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**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR BOSNIA AND HERZEGOVINA

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

PUBLIC

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ABBREVIATIONS AND ACRONYMS

AIP	Access to Information Policy
ATQ	Assessment of Transition Qualities
BiH	Bosnia and Herzegovina
CSOs	Civil Society Organisations
EBRD	European Bank for Reconstruction and Development
ESIA	Environmental and Social Impact Assessment
FBIH	Federation of Bosnia and Herzegovina
NDP	National Decarbonisation Plan
NECP	National Energy and Climate Plan
ReDEWeB	Renewable District Energy in the Western Balkans

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for Bosnia and Herzegovina and provide the Bank's management responses.

In accordance with the EBRD Access to Information Policy (AIP), the draft strategy for Bosnia and Herzegovina was posted on the EBRD website in English and local language for 45 calendar days starting from 27 January 2022. The public was invited to comment on the draft strategy no later than 13 March 2022. The previous strategy was also made available on the EBRD website at <https://www.ebrd.com/documents/country-offices/bosnia-and-herzegovina-strategy.pdf>.

Information about the public consultation process was posted on the EBRD's dedicated "Have your say" webpage, which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. Targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

During the consultation period, joined written comments by local and regional CSOs were received by the EBRD.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised one consultative meeting with civil society organisations (in virtual format) on 11 November 2021. The objective of the meetings was to gather civil society's feedback during the preparatory phase for developing the draft strategy. Seven participants from seven different civil society organisations participated in the consultation.

The EBRD was represented by the Head of Bosnia and Herzegovina, the Associate Director for Country Strategy Coordination, as well as the Economics, Policy and Governance, the Country Strategy and the Civil Society Engagement teams.

The summary of the key messages and the list of CSO participants in the consultation process are provided in the Annex 1 to this report.

2. SUMMARY OF PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD Response
2.1. General comments	
<p>CSOs welcomed the EBRD’s commitment to assist Bosnia and Herzegovina with its energy transition, however expressed the need for transition away from all types of fossil fuels. The EBRD should not consider financing selected gas projects in the country.</p>	<p>The EBRD is following its Energy Strategy and will consider the Paris alignment methodology and role in the overall decarbonisation strategy of any potential investment, including the role for energy security.</p>
<p>The strategy needs to have a greater emphasis on rail and urban public transport and non-motorised transport and to a lesser degree on road investments.</p> <p>CSOs questioned why the “Completion of Corridor Vc motorway continues to be a top local and regional transport priority” for the new strategy.</p>	<p>All areas of road and non-road connectivity as well as sustainable public transport display large transition gaps in BiH and, therefore, are covered by the new country strategy.</p>
<p>CSOs expressed interest to see more details about EBRD’s plans in the heating sector in the country.</p>	<p>Heating sector activities would be covered by Priority 3: “Continue and expand engagement with municipalities, including through the Green Cities initiative (e.g. water, wastewater, district heating, public transport). Support capacity building and provide technical assistance to assist implementation of green investments by municipalities”; and “Continue investing in energy efficiency and support the renovation wave (e.g. residential and public buildings, commercial property, regeneration, biomass/gas for agribusinesses), including through intermediated products (e.g. GEFF, mortgage credit lines) and advisory services”.</p> <p>Through ReDEWeB the EBRD has a dedicated fund to investigate opportunities in renewable district heating.</p>

	The EBRD will always review sustainability of fuel sources as part of their due diligence.
<p>CSOs welcomed the Bank's interest in circular economy projects, however commented on the lack of more details regarding specific EBRD projects.</p> <p>CSOs underlined the importance of working together with civil society on projects considered sensitive and potentially subject to greater scrutiny, to ensure their success.</p>	<p>This is a five-year strategy, and hence there are no specific projects included.</p> <p>The EBRD recently launched the "Circular Economy Regional Initiative", in Turkey and the Western Balkans – which will also cover BiH.</p> <p>As part of our commitment to good governance, transparency and accountability the EBRD maintains a close dialogue with a wide range of CSOs on implementation of Bank's projects. In the case of particular sensitive projects the Banks is and has reached out early to civil society and encourages its clients to do the same.</p>
2.2. Implementation of Previous Strategy (2017 -2021)	
Why has the EBRD provided such massive support for one motorway project in Bosnia and Herzegovina yet has hardly invested in improving rail transport at all?	Corridor Vc is a flagship European transport corridor, part of the extension of the Trans-European Transport Network, and will significantly enhance connectivity in BiH. It is the backbone of the country's connectivity, vital for its economic development and trade potential, as well as a top priority for the Western Balkans regional development.
What exactly is 'climate resilient' about the FBiH roads project?	The loan is being used to repair and upgrade the primary road network in the Federation of Bosnia and Herzegovina following the damage caused by severe floods, and future proofing the new roads. The Bank provided technical assistance support in assessing climate change risk and formulating a Climate Change Adaptation Strategy for the FBiH roads.
CSOs remarked that Bosnia and Herzegovina does not need an increased reliance on fossil gas, remarking that completing an ESIA "hardly counts" as transition result.	Energy security is a vital part of any country's energy strategy. The EBRD is following its own Energy Strategy when supporting and helping country's to prepare infrastructure projects, together with partners, and where local capacities needs to be strengthened.
How have the successes of the Banja Luka and Zenica projects been assessed, is there any	Project monitoring during the implementation and repayment phase of a loan, an essential activity to

<p>independent monitoring? What methodology was used?</p>	<p>maintain investment quality, is the responsibility of the Banking Department. Both projects are still under implementation and on track, albeit there were some delays compared to the original timeline in Zenica. Green Cities Action Plans have been adapted and are at the start of implementation.</p> <p>As independence, equal ranking vis-à-vis other relevant Bank units and objectivity are vital for the credibility of the evaluation work, project evaluation is conducted by an independent department. The independent Evaluation Department evaluates the performance of the Bank's completed projects and programmes relative to objectives. It systematically analyses the results of both individual projects and wider themes defined in the Bank's policies. Project evaluation considers not only the financial results of projects and programmes, but also the economic benefits and other externalities as well as the Bank's performance on transition impact.</p>
<p>Project specific comment</p>	
<p>Will the Bank finally reconsider the route south of Mostar in the light of the recent court findings that local people were discriminated against during the project planning and that the project-level Spatial Plan cannot be applied for the purposes of their expropriation?</p>	<p>All project specific enquiries are handled through the Bank's standard channels of communication; this question has been raised through these channels and directly with the client.</p>
<p>2.3. Economic Context</p>	
<p>ATQs in detail - Key transitional challenges, Green 5.0</p>	
<p>CSOs proposed that "lack of climate ambition" and "stranded assets risks for gas investments" should be added under the Green ATQ transition challenges.</p>	<p>Comment noted, issue will be further elaborated in the country diagnostic, which serves as an analytical background to the country strategy.</p>
<p>CSOs noted that in the heating and cooling sector, the part on key transitional challenges should also mention the problems of the district heating sector: the percentage of coal-based heating in the country; 30-years-old second generation (2G) heating infrastructure; subsidisation of district heating companies;</p>	<p>Comment noted and reference to the heating and cooling sector is added.</p>

lack of independent regulatory authority and proper tariff methodology at municipal levels etc.	
2.4. Defining EBRD Country Strategy Priorities	
CSOs agreed with the need to “deliver [a] comprehensive NECP and Just Transition approach, and address socio-economic risks”. However, the “policy consistency” as it is currently written might be interpreted to mean that the NECP has to be aligned with the country’s unambitious NDC, and suggested to change the formulation to “need to deliver comprehensive and ambitious NECP and Just Transition approach, and address socioeconomic risks.”	Comment noted and adjustments made in the text.
CSOs suggested that the issues in the heating and cooling sector should go hand in hand with EBRD’s key objectives under Priority 3 “Support energy diversification away from coal and promote low carbon transition”, while also building up institutional, technical and operational structures for district heating based on sustainable renewables.	Both heating and cooling options are covered by Priority 3.
2.5. Activities and Results Framework	
<i>Priority 2: Close key infrastructure gaps pursuing governance improvements and further regional integration, Key objective Improve quality and connectivity of key infrastructure for economic efficiency</i>	
CSOs underlined the need to avoid further gas investments and promote infrastructure for utilising renewable energy sources (geothermal, solar energy, waste heat).	EBRD will follow its Energy Strategy and Paris alignment methodology when determining its involvement in particular projects.
<i>Priority 3: Support energy diversification away from coal and promote low carbon transition</i>	
CSOs proposed to amend the language to “Support energy diversification away from fossil fuels and promote a sustainable energy transition” to reflect the call to move away from all fossil fuels, and not only coal.	Comment noted. As coal remains the main challenge in Bosnia and Herzegovina the text has not been amended.

<p>CSOs emphasised the EBRD should no longer finance gas infrastructure in the country. Investing in the gasification will lock the country into long-term dependency on imported gas while hindering much needed renewable investments.</p>	<p>EBRD will follow its Energy Strategy and Paris alignment methodology when determining its involvement in particular projects.</p>
<p><i>On Increase energy and resource efficiency:</i></p> <p>CSOs requested a clearer statement on the continuation of district heating investment activities and expanding engagement with municipalities on district heating based on sustainable energy sources, excluding gas, large scale biomass and waste incineration.</p>	<p>District Heating services and investments are covered in Priority 3 and will continue to be supported.</p>
<p>2.6. Annex 1- Political Assessment in the Context of Article 1 <i>Rule of Law and Access to Justice, Independence of the judiciary</i></p>	
<p>While welcoming the EBRD's assessment about independence of judiciary, CSOs expressed concerns regarding access to justice of environmental CSOs.</p>	<p>Comments noted and reflected in the final draft.</p>

ANNEX 1

EBRD Strategy for Bosnia and Herzegovina

Consultation with civil society, 11 November 2021

Summary of key messages from CSOs:

- CSOs endorsed the Bank's BiH strategy priority of strengthening the private sector role, including through upgrade of skills and digitalisation. In particular, CSOs consider that EBRD should support digitalisation targeted at both SMEs and digital skills literacy for the population at large. In addition, economic and social inclusion, especially of young people, is key to the country's development.
- Civil society representatives further endorsed the Bank's focus on supporting key public infrastructure investments, including through governance improvements. According to CSOs, the EBRD should pay particular attention to issues related to governance and corruption and take into account the political instability in BiH.
- Civil society organisations moreover welcomed the Bank's support for energy diversification away from coal and low carbon transition. They highlighted that energy poverty is an area of concern that CSOs would like to see the Bank addressing more. CSOs would also like more action around just transition and investments in green infrastructure.

List of CSOs participating in the consultation process

1. Center for Development and Support
2. Center For Environment Banja Luka
3. Mozaik Foundation
4. Nansen Dialogue Centre (NDC) Mostar
5. Open Society Foundation Bosnia and Herzegovina
6. Youth Resource Center