

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

**STRATEGY FOR BOSNIA AND HERZEGOVINA**

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

## 1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Bosnia and Herzegovina was posted on the EBRD web site in English and in the local language for 45 calendar days starting from 1 October 2013 to 14 November 2013. The previous Strategy was also made available on the web site in English and in the local language at <http://www.ebrd.com/pages/country/bosniaandherzegovina/strategy.shtml>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, 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. The start of the review process was also advertised through social media platforms (e.g. Facebook, Twitter, Google+).

In the course of the Strategy preparation, a delegation of the EBRD Board Directors met with representatives of CSOs on 18 March 2013 with the objective to gather civil society's feedback on socio-economic, good governance and environmental challenges in the country. The meeting was attended by the Centre for Civic Initiative, Centre for Environment Banja Luka, Centre for Development and Support and Women for Women International in Bosnia and Herzegovina. In addition, on the occasion of his visit to the Bosnia and Herzegovina, the EBRD President Suma Chakrabarti met with representatives from the Balkan Investigative Reporting Network, the Youth Communication Centre and Women for Women International Bosnia and Herzegovina to discuss about transparency in the business environment, youth unemployment and labour market mismatch, and women's empowerment through access to credit and employment.

As part of the public consultation process, the EBRD Resident Office in Bosnia and Herzegovina hosted a workshop with civil society organisations on 6 November 2013 in Sarajevo with the aim to discuss and solicit comments on the draft Strategy. The event attracted 22 participants coming from 16 CSOs and one consulting company. The list of organisations to the consultation workshop is provided in the Annex 1.

The objective of this report is to summarize key comments received from civil society stakeholders during the consultation period dedicated to the review of the Bank's Strategy for Bosnia and Herzegovina as well as to provide management responses to these comments. The comments received in oral and written format during the public consultation period have been presented in this report to reflect the thematic structure of the Country Strategy. During the public consultation period the Bank received one written comment from the Center for Management, Development and Planning.

## **2. SUMMARY OF COMMENTS RECEIVED**

CSOs welcomed the opportunity to comment on the draft Strategy for Bosnia and Herzegovina and provided their feedback on the EBRD's identified investment priorities for the upcoming strategic cycle.

Civil society representatives encouraged the Bank to define specific investment opportunities in the Strategy, in particular in the areas of transport, energy and support to micro, small and medium enterprises (MSMEs) including in the context of the Women in Business Programme.

Civil society was mostly interested in the Bank's overall approach to investment projects in particular in terms of compliance to national and international environmental standards, integrity issues and social inclusion. Civil society representatives also expressed their expectations about the demonstration effect played by the Bank in raising good governance, environmental and social standards in the country.

The Bank was requested to ensure access to Small Business Support also to social enterprises and was recommended to raise the profile of its engagement with civil society and involve CSOs in capacity building and raising awareness activities related to its investment projects.

## 2. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
<b>Operational environment</b>		
<b>1. General</b>	<b>1.1</b> In the analysis of the operational environment, the Strategy should note the need for increased transparency at municipal level with regard to access to information on public utilities.	The Bank recognises the importance of support for the reform of public utilities, including improved corporate governance, greater transparency, and better access to information and such measures are incorporated in individual project structures. The Bank does not provide budget support and therefore cannot provide direct financing to public institutions for transparency measures that are normally financed by public budgets.
<b>2. Energy efficiency and climate change context</b>	<b>1.2</b> The Strategy should contain some specific reference to the National Strategy for Energy Efficiency and also highlight how the Bank will be supporting the national agenda on energy efficiency through its investment projects.	<p>The Bank is currently working with Bosnia and Herzegovina to support the National Strategy for Energy Efficiency by providing technical advice for the transposition of the Energy Performance of Buildings Directive and by supporting policy development on utility demand-side management. These support areas are key priorities for the governments to achieve their energy efficiency goals. Currently, the Bank is also providing technical assistance for improvements of the relevant legal framework aimed at enabling the development of ESCO market in both the Federation of Bosnia and Herzegovina (FBH) and the Republika Srpska.</p> <p>During the previous strategy period the Bank provided technical assistance to the draft of the new Law on Renewable Energy Sources in both entities as well as for the preparation of a number of bylaws such as the Decree on Renewables, the template for Power Purchase Agreement, Grid Connection Agreement and the draft of the Action Plan for Renewable Energy Sources.</p>

Strategic orientations		
<p><b>3. Forging closer linkages with wider regional markets</b></p>	<p><b>3.1</b> The Bank is encouraged to promote public private partnerships (PPPs) in the country while ensuring the highest standards of transparency and accountability. It was noted that instances of corruption related to PPPs undermined the public perception of this type of investment in Bosnia and Herzegovina.</p>	<p>The Strategy recognizes that the regulatory framework of PPPs is complex and fragmented, reflecting the country's complex federative structure. Market cooperation in Bosnia and Herzegovina is still in the early stages of development and the PPP/concessions are relatively new models for the country. With the EU accession a priority for the country, aligning national legislation with the <i>acquis</i> is one of fundamental goals of the government, including in the PPP/concession sector. The EBRD will put a strong emphasis on transparency, open competitive process, and anti-corruption measures in PPP arrangements.</p>
	<p><b>3.2</b> The Bank's approach to investments in transport results is vague in the Strategy, in particular it is not clear whether the Bank will continue financing Corridor Vc.</p>	<p>The Bank will consider financing upgrades of key infrastructure networks, including Corridor Vc and other parts of strategic transport networks in line with the indicative network definition set up for this region in the new EU TEN-T regulation (Trans-European Transport Network) and based on SEETO priorities (South-east Europe Transport Observatory). The Bank will undertake such investments in close cooperation with the EU and other international financial institution such as the European Investment Bank.</p>
	<p><b>3.3</b> Railways represent an untapped potential in the regional integration of the transport network, in particular for the transport of oil and gas.</p>	<p>The Bank recognises the importance of support for the railways reform and will explore the feasibility of such an investment upon receipt of relevant project proposals. In December 2005 the Bank signed the Bosnia and Herzegovina Regional Railway Project that included a number of covenants on unbundling of the railway sector and opening of access to infrastructure for third parties. The Bank believes that separation of freight and passenger operations from infrastructure management and introduction of competition into freight operations can make railways more competitive than road transport.</p>

<p><b>4. Promoting a more efficient and sustainable use of resources</b></p>	<p><b>4.1</b> While promoting the commercialisation of public utilities, including tariff reform, the Bank should also look into public awareness of citizens, who represent the end consumers of public utilities. Public awareness campaigns on transparency of public utilities are expected to result into increased bill payments and therefore loan repayment, as this is partially paid by the increased tariffs paid by end consumers.</p>	<p>The Bank takes note of this recommendation. The Bank is currently considering ways to build closer partnerships with CSOs on raising awareness of issues related to specific Bank's investment projects.</p> <p>In addition, the Bank asks its clients to engage with their customers and other stakeholders to ensure that they have adequate information about the benefits and impacts of projects, as well as to have means to raise complaints or grievances. In cases where tariff reform is required, EBRD will continue to undertake affordability analysis and, where necessary, will work with clients and local authorities to develop targeted assistance programmes for those most affected by any increases, so as to ensure affordability to basic levels of services for all members of society.</p>
	<p><b>4.2</b> Is the Bank taking into consideration to invest in the district heating system in Zenica?</p>	<p>The Bank is not currently considering investing in the district heating system in Zenica. It is to be noted that the Bank, as a project-based and market driven international financial institution, formally considers projects for funding only upon receipt of projects' proposals or other official requests.</p>
	<p><b>4.3</b> Environmental organisations encouraged the Bank to keep investing in sustainable resources without investing in fossil fuels and in major hydro power plants.</p>	<p>The criteria for the Bank's investments in the power and energy sector will be guided by the parameters set forth by the Energy Sector Strategy, which is currently under review and expected to be approved by the Board of Directors by the end of 2013. The Bank will explore the feasibility of projects in the energy sector according to its relevant sector strategy.</p>
	<p><b>4.4</b> The Strategy should more clearly outline the Bank's investments in sustainable energy and energy efficiency.</p>	<p>The Strategy aims at providing the broad strategic directions for the Bank's investments in particular sectors. The Bank aims at investing in energy efficiency for residential buildings, biomass, district heating and energy conversion. To explore these investment opportunities the Bank will have to first conduct feasibility studies, which will depend upon donors' contribution to technical cooperation initiatives.</p>

<p><b>5. Environmental and Social Implications of Bank Proposed Activities</b></p>	<p><b>5.1</b> The Bank should ensure a transparent and participative process in line with the national and international regulatory framework on environmental protection, in particular in relation to public sector projects.</p>	<p>All EBRD projects both public and private are subject to the Environmental and Social Policy (ESP) and Performance Requirements. The ESP highlights the Bank's support to the UNECE Aarhus Convention, which identifies the environment as a public good. Also, the Performance Requirement 10 outlines a systematic approach to information disclosure and stakeholder engagement.</p>
	<p><b>5.2</b> How does the Bank take into consideration issues related to social inclusion, in particular of youth?</p>	<p>EBRD has recently extended its rating methodology of transition impact to include a focus on economic inclusion, defined as broad access to economic opportunity. Based on the concept of equality of opportunity, the Bank now measures the extent to which economic institutions, markets and education systems extend economic opportunities to individuals regardless of their specific circumstances, such as their gender, place of birth or age. The resulting inclusion 'gaps' then guide the identification of projects that are either already set to narrow these gaps or that could be developed further to do so. In Bosnia and Herzegovina, for example, the inclusion gaps for young labour market entrants (compared to older cohorts) are largest in relation to access to employment and the years of schooling that they are able to access.</p>

	<p><b>5.3</b> How does the Bank assess the creation of jobs, especially of young people, in relation to its investment projects?</p>	<p>When looking at the impact of EBRD projects on young people's access to employment, the emphasis is not primarily on the quantity of jobs created (or destroyed) as a result of a project. Instead, it focuses on the extent to which a project enables young people to access new or existing job opportunities within a company or along its supply chain, for example, by creating entry level jobs, internships, apprenticeships or similar on-the-job training opportunities. For this purpose, EBRD would seek to work with the client to review its recruitment, training and promotion policies or establish strong links with local vocational or tertiary education institutions to create progression routes for young people from training into employment. This would be done on the basis of international best practice examples in order to achieve systemic changes to the conditions or opportunities for employment for young people within the wider sector in the region.</p>
<p><b>Annexes</b></p>		
<p><b>6. Small Business Support</b></p>	<p><b>6.1</b> The Bank is encouraged to enhance its support to the MSMEs sector and also enlarge the scope of the beneficiaries to social enterprises. It was noted that financial literacy represents a main challenge to the development of the MSME sector.</p>	<p>The Bank targets Small Business Support (SBS) services to help small and medium sized enterprises access know-how and expand their business. SBS does not provide specific services to social enterprises; nonetheless these may access business advisory services, as long as they meet the programme's assistance criteria (<a href="http://www.ebrd.com/pages/workingwithus/sbs/help.shtml">http://www.ebrd.com/pages/workingwithus/sbs/help.shtml</a>).</p> <p>Through its Women in Business Programme, SBS also provides opportunities for cooperation with local social enterprises. In Bosnia and Herzegovina, for example, SBS will facilitate a mentoring scheme for female entrepreneurs over the next three years. SBS will cooperate with existing locally run mentoring schemes and provide networking opportunities in partnership with local women in business associations and social enterprises working on gender issues.</p>

	<p><b>6.2</b> What specific activities will be envisaged for the country in the context of the Women in Business programme?</p>	<p>The Women in Business programme (the Programme), which will be implemented in all the countries of the Western Balkans, will apply an integrated approach to address women's need for financing and know-how to turn their ventures in sustainable businesses. The Programme envisages dedicated financing via local financial intermediaries, provision of technical assistance to help develop financial products that meet the specific needs of women entrepreneurs and a risk sharing mechanism to stimulate lending to women on a sustainable basis. In addition, the Programme aims at empowering women with mentoring and long-term coaching to expand their businesses.</p>
<p><b>General remarks</b></p>		
<p><b>7. Reputational management</b></p>	<p><b>7.1</b> The Bank is encouraged to pay more attention about its reputational management in the country. Reportedly, while still in negotiation with the Bank, some companies have misused the EBRD logo whereas others publicly advertised the EBRD's support to particular investment projects when the latter had not been secured yet.</p>	<p>The Bank takes seriously any misuse of the EBRD logo and will look into any specific case brought to its attention. It is to be noted that unless there is a confidentiality agreement, the Bank, however, cannot stop potential clients from publicising meetings with the EBRD on investment opportunities even if those preliminary discussions do not result in closing of financing agreements.</p>
<p><b>8. Civil society engagement</b></p>	<p><b>8.1</b> The Bank should scale up its engagement with civil society from consultation on strategic documents to strategic cooperation with CSOs in terms of community monitoring of the Bank's investment projects as well as partnerships for the implementation of capacity building and raising awareness activities.</p>	<p>The Bank takes note of the recommendation. As mentioned in the Environmental and Social Policy, the Bank recognises that stakeholder engagement, including civil society, represents an essential component of the appraisal, management and monitoring of environmental as well as social issues associated with the client's investments. The Bank is currently exploring the feasibility of building closer partnerships with civil society in relation to its investment projects.</p>
<p><b>9. Transparency and anti-corruption</b></p>	<p><b>9.1</b> How does the Bank check the integrity of its clients both in terms of corporates and individuals?</p>	<p>The Bank is committed to the highest standards of transparency and accountability and has a system in place to ensure compliance and remedial action if needed. As part of the due diligence process the Banks thoroughly reviews integrity issues related to all its clients, including with regards to reputation, business practices and</p>

		transparency. To learn more about how we review the suitability of prospective clients in terms of integrity please visit our webpage on accountability, integrity and anti-corruption at <a href="http://www.ebrd.com/pages/about/integrity.shtml">http://www.ebrd.com/pages/about/integrity.shtml</a>
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## ANNEX 1

### **List of organisations participating to the consultation workshop in Sarajevo on 6 November 2013**

1. Center for Civil Society Promotion (CPCD)
2. Center for Management Development and Planning
3. Center for Public Interest and Advocacy (CPI)
4. Center for the Environment Banja Luka
5. Centre for Development and Support (CRP)
6. Eko Forum Zenica
7. Ekotim Sarajevo
8. Energis
9. Initiative for Better and Human Inclusion (IBHI)
10. IPAK MGB (Mladost gradi budućnost)
11. Mozaik Foundation
12. PI Consulting
13. Populari
14. See Change Net
15. Social Inclusion Foundation in Bosnia and Herzegovina
16. Vesta
17. Women to Women