental impact. Additional efforts are needed to increase the use of renewable energy and reduce the dominant role of coal in the energy sector. BiH also needs to progress on harmonising environmental standards under the EU Acquis. The effects of pollution and high energy intensity are particularly felt in country's cities, where nearly half of the country's population lives. Cities in BiH suffer from inefficiencies in the use of resources such as water, and lack modern public transport and waste management services.

EBRD score (1-worst, 10-best)



How we work

The EBRD promotes a shift to a green economy in BiH by directly investing in energy and resource efficient technologies and practices through projects in corporate and infrastructure sectors, and supporting green policy efforts in the country. EBRD's credit lines via partner banks are on-lent to businesses and household seeking to improve their energy efficiency or generating renewable energy. EBRD Green Cities, the Bank's flagship programme offers EBRD and donor support to BiH cities to address their pressing environmental challenges through targeted sustainable infrastructure investments, policy actions and capacity building.

EBRD in Bosnia and Herzegovina

Total	2017-2022*
€712 million	€392 million
Green economy financing commitments	
€201 million	€134 million
Net cumulative investment in municipal and environmental infrastructure	
€115 million	€115 million
Net cumulative investment Green Cities	

Quick links

- ▶ EBRD Green Cities ([Banja Luka](#), [Sarajevo](#), [Zenica](#))
- ▶ [EBRD Green Economy Transition](#)
- ▶ [Green Economy Financing Facility](#)

EBRD GREEN CITIES

[EBRD Green Cities](#) strives to build a sustainable future for cities and their residents. The programme achieves this by connecting cities' environmental challenges with sustainable infrastructure investments and policy measures.



Achievements and results: Green cities and low carbon transition

We help make cities in Bosnia and Herzegovina greener by:

- ▶ Developing Green Cities Action Plans (GCAPs). Three cities, Banja Luka, Sarajevo and Zenica with a total population of around 1 million people have approved and are currently implementing GCAPs.
- ▶ Financing key investments identified under GCAP as a priority to address environmental challenges, with nine investments already under implementation across the three cities, including:
 - ▶ Improving the quality, safety and reliability of drinking water for Banja Luka's 23,000 inhabitants (incl. 7,500 new users)
 - ▶ Improving access to clean urban transport and reducing pollution by the ongoing rehabilitation of Sarajevo's 50 year old tram network and acquisition of new trams and trolleybuses
 - ▶ Introducing cleaner and more efficient heating, insulation and lighting for Sarajevo's schools and hospitals, and so improving facilities for an estimated 26,000 children and patients.

We help increase energy and resource efficiency by:

- ▶ Providing finance and grant support of €24 million to residential subborrowers and firms via local banks through our Green Energy Financing Facilities (GEFF), in order to install more energy and resource efficient equipment that will lead to energy savings and CO2 reductions.
- ▶ Advancing environmental standards and practices of corporate companies – such as the Bingo supermarket chain which replaced old coal boilers, installed LED lightning and invested in solar panels.
- ▶ Helping municipal service providers move to a more environmentally sustainable and carbon neutral operation, e.g. moving to wood biomass and introducing heat metering in Prijedor District Heating and thus reducing CO2 emissions by an estimated 80%.
- ▶ Reducing power losses and energy consumption in energy distribution companies by investing in reconstructing power networks and installing smart-meters (e.g. Elektrobijeljina)

Energy efficiency

Around 4,000 firms and households benefited from finance by partner banks for investments in energy efficient technologies under GEFF in Bosnia and Herzegovina

Cleaner air

Projects signed by the EBRD in 2017-2021 are estimated to reduce 376,000 tonnes of CO2 emissions per year – the equivalent of over 64,000 cars taken off the road

Greener cities

Support from the EBRD Green Cities across the three BiH cities is estimated to save over 71,400 GJ/y of energy and almost 4 million m3/y of water

"We replaced our old cooling machines with modern equipment that consumes much less energy. This investment paid off quickly as it enabled us to realise up to 33% savings in energy consumption"

Nikolina Jovanovic, Executive Manager of Mliny, a pastry producer that received support under the EBRD WeBSEFF

Better laws and regulations

The EBRD supported reform to strengthen energy efficiency regulations and standards (including implementation of the energy performance of buildings directive) was completed, with formal adoption of secondary legislation underway

Restructuring of a water supplier

EBRD helped a water supplier in Gradacac improve its operational efficiency and introduce a Public Service Contract with the city. Moreover, the company increased the share of water invoiced to water pumped into the network from 43 per cent in 2018, to 55 per cent in 2020, contributing to higher operational performance of the company



[See](#) how the EBRD helps to promote smart grid development in Bosnia and Herzegovina



A loan for better water supply and wastewater collection for Banja Luka's population of 200,000 was provided under [EBRD Green Cities](#), a strategic framework that aims for a more sustainable future.



[Learn](#) how the EBRD is helping 20,000 people in Gradacac get better water and wastewater services, while supporting the operator to reduce water losses



[Read](#) how the EBRD supports green investments and the energy efficiency of buildings with a €4 million loan to Partner, Mikrokreditna Fondacija Tuzla, through the Bank's Western Balkans Green Economy Financing Facility (WB GEFF II).

Partnerships

The EBRD supports economic transition by combining investment, risk mitigation, capacity building and policy dialogue with local and central governments, regulators, financial institutions and representatives of civil society.

Partnership with donors is critical to address transition challenges, affordability constraints, improve market outcomes in the presence of significant externalities, and steer investments towards improved sustainability and transition impact across EBRD's regions.

With a focus on sustainable and inclusive private sector development, donor funds also play a key role in building low carbon economies and mitigating climate risks. The EBRD has worked with donors since its creation and currently manages relations with a broad and varied donor community of up to 50 different partners, primarily governments and multi-lateral organisations.



Our Partnerships in Action

- ▶ The EBRD has teamed up with development partners, notably EIB, to meet financing requirements for Corridor Vc completion, with the EU providing over €220 million of much needed grant support from the Western Balkans Investment Framework (WBIF).
- ▶ Cooperation between the European Banking Authority (EBA) and supervisory authorities from Bosnia and Herzegovina through the Vienna Initiative.
- ▶ Implementation of SMEs Policy Index for the Western Balkans together with OECD and EU to identify obstacles to small business

development in the policy frameworks.

- ▶ Strong support of bilateral donors of the Western Balkans Investment Framework (WBIF), Swedish International Development Agency (Sida), and the governments of Austria and Japan, among others to the Green Cities Initiative and underlying projects.
- ▶ Implementation of the Women in Business Programme (WiB) funded by Luxembourg, Sweden and the EBRD Shareholder Special Fund.
- ▶ Project preparation and feasibility studies supported by a number of

donors including the Austrian ReDeWeb fund.

- ▶ Implementation of the youth training programme with under the Private Sector Youth Initiative with support from the TaiwanBusiness-EBRD Technical Cooperation Fund.



Work with us

Financing
Loans
Equity
Guarantees (e.g. to local banks for trade finance)

Advice
Expand
Improve processes and governance
Meet standards
Navigate regulatory environment
Train workers

Goods and services
Procurement
Careers

Participate
Have your say on EBRD policies and strategies

Contacts

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New business enquiries

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Shareholding

17 June 1996

Joined the EBRD

1996

EBRD started investing

€50.71 m

Capital subscription

Vjekoslav Bevanda

EBRD Governor

Leander Treppel

EBRD Board Director for Bosnia and Herzegovina

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