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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX III**

to the Commission Implementing Decision on the financing of the annual action plan in favour of Bosnia and Herzegovina for 2024

**Action Document for EU4 Green Economy**

**ANNUAL ACTION PLAN**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

**1. SYNOPSIS**

**1.1. Action Summary Table**

<b>Title</b>	EU4Green Economy
<b>OPSYS</b>	ACT-62384
<b>ABAC</b>	JAD.1354682
<b>Basic Act</b>	Financed under the Instrument for Pre-accession Assistance (IPA III)
<b>Economic and Investment Plan (EIP)</b>	Yes
<b>EIP Flagship</b>	Yes Priorities: “Energy (33%) and Economic development (incl. Private sector, trade and macroeconomic support), Environment and climate resilience” (67%) Flagships: V Transition from Coal, VII Waste and Waste Water Management, IX Investing in the Competitiveness of the private sector
<b>Team Europe</b>	No
<b>Beneficiary(y)/(ies) of the action</b>	Bosnia and Herzegovina
<b>Programming document</b>	IPA III Programming Framework
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>Window and thematic priority</b>	Window III: Green agenda and sustainable connectivity Thematic Priority II: Transport, digital economy and society, and energy (33%) Window IV: Competitiveness and inclusive growth Thematic Priority II: Private sector development, trade, research and innovation (67%)

<b>Sustainable Development Goals (SDGs)</b>	Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all			
<b>DAC code(s)</b>	230 - Energy 250 - Business and Other Services 32130 – Small and medium-sized enterprises (SME) development			
<b>Main Delivery Channel</b>	Bilateral			
<b>Targets</b>	<input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
<b>Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	EIP	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	EIP Flagship	YES <input checked="" type="checkbox"/>		NO <input type="checkbox"/>
	Tags:	YES		NO
	Transport	<input type="checkbox"/>		<input checked="" type="checkbox"/>
	Energy	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	Environment and climate resilience	<input checked="" type="checkbox"/>		<input type="checkbox"/>

**Internal markers and Tags**

Digital	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Economic development (incl. private sector, trade and macroeconomic support)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Human Development (incl. human capital and youth)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Migration and mobility	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Agriculture, food security and rural development	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Rule of law, governance and Public Administration reform	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Tags	YES		NO	
digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
digital governance	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
digital entrepreneurship	<input checked="" type="checkbox"/>		<input type="checkbox"/>	
digital skills/literacy	<input checked="" type="checkbox"/>		<input type="checkbox"/>	
digital services	<input checked="" type="checkbox"/>		<input type="checkbox"/>	
Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Tags	YES		NO	
digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
energy	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
transport	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
health	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
education and research	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
COVID-19	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

### BUDGET INFORMATION

<b>Amounts concerned</b>	Budget line: 15.020201 Total estimated cost: EUR 22 500 000 Total amount of EU budget contribution: EUR 22 500 000
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### MANAGEMENT AND IMPLEMENTATION

<b>Implementation modalities (management mode and delivery methods)</b>	<b>Indirect management with the pillar assessed entities.</b>
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<b>Final Date for conclusion of Financing Agreement</b>	At the latest by 31 December 2025
<b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b>	3 years following the date of conclusion of the financing agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
<b>Indicative [operational implementation] period</b>	72 months following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement</b>	12 years following the conclusion of the financing agreement

## 1.2. Summary of the Action

The Action paves the way for a just transition to a green economy in Bosnia and Herzegovina by supporting energy transition in coal and mining areas, strengthening private sector capacities for the introduction of circular business models, promoting public-private partnerships in waste management at the local level. As such, the **overall objective** of the Action is to advance energy transition and improve business environment for low carbon and circular economy in Bosnia and Herzegovina . The Action has 4 **specific objectives**: (1) Improved effectiveness and transparency of the just energy transition governance at the state, entity and local level, (2) Increased livelihoods and relevant labour market technical and soft skills of affected workforce, (3) Increased public and private investments for energy transition in the targeted coal mining regions stakeholder consultations/engagement improved and (4) Enhanced circular transition of MSMEs and entrepreneurs across different growth stages (including innovative start-ups) based on introduction of circular business models.

Bosnia and Herzegovina (Bosnia and Herzegovina ) has expressed its clear position to follow EU trends, primarily through the Energy Community Treaty, but also through other agreements it has signed in the past, such as the Paris Climate Agreement. Certainly, one of the most important international obligations is the Sofia Declaration on the Green Agenda for the Western Balkans, with which Bosnia and Herzegovina expressed strong determination to align with the ambitious goals of the EU to achieve **energy transition** and climate neutrality by 2050. The transformation of the energy sector in principle represents the transition to renewable energy sources, and a complex and demanding process of a just transition. Bosnia and Herzegovina is heavily reliant on mining and is using significant quantities of coal, mainly for power generation. Decarbonisation commitments imply that those activities will need to be gradually phased down and, ultimately, phased out. The most significant impact of this process will be in coal mining regions. This Action is designed to mitigate potential negative impacts arising from transition away from coal, and contributes to sustainable development of those areas, preventing their economic downturns. It will also have a positive cross border impact on the neighbouring countries in the region with a decrease of air pollution and harmful greenhouse gas emissions .This will enable just transition in coal mining regions, providing full and productive employment for all. The **IPA III Programming Framework** acknowledges the need for supporting decarbonisation and just energy transition, in line with the EU requirements, as well as improving the administrative capacity and the activities aimed at reform of the energy sector, envisaged under the Action. Under IPA III, it is emphasised that coal and carbon intensive regions (in transition) will be given support in the process of their economic diversification and transition to a low-carbon, cleaner and energy efficient economy.

Bosnia and Herzegovina has also committed to moving towards a **circular economy (CE)** by adopting the Green Agenda and its Action Plan for the Western Balkans. Based on the current Bosnia and Herzegovina's trends, the consumption of natural resources should increase by cca. 30% over the next decade, while resource productivity stands at 0.9 which is significantly below the EU average (2.2). Moreover over 80% of generated waste is landfilled and only 2.2 % gets processed. In addition, the country's waste exports are almost 30 times higher than imports, indicating Bosnia and Herzegovina's limited capacities for creating value from the waste generated locally. Currently, Bosnia and Herzegovina is working on a number of strategic documents that concern sustainable development and involve the elements of CE, such as integrated energy and climate plan and environmental strategy and action plan, both covering the 2030 timespan. A draft roadmap for CE is finalised in 2022. Together with entities legislation on waste management and strategies on industrial development, these are incremental steps for setting the CE ecosystem in Bosnia and Herzegovina. Specifically, the Action aims to enhance circular transition of micro, small and medium enterprises (MSMEs) and entrepreneurs across different growth stages (including innovative start-ups) based on introduction of circular business models. The intervention is also interdisciplinary, as it addresses expected results defined in the **IPA III Programming Framework** within the Windows 4 and 3. Namely, at macro level, this Action will support improvement of the overall Bosnia and Herzegovina's ecosystem for green investments in MSMEs and innovative start-ups, by revising the policy and regulatory framework in the priority sectors of waste and raw materials management and by strengthening its institutional capacities for transforming the EU guiding principles into a concrete CE policies and measures. At mezzo-level, the proposed Action should improve the cooperation between institutions, non-government actors and businesses, to promote implementation of projects which catalyse implementation of CE policies locally. Finally, at micro-level, the Action will promote introduction of circular business models and demonstration of MSMEs best practices through advisory services and incentives to leverage investments in green and CE technologies and processes; it will also link innovative MSMEs with European green/CE value chains. The Action will also tackle social challenges in coal transition regions by promoting employment opportunities for vulnerable groups and by stimulating entrepreneurial spirit primarily among youth for creation of innovative/ green start-ups.

This Action will also underpin the implementation of **Economic and Investment Plan (EIP)** for the Western Balkans by supporting EIP flagship 5: Transition from Coal and by triggering business investments thanks to the EU supported awareness raising, transfer of know-how and incentives for implementing CE concepts by MSMEs and start-ups run by the young entrepreneurs, including in the coal and remote region, by supporting EIP flagships 7: Waste and waste water management and flagship 9: Investing in the competitiveness of the private sector.

Bosnia and Herzegovina is also a beneficiary in the EU Strategy for Adriatic and Ionian Region. The Action is supporting the principles of Pillar 3 – Environmental Quality, particularly regarding Protection and enhancement of natural terrestrial habitats and ecosystems as well as Promotion of sustainable growth in the region.

### **1.3 Beneficiary of the Action**

The action shall be carried out in Bosnia and Herzegovina.

## **2. RATIONALE**

### **2.1. Context**

Although Bosnia and Herzegovina contributes little to the causes of climate change globally, still the GHG emissions in Bosnia and Herzegovina cannot be ignored. The industrial economy and the use of fossil fuels largely contribute to these emissions. Significant GHG emissions are largely the result of the extensive use of coal, mainly in electricity generation, over 60% of the country's electricity production. The transition of electricity sector from coal towards more sustainable sources, is, therefore, the necessary part of the GHG

emission reduction effort. On a local level, the transition away from coal and TPP and mine closures will generate significant social impacts: mines, TPP workers, but also the supporting industries and services will lose source of personal or company income, unless appropriate programs are put in place to mitigate these effects. Furthermore, the land used for mining and TPP operations will need to be reclaimed and repurposed. A timely and comprehensive policy and governance approaches are necessary to mitigate the adverse social effects on affected workers and communities. That should be complemented with a timely preparation of respective investment programs, as appropriate, to alleviate negative impacts of coal transition.

**The IPA III Programming Framework** acknowledges the need for supporting decarbonisation and just energy transition, in line with the EU requirements, as well as improving the administrative capacity and the activities aimed at reform of the energy sector, envisaged under the Action. Under IPA III, it is emphasised that coal and carbon intensive regions (in transition) will be given support in the process of their economic diversification and transition to a low-carbon, cleaner and energy efficient economy. Additionally, the Action will facilitate a vibrant and innovative private sector through support to MSMEs transition towards CE in key manufacturing and service sectors, and by improving access to finance and financial inclusion for women and youth especially, who will explore opportunities for innovative growth and green jobs.

This Action is in line with the Sofia declaration on the **Green Agenda for the Western Balkans**, signed by Bosnia and Herzegovina, committing itself to align with the ambitious energy transition and climate neutrality targets of the EU. In practice, this means no coal power plants will be operational in 2050 and complete coal phase out will be achieved by then. The Action will support its implementation through improvements in policy and regulatory framework in the CE priority areas, and through provision of MSMEs advisory and incentives to leverage private investments. Synergies will be ensured with OECD's regional project related to implementation of the CE roadmap.

This Action will trigger business investments for implementation of **EIP** by piloting the CE concepts by MSMEs and green start-ups. The Action should strengthen the entrepreneurial eco-system and provide for better utilisation of the upcoming private sector blending and guarantees (WBIF and EFSD+ Facilities), as the main EIP's instrument for attracting investments. The Action is aligned with the **EU Circular Economy Action Plan**, which encompasses a new sustainable product policy framework, recommending to firstly focus on high-impact product groups. In particular, the Action will support creation of CE ecosystem specific to Bosnia and Herzegovina, by defining more targeted policies and measures to facilitate an uptake of circular business models by MSMEs in key sectors, including tourism and textiles.

Action contributes to the implementation of the **WB Agenda on innovation, research, education, culture, youth & sport** since it enhances capacities of business operators in BOSNIA AND HERZEGOVINA for introduction of circular business models into their operation and as such supports sustainable economic development in the country.

**2023 EC Report for Bosnia and Herzegovina** points at Bosnia and Herzegovina's early-stage preparations for the green and digital transition and for the global competitiveness of industry in line with the EU industrial strategy, which requires the country's greater focus on green investments, including SME level<sup>1</sup>. The Action addresses these challenges by supporting improvements in the policy and regulatory framework, introduction of circular business models by MSMEs, promotion of local partnerships for resource recovery and extended products' lifecycle, and by support to green innovative start-ups and jobs creation, including in the coal and remote regions.

This Action will support the **Economic Reform Programme for Bosnia and Herzegovina 2023-2025** (ERP 2023-2025) in the area of decarbonisation, energy transition, energy efficiency and circular economy. Also,

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<sup>1</sup> Bosnia and Herzegovina 2023 Report ([https://ec.europa.eu/commission/presscorner/detail/en/IP\\_23\\_5633](https://ec.europa.eu/commission/presscorner/detail/en/IP_23_5633))

the action is aligned with SDG Framework in Bosnia and Herzegovina (2020), which aims to achieve Agenda 2030 and the SDGs. The Action is further aligned with Bosnia and Herzegovina Council of Ministers Medium Term Programme 2020-2022 which integrates SDG framework above. The Action also builds on ongoing process of development of Bosnia and Herzegovina CE action plan.

The European Commission adopted on 8 November 2023 a new Growth Plan for the Western Balkans, with the aim of boosting economic growth and accelerating much needed socio-economic convergence. The implementation of the Action will also take into full account the priority actions and measures stemming from the Communication on New growth plan for the Western Balkans . The Action additionally contributes to advancing the development of a decarbonized economy in Bosnia and Herzegovina .

The **Framework Energy Strategy of Bosnia and Herzegovina until 2035**, provides a strategic guideline regarding efficient usage of natural resources to ensure secure and affordable energy supply, energy efficiency, energy transition and environmental responsibility, and development and harmonization of the related regulatory and institutional framework. The final draft of the NECP, which will replace the national energy strategy, the national renewable energy action plan and the national energy efficiency action plan, has been drafted and expected to adopted in the next period. In line with **National Emissions Reduction Plan (NERP)** provisions, it is expected that three coal-fired TPP units will be opted-out by the end of 2023. The actions proposed herein are supportive in enabling the just transition and facilitating further coal phase down activities.

**Climate Change Adaptation and Low Emission Development Strategy Bosnia and Herzegovina 2020-2030<sup>2</sup>** is in line with the EU Green Deal and aims to achieve the long-term goal of reducing greenhouse gas emissions by 2050 encouraging private investment in new energy infrastructure and low-carbon technologies. The Strategy aims as well to create synergies with the concept of developing new green businesses and the economy, the concept of a circular economy in which resources are used to the maximum, waste generation is reduced to a minimum. Although the energy sector has the greatest value in GHG production in Bosnia and Herzegovina , the industry and waste have also a significant share.

The World Bank (WB) is supporting Bosnia and Herzegovina to meet its 2050 targets. Support started in 2020 with an analytic work to develop a broad roadmap for coal transition in Bosnia and Herzegovina . The road map defines specific actions on governance frameworks, labour options and land repurposing scenarios in specific mine sites—all built around multiple energy scenarios for Bosnia and Herzegovina . The intention of the actions proposed herein is twofold: (i) to build on the findings of WB work and further prepare the selected coal regions for transition; (ii) to provide deliverables on a state, entity and other governing levels, that would both enable the transition of the piloted coal areas but also other coal regions in the Country.

Importantly, the Action should facilitate an uptake of the regional financial instruments which will soon become operational under the **Western Balkans Investment Framework (WBIF) blending and EFSD+ guarantees, including also European Innovation Council**. This Action will ensure synergies with these regional facilities, through increased MSMEs awareness and capacities for undertaking green transition. Specifically, youth start-up grants for innovative/green initiatives that will be provided within this Action should be enabler for the regional Youth Guarantee Scheme, which action plans are currently developed by the Western Balkans countries.

Finally, the Action will ensure continued support for economic recovery and strengthening resilience in export-oriented, metal, textile and footwear sector and tourism, as the sectors most severely hit by the COVID-19 crisis. Hence, it will build upon results of the IPA projects in implementation. The Action also relies on synergies between different Bosnia and Herzegovina 's actors and sectors to ensuing that socio-economic

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<sup>2</sup> Adopted 23.02.2023 by CoM Bosnia and Herzegovina

consequences of COVID-19 crises are addressed comprehensively. MSMEs green investments will promote a model for cooperation on CE between public authorities, private sector, civil society and donors. Consequently, the Action contributes to reinforcement of Sector Approach principles calling for better sectoral and donor coordination.

## 2.2 Problem Analysis

### Short problem analysis

Coal-fired power plants in Bosnia and Herzegovina are located in the vicinity of coal mines. To lesser and annual greater degrees, coal communities are economically dependent on the operation of coal mines and respective TPPs. No matter the degree of dependence, closure of these facilities will have spill over effects in the local economy. Bosnia and Herzegovina TPPs are mostly owned and operated by entities. Only one TPP (TPP Stanari) is owned and operated by a private investor. By the end of 2023, which is the deadline for compliance with the Large Combustion Plant Directive and the Industrial Emissions Directive, the TPPs in Bosnia and Herzegovina (except the TPP Stanari) will be between 35 and 57 years old, making at least some of them obvious candidates for closure. However, due to the current energy crisis in Europe, Bosnia and Herzegovina produced the operational life of units Tuzla 4 and Kakanj 5, which were supposed to stop operating according to the National Emission Reduction Plan (NERP). For these two power plants, a transition to biomass instead of coal is being considered, at first with 10% biomass co-firing from 2026. Tuzla 5 is scheduled to cease operation in 2025, by which time Tuzla 7 (new unit) was expected to be commissioned. The effects of the cessation of coal use will be numerous from the energy point of view. The first-order impacts are related to the cessation of the operation of existing coal-fired power plants, for which the following will have to be taken into account: (i) ensuring sufficient guaranteed capacity and ancillary services, so that the operation of the electricity system is reliable and efficient while meeting the changing demand for electricity; (ii) attracting the necessary investments for new power plants (renewables and others to replace coal plants that close); (iii) job losses and social impact of the cessation of the operation of coal-fired power plants and closure of the mines that supplied these thermal power plants. A positive consequence is the significant reduction in greenhouse gas emissions and local pollution, including particulate matter, as well as sulfur and nitrogen oxides.

As a Non-Annex I Party to the UNFCCC and a signatory of Paris Agreement, Bosnia and Herzegovina has undertaken general reporting obligations, including NDC every five years, biennial NDC implementation reports, and annual GHG inventory reports, using appropriate IPCC methodology, encouraged to take **greenhouse gas (GHG) emission reduction** actions and to participate in international cooperation mechanisms, technology transfer and capacity development. In the area of climate change mitigation and adaptation measures across different sectors it is necessary to additionally analyse GHG emissions from various sectors and methods of their reduction.

Bosnia and Herzegovina is in the **early stage of transition to circular economy** which application is limited so far to an individual initiatives and projects. Although some administrative levels in Bosnia and Herzegovina have established CE regulatory framework, further efforts are needed to fully harmonize the approach towards CE throughout the country and with the EU acquis and EU strategic framework (i.e. CE Action Plan). The priorities for this process include need for adjustment to the laws on sustainable waste management, use of raw materials and strengthening institutional coordination and capacities across sectors to create better conditions for green investments. Capacities of institutions for incorporation of CE principles in the regulatory framework including development of domestic financing schemes and its implementation should be further strengthened. Effective system for monitoring the transition process toward circular economy is also missing, preventing evidence-based policies. The MSMEs in Bosnia and Herzegovina very often have an obsolete technology relied on linear business model, while lack of skills and knowledge, as well as limited investment capacities are preventing the majority of MSMEs in Bosnia and Herzegovina to take advantage of innovative and green technologies. Incentives for innovative and green start-ups, including for young entrepreneurs are limited. This is particularly true for financial support and technical assistance for start-ups and business in disregarded, remote and coal transition areas. Experienced promoters (e.g. trainers, educators) capable to



provide advisory and support to start-ups in articulation of innovative business ideas are missing as well. Integration into European and global supply chains is still challenging for many MSMEs. Lack of alignment of rules and standards on export and import of waste and raw materials make it hard to establish circular supply chain.

Bosnia and Herzegovina is facing with an **inconsistency in the collecting, treatment, monitoring and reporting of waste and resource stream flows**, hampering optimization of economic and sales processes at the level of MSMEs. At the moment, pre-dominant practice in the waste management in Bosnia and Herzegovina is collecting and disposal of unsorted waste to regional and municipal landfills and dumps. As such, separate collection of waste streams and economic instruments to promote prevention waste generation, reuse, repair and recycling remain limited. In addition, insufficient cooperation between authorities, public utility companies and private sector limits potentials for effective waste stream management projects. In view of their limited financial and technical capacities, future initiatives should increase funds available to local governments and enhance management of existing landfills and waste treatment facilities, including through possible public-private partnerships.

The **most affected stakeholders** of the action, and in same time main beneficiaries of the Action are state, entity, Brčko District, cantonal and local level authorities in charge of energy, spatial planning, environment, labour, and private sector development, as well as public utilities, coalmines and MSMEs (including start-ups).

### 2.3. Lessons Learned

The development of Just Transition Road Map is an ongoing activity, which is supported by WB who already have significant experience and provided valuable contribution through past and ongoing technical assistance projects. It is foreseen that the activities implemented under this Action Document will build upon achieved results from previous and ongoing assistance projects and ensure the continuation of similar activities. In previous years, considerable technical assistance projects were financed by international donors/IFIs (EU, USAID, GIZ, UNDP, SIDA, EBRD, WB, KfW, etc.). They assisted in removing the obstacles to investment and diversification of sources of supply to enhance energy security, and for the improvement of the energy sector legislative and regulatory framework. A significant number of infrastructure projects in the field of energy efficiency were implemented both with the international donors and IFIs' support. Thanks to cooperation with an international project, there are incentives to develop an innovative mechanism for sustainable financing to pilot it in the Ministries in charge of the energy efficiency measures in public buildings.

Support to CE transition is based on individual initiatives and projects. The most important CE projects that are being implemented in Bosnia and Herzegovina are EU funded interventions at local and regional level. The experiences in implementation of these projects indicates the high interest and needs of the MSMEs for introduction of circular business models in their operations and promotion of CE measures in industry and businesses. The best form of support for enterprises has proven to be direct work with companies in the form of mentoring, coaching, and direct financial support to start-ups and MSMEs. In addition, the cooperation between MSMEs (e.g. industrial symbiosis, B2B) show very important approach to secure practical circularity and sustainable use of raw materials. These initiatives show important roles of public and utility companies in cooperation with private sectors on joint efforts for solving of the complex waste streams. The inclusion of entrepreneurship policymakers in the development of public invitations and the definition of criteria proved critical to the success of these projects' implementation, and this Action will strive to strengthen this cooperation.

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Intervention Logic

The **Overall Objective (Impact)** of this Action is to advance energy transition and improve business environment for low carbon and circular economy in Bosnia and Herzegovina .

The Specific(s) Objective(s) (Outcomes) of this Action are:

Component 1:

1. Outcome 1 - Improved effectiveness and transparency of the just energy transition governance at the state, entity and local level
2. Outcome 2 - Increased livelihoods and relevant labour market technical and soft skills of affected workforce
3. Outcome 3 - Increased public and private investments for energy transition in the targeted coal mining regions stakeholder consultations/engagement improved.

Component 2:

4. Outcome 4 – Enhanced circular transition of MSMEs and entrepreneurs across different growth stages (including innovative start-ups) based on introduction of circular business models.<sup>3</sup>

The Outputs to be delivered by this Action are contributing to the corresponding Specific Objectives (Outcomes):

- **Output 1.1** – Improved organisational and technical capacities for energy transition including governance model at specific coalmine and TPP areas defined, **Output 1.2** - Strengthened consultation mechanisms for repurposing action plans development, **Output 1.3** – Increased awareness of the affected coal mining regions on just energy transition, **Output 1.4** – Grievance Redress Mechanism established and running and Output 1.5 – Knowledge, recommendations and tools generated for strategic and policy frameworks to repurpose coal mine pilot regions, **contribute to Outcome 1.**
- **Output 2.1** - Increased availability of tools to design and implement livelihood measures and employment policies that address specific needs of the affected workforce, **Output 2.2** - Pilot market oriented reskilling mechanisms established at the local level, **contribute to Outcome 2.**
- **Output 3.1** - Portfolio of bankable energy transition investment projects developed, contribute to **Outcome 3.**
- **Output 4.1** - Policy and regulatory constraints to optimising CE opportunities identified (in priority areas of waste and raw materials management) and measures proposed and designed [by IP], **Output 4.2** - MSMEs implementation of circular business models improved, **Output 4.3** - Linkages between MSMEs and European green economy/CE value chains in the key manufacturing and service sectors promoted and facilitated, **Output 4.4** - Local green economy/CE activities targeting sustainable waste stream collection and increased product’s lifecycle promoted, **Output 4.5** - Innovative/ green start-ups supported for young entrepreneurs including in remote and coal transition regions **contribute to Outcome 4.**

The underlying intervention logic for this action:

If the effectiveness and transparency of the just energy transition governance at the state, entity and local level is improved, livelihoods and relevant labour market technical and soft skills of affected workforce increased, public and private investments for energy transition in the targeted coal mining regions increased and

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<sup>3</sup> Activities foreseen under Outcome 4. could be supported by GHG calculation tool and auxiliary sectoral guidance.

stakeholder consultations/engagement improved, then low carbon energy transition in Bosnia and Herzegovina will be advanced.

If the policy and regulatory constraints for optimising CE opportunities and measures are identified, and if MSMEs implementation of circular business models is improved, and the linkages between MSMEs in Bosnia and Herzegovina and European green economy/CE value chains are facilitated, and local green economy/CE activities and innovative green start-up are promoted, following assumption that the digital CE cooperation platform established under earlier IPA actions is functional, then, circular transition of MSMEs and entrepreneurs might be enhanced.

If low carbon energy transition in Bosnia and Herzegovina is advanced, as well as circular transition of MSMEs and entrepreneurs across different growth stages (including innovative start-ups), then, it will be possible to improve low carbon and circular economy in Bosnia and Herzegovina .

### **3.2. Indicative Activities**

#### **Outcome 1 – Improved effectiveness and transparency of the just energy transition governance at the state, entity and local/regional level**

##### **Output 1.1 – Improved organisational and technical capacities for energy transition including governance model at specific coalmine and TPP areas defined.**

- Activity 1.1.1 Establish multi-stakeholder governance structures in the coal regions in line with recommendations from the Road Map, EU acquis aligned policy and institutional framework for the continuous and socially sustainable restructuring of the coal sector.
- Activity 1.1.2 Capacity building of the governance structures in place to manage the planning and implementation of the just energy transition.
- Activity 1.1.3 Development of strategic documents recommended by Road Map on state, entity, and local level (such as Just energy transition strategy, actions plan, Policy guidelines for coalmines closures, etc.)

##### **Output 1.2 - Strengthened consultation mechanisms for repurposing action plans development.**

- Activity 1.2.1 Establish a mechanism for comprehensive stakeholder consultations/engagement during planning and implementation stages at pilot areas level, and at state, entity and local/regional level.

##### **Output 1.3 – Increased awareness of the affected coal mining regions on just energy transition**

- Activity 1.3.1 Develop and implement communication strategy on just energy transition in the affected coal mining regions.

##### **Output 1.4 – Grievance Redress Mechanism established and running**

- Activity 1.4.1 Set up and run grievance redress mechanism, addressing complaints/concerns arising along the public in transition process issues.

##### **Output 1.5 – Knowledge, recommendations and tools generated for strategic and policy frameworks to repurpose coal mine pilot regions**

- Activity 1.5.1 Education and training programs for miners for specific skills and licenses identified in the Output 1.3.
- Activity 1.5.2 Analysis and proposal of changes in the programs (curricula) at the universities and secondary vocational schools in accordance with the needs of coal regions
- Activity 1.5.3 A review of best practices on mine closure policies, standards and regulations will be performed, including environmental lands remediation and repurposing, and abatement of fugitive mine methane and acid mine drainage, including recommendations harmonized with the EU acquis.
- Activity 1.5.4 Comprehensive analysis of available maps and other data to develop geospatial visualisation of recommended land repurposing scenarios.

## **Outcome 2 - Increased livelihoods and relevant labour market technical and soft skills of affected workforce**

### **Output 2.1 - Increased availability of tools to design and implement livelihood measures and employment policies that address specific needs of the affected workforce.**

- Activity 2.1.1 In-depth analysis of the labour force affected by the energy transition, including in-depth preference surveys for affected direct and indirect workers to identify alternative employment.
- Activity 2.1.2. Identification of workers prequalification options, partially depending on site repurposing scenarios.
- Activity 2.1.3 In-depth review of active labour market policies with recommendations, including the harmonization of relevant legislation with the EU acquis.

### **Output 2.2 - Pilot market-oriented reskilling mechanisms established at the local level**

- Activity 2.2.1 Development of the in-depth strategies (including the comprehensive economic diversification strategy) and identification of the potential growth sectors for pilot areas, including the assessment of the options for remediation and repurposing at TPP and coal mine pilot areas, environmental clean-up, and recommendations.

## **Outcome 3 - Increased public and private investments for energy transition in the targeted coal mining regions stakeholder consultations/engagement improved**

### **Output 3.1 - Portfolio of bankable energy transition investment projects developed.**

- Activity 3.1.1 Development of the Study on availability of repurposed sites for additional power generation capacity
- Activity 3.1.2 Development of the Study on the availability of post mining lands for PV installations, wind turbines, energy storage (pumped storage reservoirs, battery technology), energy crops / biomass production, SYNCONs, etc., including recommendations for state, entities and power utilities.

## **Outcome 4 – Enhanced circular transition of MSMEs and entrepreneurs across different growth stages (including innovative start-ups) based on introduction of circular business models.**

### **Output 4.1 - Policy and regulatory constraints to optimising CE opportunities identified (in priority areas of waste and raw materials management) and measures proposed and designed [IP]**

The Action supports achievements of Output 1 through institutional capacity building in preparing the regulatory framework and policies for implementation of circular economy principles and for strengthening investment climate for transition to CE. This will be achieved through the organisation of trainings, exchange of experiences and inter-institutional cooperation, including elaboration of guidelines and rulebooks for introduction CE principles into regulatory framework specifically targeting SMEs. In addition, the support will include CSOs for their active involvement in this process.

- Activity 4.1.1. Revision and draft polices, guidelines<sup>4</sup>, technical and technological conditions related to CE transition in priority areas of waste management and management of raw materials;
- Activity 4.1.2. Strengthening institutional and cross-sectoral capacities for incorporating CE principles in MSMEs development and investment policies;
- Activity 4.1.3. Design measures involving public private partnerships and CSOs.

### **Output 4.2 - MSMEs implementation of circular business models improved**

The Action supports development of MSMEs circular economy business models through the provision of advisory and incentives to support companies, in particular SMEs, to become more competitive through technology transformation of business processes, improved productivity and operational efficiency. The assistance also involves transfer of know-how, advisory and coaching on CE related standardisation, to

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<sup>4</sup> i.e. GHG calculation tool and sectoral guidance

increase SMEs readiness for uptake of business finance and functional use of existing financial facilities that will help MSMEs in their development and CE transition process.

- Activity 4.2.1 Advisory for SMEs on CE business modelling and knowledge transfer to obtain firm-specific CE and sustainability standards certification<sup>5</sup>;
- Activity 4.2.2 Awareness raising and synergies with available financial instruments for CE transition including blending facilities (i.e. WBIF) and guarantees (i.e. EFSD+).

### **Output 4.3 - Linkages between MSMEs and European green economy/CE value chains in the key manufacturing and service sectors promoted and facilitated**

The Action establishes innovative approaches for implementing CE principles in key manufacturing sectors and tourism across different stages of MSMEs development for pilot demonstration of best practices and integration into the European value chains, by ensuring interlinkages between CE, energy efficiency and digitalisation. Prior to the implementation of pilot initiative solutions, the analysis of markets and interlinkages potentials between enterprises should be conducted and included into support to CE transition.

- Activity 4.3.1 Implementation of pilot innovative solutions and technologies for demonstration of best EU and regional practices which support value-added recycled materials and stimulate industrial symbiosis for components or products in manufacturing sectors (i.e. textile, wood, metal, agri-food, construction, plastic);
- Activity 4.3.2 Support to sustainable tourism practices and green certification;
- Activity 4.3.3 Support to MSMEs in successfully adapt to EU standards, overcome barriers and difficulties related to process of using standards interlinked to circular economy, energy efficiency and digitalisation as well as health and safety measures.<sup>6</sup>

### **Output 4.4 - Local green economy/CE activities targeting sustainable waste stream collection and increased product's lifecycle promoted<sup>7</sup>**

The Action promotes CE activities at local level through sustainable collection and treatment of waste streams to increase a product lifecycle. This will be achieved by supporting the local (public-private) partnerships to promote CE innovative concepts for the use of value-added recycled materials.

- Activity 4.4.1 Establishment of local (public-private) partnerships for sustainable waste stream collection and treatment;
- Activity 4.4.2 Implementation of innovative solutions and best practices to support value-added recycled materials, components or products.
- Activity 4.4.3 Awareness raising, advisory and grant support to cooperatives and/or social enterprises on development of circular economy and sustainable raw materials management in waste streams (i.e. WEEE, demolition waste, bio-waste, plastics, textile).

### **Output 4.5 - Innovative/ green start-ups supported for young entrepreneurs including in remote and coal transition regions**

The Action establishes mentorship, advisory and financial support for young entrepreneurs to develop innovative/green CE based start-up businesses including those in coal transition and remote (less developed) areas.

- Activity 4.5.1 Implementation of the small-scale financing schemes for innovative/green start-ups through the grants to MSMEs, start-ups, innovation hubs, incubators, accelerators, circular labs etc., preferably via local partnerships for employment and entrepreneurship;
- Activity 4.5.2 Education and training to CE mentors, including but not limited to MSMEs business advisors (i.e. universities, business schools, development agencies, business support organisations);

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<sup>5</sup>Toolkit of standards, certification and best practices on GHG calculation should be explored

<sup>6</sup>Toolkit of standards, certification and best practices on GHG calculation should be explored

<sup>7</sup> Pilot measures for triggering financial support should be considered, targeting GHG emissions avoided and resource efficiency (e.g. kilo-tons of water, waste& materials saved/treated per year)

- Activity 4.5.3 Implementation of advisory, training and mentorship to start-ups in green and CE in coal transition and remote less developed) areas.

### **3.3. Mainstreaming**

Energy transition and coal phase down could have a significant negative social impact in coal regions. These regions and its communities are heavily economically dependent on operation of coal mines and related TPPs. This Action deals with a number of measures aimed at improving governance, mitigating the negative effect on labour and developing new opportunities through land reclamation and repurposing. Such actions should enable just transition for coal regions and provide new economic opportunities in line with sustainability goals, thus mitigating the negative social effects of coal phase down.

Local and regional governments, which are closest to affected communities, should be actively engage and take a guiding role in development of transition strategies. Many of the good practice examples illustrate the leading role taken by local political leadership and local public administrations in initiating and steering processes for the preparation of regional transition strategies illustrate cases where local authorities have taken a leading role in the preparation of local transition strategies, and where they have as an enabler for citizen engagement in the preparation of strategies and action plans.

#### **Environmental Protection, Climate Change and Biodiversity**

This Action addresses Environment and Climate change fully, as just energy transition, which is a principal objective, is part of decarbonisation of the energy sector. Strategic Environmental Assessment (SEA), an Environmental Impact Assessment (EIA) and a Climate Risk Assessment (CRA) should be prepared for each specific projects. Developing system of circular economy in the field of waste management and work on reuse and recycling, composting, and energy recovery should reduce the impact on natural resources while improving the state of the environment and developing and strengthening a new economic sector. In addition, the circular economy can reduce greenhouse gas emissions, provide a chance for small and medium-sized enterprises and increase GDP. Since the action works on implementation of circular business models including innovations and green eco system the action has strong impact on environmental protection. Various target groups will be supported through action to reduce their carbon print such as SMEs, institutions, civil society organisations.

#### **Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1<sup>8</sup>. This implies that in design and implementation of the Action, gender analysis and equal gender participation shall be taken into full consideration and women organisations involved as one of drivers for change, and that special attention will be given to women who are already holders of the business as well as those women which are entering the business for the first time. All indicator on financial support or technical assistance will be monitored by sex of beneficiaries.

#### **Human Rights**

The Action and just energy transition activities are adequate to the country situation, non-discriminatory for its citizens and compliant with human rights principles to ensure healthy environment and accompanying rights that are under risk of climate change such as the right to life, water and food. Action and activities financed will be implemented by complying with the principles of preventing all forms of discrimination and promoting gender equality.

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<sup>8</sup> Principal objective / significant objective/ not targeted

### 3.4. Risks and Assumptions

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
3	Risk 1 Lack of strong ownership in the energy sectors by the key responsible institutions due to shared competencies and lack of efficient coordination	<b>M</b>	<b>M</b>	Include all relevant stakeholders in project implementation. Involve all relevant stakeholders in capacity-building and training activities foreseen under this Action.
3	Risk 2 Inadequate involvement of lower administrative levels – cantons and local communities	<b>L</b>	<b>L</b>	Energy transition will significantly affect coal regions, therefore high level of involvement is expected. Several communities have already expressed their strong interest in collaborating in this process. Involve all relevant stakeholders in capacity-building activities foreseen under this Action.
3	Risk 3 Commitment of competent institutions to ensure sustainability of project outputs	<b>M</b>	<b>M</b>	Increase and improve understanding and capacities of the competent institutions (all government levels – state and entity institutions, cantons, local communities) by involving them in capacity building activities foreseen under this Action.
3	Risk 4 Lack of relevant women’s organisations, proficient and informed enough in environmental matters	<b>L</b>	<b>L</b>	Outreach activities and education of civil society and public, informing on the key link between gender perspective and environment.
3	Risk 5 Lack of awareness of miners and citizens about just energy transition	<b>H</b>	<b>H</b>	Increase and improve understanding and capacities of the miners and citizens by involving in rising awareness activities foreseen under this Action.
3	Risk 6 Limited involvement of SMEs and innovation capacity to engage in operationalising EPR schemes and tuning the production cycle towards green products.	<b>M</b>	<b>M</b>	Awareness raising activities shall be performed for better understanding the benefits of implementing the circular economy and green production
3	Risk 7 Limited absorption capacity, lack of human resources to carry out technical and organisational processes,	<b>M</b>	<b>M</b>	Technical guidelines will be developed in English and local languages to guide new staff that become involved.

	and frequent staff turnover may hinder the impact of the capacity-building measures.			
3	Risk 8 Limited capacities within the SMEs in project preparation, and implementation.	<b>M</b>	<b>M</b>	Support through ongoing and proposed complementary capacity building will help mitigate this risk. Technical assistance will provide support in building capacities and the actions of other development partners will further mitigate the risk.

#### External Assumptions

- Good cooperation and coordination among key stakeholders
- Sector institutions are willing to participate in the training programme
- Local communities' readiness for involvement in Just Energy Transition
- Global political and economic situation is stable
- Favourable Business climate in Bosnia and Herzegovina stimulates creation of new businesses especially for young entrepreneurs, with focus in coal areas
- Synergies ensured with previous IPA programmes which support digital platform and platform on circular economy establishment and TA for improved material recovery from waste



**3.5. Indicative Logical Framework Matrix**

Results	Results chain: Main expected results [maximum 10 @]	Indicators [it least one indicator per expected result @]	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To advance energy transition and improve business environment for low carbon and circular economy in Bosnia and Herzegovina	Share of targets by NECP Bosnia and Herzegovina (FEC, PEC, RES, GHG)  Level of progress in preparedness and response to energy transition	Final energy consumption (MToE) 2022 4.328, ktoe	Final energy consumption (MToE) 2030 4,339.0 ktoe	EC Reports on Bosnia and Herzegovina Commission report on Bosnia and Herzegovina on implementation of NECP  Bosnia and Herzegovina Reports to the Energy Community Secretariat	<i>Not applicable</i>
			Primary energy consumption (MToE) 2022 7.246,0 ktoe	Primary energy consumption (MToE) 2030 6,844.0 ktoe		
			Share of renewable energy sources in gross final energy consumption (%) 2022 39.7%	Share of renewable energy sources in gross final energy consumption (%) 2030 43.6%		
		Greenhouse gas emissions 2022 19.36 MtCO2	Greenhouse gas emissions 2030 15.65 MtCO2			
		Limited (baseline year(s) defined by NECP Bosnia and Herzegovina )	Significant (implementation scenario defined by NECP Bosnia and Herzegovina ) (2030)			
		Global competitiveness Index	55 ( 2019)	60 (2026)	World Economic Forum	
		Ease of doing a business	72.75 (2020)	76,25 (2027)	WB	
Outcome 1	Improved effectiveness and transparency of the just energy transition governance at the state, entity and local level	Progress in implementation of measures, policies, plans	Limited	Significant (2028)	Action reports	Good cooperation and coordination among key stakeholders

		developed with the support of the action			EC Reports on Bosnia and Herzegovina	Sector institutions are willing to participate in the training programme
<b>Outcome 2</b>	Increased livelihoods and relevant labour market technical and soft skills of affected workforce	Percentage of beneficiary of EU VET programmes who report having gained relevant work experience with apprenticeship, disaggregated by beneficiaries sex, age, disability status	Limited	Significant (2028)	Bosnia and Herzegovina Reports to the Energy Community Secretariat	Local communities' readiness for involvement in Just Energy Transition
		Number of people benefited with livelihood measures adopted by the relevant stakeholders	Limited	Significant (2028)	Baseline and end line surveys	Global political and economic situation is stable.
<b>Outcome 3</b>	Increased public and private investments for energy transition in the targeted coal mining regions stakeholder consultations/engagement improved	Number of bankable projects for energy transition in the targeted coal mining regions developed	0 (2023)	3 (2028)	Bosnia and Herzegovina Register of Business Entities <a href="https://bizreg.pravosudje.ba/">https://bizreg.pravosudje.ba/</a>	Favourable business climate in Bosnia and Herzegovina stimulates creation of new businesses especially for young entrepreneurs.
		Volume of investments mobilized for energy transition in the targeted coal mining regions	0 (2023)	80 M euro (2028)	Bosnia and Herzegovina Agency for Statistics, Innovation Activity of Enterprises	
<b>Outcome 4</b>	The circular transition of MSMEs and entrepreneurs across different growth stages (including innovative start-ups) enhanced based on introduction of circular business models.	Number of new businesses based on CE principles created	TBD by implementing agency (Implementing agency will provide data based on research and business statistical registers)	TBD (2027)		

		Percentage of enterprises in Bosnia and Herzegovina economy with both product and business process innovations (for small and medium enterprises separately)-  Number of beneficiaries with access to financial services with EU support: (a) firms, (b) people (all financial services), (c) people (digital financial services)	31.5% (small enterprises)  46.6 % (medium enterprises) (2018)  0	35% (small enterprises)  52 % (medium enterprises) (2027)  Baseline +5 (2027)		
<b>Output 1 related to Outcome 1</b>	Improved organisational and technical capacities for energy transition including governance model at specific coalmine and TPP areas defined	1.1.1 Governance structures designed  1.1.2 Number of capacity building activities on newly established governance structures  1.1.3 Number of strategic documents	1.1.1 Non-existent  1.1.2 0  1.1.3 0	1.1.1 Established  1.1.2 15  1.1.3 at least 5		
<b>Output 2 related to Outcome 1</b>	Strengthened consultation mechanisms for repurposing action plans development	1.2.1 Consultation mechanism established	1.2.1 Non-existent	1.2.1 Established		
<b>Output 3 related to Outcome 1</b>	Increased awareness of the affected coal mining regions on just energy transition	1.3.1 Number of reports prepared	1.3.1 0	1.3.1 1		
<b>Output 4 related to Outcome 1</b>	Grievance Redress Mechanism established and running.	1.4.1 Grievance Redress Mechanism established	1.4.1 Non-existent	1.4.1 Established		
<b>Output 5 related to Outcome 1</b>	Knowledge, recommendations and tools generated for strategic and policy frameworks to repurpose coal mine pilot regions	1.5.1 Number of trainings  1.5.2 Number of reports prepared	1.5.1 0  1.5.2 0	1.5.1 at least 10  1.5.2 5		
<b>Output 1 related to Outcome 2</b>	Increased availability of tools to design and implement livelihood measures and employment policies that address specific needs of the affected workforce	2.1.1 Number of assessments completed	2.1.1 0	2.1.1 5		

<b>Output 2 related to Outcome 2</b>	Pilot market oriented reskilling mechanisms established at the local level	2.2.1 Number of reports prepared	2.2.1 0	1.5.1 5		
<b>Output 1 related to Outcome 3</b>	Portfolio of bankable energy transition investment projects developed	3.1.1 Number of reports projects prepared	3.1.1 0	3.1.1 2		
<b>Output 1 related to Outcome 4</b>	Policy and regulatory constraints to optimising CE opportunities identified (in priority areas of waste and raw materials management) and measures proposed and designed [by IP].	4.1.1. Number of Circular Economy policy instruments a) developed/revised, and/or b) under implementation with EU support  4.1.2. Number of civil servants and CSOs trained on CE disaggregated by sex and type of organisation  4.1.3. Number of public policies to strengthen investment climate developed	4.1.1. 0 (2022)  4.1.2. 50 (2022)  4.1.3. 0 (2023)	4.1.1. 5 (2027)  4.1.2. 230 (2027)  4.1.3. Baseline 5 (2027)	Action report	Synergies ensured with previous IPA programmes which support digital platform and platform on circular economy establishment and TA for improved material recovery from waste
<b>Output 2 related to Outcome 4</b>	MSMEs implementation of circular business models improved.	4.2.1. Number of MSMEs supported through direct advisory and/or trainings  4.2.2. Number of MSMEs supported in the obtaining firm-specific sustainability standards certification, disaggregated by sex and age group of the owner, enterprise size  4.2.3. Financing provided for private enterprises (w/m entrepreneurs) within the Action.  4.2.4. Number of Micro Small Medium Enterprises	4.2.1. 0 (2023)  4.2.2. 0 (2023)  4.2.3. 0 (2023)	4.2.1. 200 (2027)  4.2.2. 100 (2027)  4.2.3.100 (2027)	Action report	

		(MSMEs) provided with access to loans and other financial services within the Action, disaggregated by sex and age (15-30 years)	4.2.4. 0 (2023)	4.2.4. 100 (2027)	
<b>Output 3 related to Outcome 4</b>	Linkages between MSMEs and European green economy/CE value chains in the key manufacturing and service sectors promoted and facilitated.	<p>4.3.1. Number of supported MSMEs that adopt new circular/green/sustainable production practices, processes and equipment disaggregated by target group, sex and age (15-30 ) of leader</p> <p>4.3.2. Number of MSMEs received grants for support of pilot actions</p> <p>4.3.3. Number of sustainable tourism practices implemented</p> <p>4.3.4. Number of EU-Bosnia and Herzegovina linkages and innovative green value chains in CE facilitated [by IP]</p>	<p>4.3.1. 0 (2023)</p> <p>4.3.2. 0 (2023)</p> <p>4.3.3. 0 (2023)</p> <p>4.3.4. 0 (2023)</p>	<p>4.3.1. 40 (2027)</p> <p>4.3.2. 20 (2027)</p> <p>4.3.3. Baseline 10 (2027)</p> <p>4.3.4. 10 (2027)</p>	Action report
<b>Output 4 related to Outcome 4</b>	Local green economy/CE activities targeting sustainable waste stream collection and increased product's lifecycle promoted.	4.4.1. Number of local partnerships a) established, b) formalised and/or c) implemented with EU support	4.4.1. 0 (2023)	4.4.1. 10 (2027)	Action report

		<p>4.4.2. Number of investment projects developed in the priority areas of waste and raw materials management</p> <p>4.4.3. Number of cooperatives and/or social enterprises supported</p>	<p>4.4.2. 0</p> <p>4.4.3. 0 (2023)</p>	<p>4.4.2. 3 (2027)</p> <p>4.4.3. 3 (2027)</p>		
<b>Output 5 related to Outcome 4</b>	Innovative/ green start-ups supported for young entrepreneurs including in remote and coal transition regions	<p>4.5.1. Number of mentors trained for services to start-ups in green and circular economy</p> <p>4.5.2. Number of companies supported through financial ecosystem (by EU), disaggregated by type of actor, type of strengthening, by served area/ sector/ target group</p> <p>4.5.3. Number of coal transition regions implementing start-ups initiatives</p>	<p>4.5.1. 0 (202)</p> <p>4.5.2. 0 (2022)</p> <p>4.5.3. 0</p>	<p>4.5.1. 20 (2027)</p> <p>4.5.2. 50 (2027)</p> <p>4.5.3. 2(2027)</p>	Action Report	

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Financing Agreement**

In order to implement this Action, it is envisaged to conclude a financing agreement with Bosnia and Herzegovina.

### **4.2. Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### **4.3. Implementation Modalities applicable for Project modality**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

#### **4.3.1. Indirect Management with a pillar-assessed entity**

This action may be implemented in indirect management with a pillar assessed entities, which will be selected by the Commission's services.

It is foreseen that Component 1 and Component 2, will be implemented through separate agreements. Moreover, Output 4.2. of Component 2 and Outputs 4.1, 4.3, 4.4, 4.5 of Component 2 will be implemented through two separate agreements.

The Commission's services will use the following criteria to select pillar assessed entities:

- a) financial and operational capacity of the applicant; and
- b) technical capacity, such as experience in the preparation and implementation of projects in the field of energy transition under Component 1 and circular economy under Component 2;

Experience in managing large and complex programmes or projects related to the results.

If negotiations with the entrusted entity fail, that part of this action may be implemented in indirect management with other alternative entity which shall be selected by Commission services using the same selection criteria.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same selection criteria given above. If the entity is replaced the decision to replace it needs to be justified.

#### **4.3.2. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances**

If negotiations with the future selected entrusted entity fail, part of this action may be implemented in direct management through grants and procurement.



If the implementation modality under indirect management as defined in section 4.3.1. cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by procurement under direct management would be used for Outcomes 1, 2 and 3, and Outputs 4.1 and 4.2.

If the implementation modality under indirect management as defined in section 4.3.1. cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by Grants under direct management would be used for Outputs 4.3, 4.4 and 4.5.

Grants under direct management (project approach) following the publication of a Call for Proposals (CfP) are sought for an accomplishment of the following outputs:

Output 4.3 - Linkages between MSMEs and European green economy/Circular Economy value chains in the key manufacturing and service sectors promoted and facilitated;

Output 4.4 - Local green economy/Circular Economy activities targeting sustainable waste stream collection and increased product's lifecycle promoted ; and

Output 4.5 - Innovative/ green start-ups supported for young entrepreneurs including in remote and coal transition regions.

Under the CfP, support will be provided to the applicants for measures implemented at the local level to promote green and CE activities in the competitive sectors which focus on reorganisation of the value chains, use of product innovations and access to new technologies and markets.

The objectives of the grants will be to finance advisory services and investments required to implement measures enabling introduction of CE business models through a different growth stages (including start-ups), as well as local green and CE actions by the local partnerships targeting improved waste and raw materials management.

The essential eligibility criteria for the applicants will be:

The applicants shall be partnerships comprised of legal entities, local authorities, public bodies, education institutions, NGOs, economic actors (employers), etc. .

#### **4.4. Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### **4.5. Indicative Budget**

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>	<b>Indicative third-party contribution, in currency identified</b>
<b>Methods of implementation</b> – cf. section 4.4:		

Indirect management		
<b>Outcomes 1, 2, 3</b>		
Indirect management with entrusted entity– cf. section 4.3.1	7 500 000	N.A.
<b>Outcome 4, Output 4.2</b>		
Indirect management with entrusted entity– cf. section 4.3.1	6 000 000	N.A.
<b>Outcome 4, Output 4.1, 4.3, 4.4, 4.5</b>		
Indirect management with entrusted entity– cf. section 4.3.1	9 000 000	N.A.
Total Indirect Management	22 500 000	
<b>Evaluation</b> – cf. section 5.2	may be covered by another Decision	N.A.
<b>Audit</b> – cf. section 5.3		
<b>Strategic Communication and Public Diplomacy</b> – cf. section 6	will be covered by another Decision	N.A.
<b>Contingencies</b>	N.A.	N.A.
<b>Totals</b>	<b>22 500 000</b>	<b>0</b>

#### 4.6. Organisational Set-up and Responsibilities

For the proposed activities under this Action Document, the key institutional stakeholders at all levels of governance in Bosnia and Herzegovina are:

##### *State level:*

- Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina

##### *Federation of Bosnia and Herzegovina :*

- Ministry of Energy, Mining and Industry
- Ministry of Physical Planning
- Ministry of Environment and Tourism
- Ministry of Labor and Social Policy
- Ministry of Development, Entrepreneurship and Crafts
- Ministry of the environment and tourism
- Electric Power Utility Elektroprivreda Bosnia and Herzegovina (EPBiH)
- Coalmines in the Federation of Bosnia and Herzegovina
- Cantonal and local governments in coal mining regions

##### *Republika Srpska:*

- Ministry of Energy and Mining
- Ministry of Spatial Planning, Civil Engineering and Ecology
- Ministry of Labor and Veterans and Disability Protection
- Ministry of Entrepreneurship and Economy
- Ministry of Trade and Tourism
- Electric Power Utility Elektroprivreda Republike Srpske (EPRS)
- Local governments in coal mining regions

##### *Brčko District of Bosnia and Herzegovina :*

- Government of the Brčko District of Bosnia and Herzegovina

In line with the standard practice, in the initial stage of project implementation, one *Steering Committee* per component will be established to oversee progress in the implementation of activities. Steering Committee will include representatives from main stakeholders from all levels of authorities in Bosnia and Herzegovina . The composition of the Steering Committee(s) will ensure equal representation of the interest of all key actors highlighting the effectiveness and efficiency of such body. Furthermore, if deemed necessary, additional technical *Working Groups of experts*: representatives of institutions or organizations, will be established for a specific tasks and activities. Given the large number of institutions in the sector, as well an extensive number of activities, *Steering Committee* will be at the center of ensuring efficiency, effectiveness of implementation of this Action. The role of each structure defined above will be identified in order to avoid overlapping of the leadership and avoid potential conflict.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action.

#### **4.7. Pre-conditions**

There are no specific preconditions.

### **5. PERFORMANCE MEASUREMENT**

#### **5.1. Monitoring and Reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring:

Internal monitoring will be implemented through Steering Committee's meetings, EU Delegation quarterly Implementation reviews, on-the-spot checks, meetings with beneficiaries and consultant companies/contractors. A Sector Steering Committee will be established to monitor implementation of the Action and will be composed of the main beneficiaries and relevant reform institutions in Bosnia and Herzegovina . Steering Committee will oversee the implementation of activities under this Action Document. Apart from Contracting Authority, Steering Committee will include representatives from main stakeholders from all levels of authorities in Bosnia and Herzegovina . The composition of the Steering Committee will ensure equal representation of all key actors and their interests, highlighting the effectiveness and efficiency of such body.

## 5.2. Evaluation

Having regard to the nature of the action, a final evaluation may be carried out for this action or its components via independent consultants contracted by the Commission.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination<sup>9</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

## 5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document *Communicating and raising EU visibility: Guidance for external actions* (or any successor document)<sup>10</sup>.

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

Implementing partners shall keep the Commission and the EU Delegation/EU Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

## 7. SUSTAINABILITY

Responsible authorities in Bosnia and Herzegovina, being the beneficiaries of this assistance, will ensure strong ownership and commitment towards sustaining the Action outputs and ensure involvement of relevant stakeholders in the preparation of climate change policy documents and specific studies and assessments. Participating in trainings, the representatives from relevant public service institutions will acquire relevant knowledge for future decision-making and operating systems in the area of energy transition policy and

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<sup>9</sup> [https://capacity4dev.europa.eu/groups/evaluation\\_guidelines/info/evaluation-dissemination\\_en](https://capacity4dev.europa.eu/groups/evaluation_guidelines/info/evaluation-dissemination_en)

<sup>10</sup> [https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions\\_en](https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions_en)

circular economy in Bosnia and Herzegovina . The business society will acquire know-how on new shifts from carbon-based economy, in order to adopt their business models in line with the EU energy transition policy and best circular economy practices, contributing to the vision that Europe becomes a carbon-free society. On the other hand, the civil society organisations that work with the public, will gain the necessary knowledge on the negative impacts of the climate change, including gender impact and the measures to be taken, for Bosnia and Herzegovina to become a climate-resilient society in the future.