

**ANNEX 5**

**to the Commission Implementing Decision on the financing of the annual action plan in favour of Bosnia and Herzegovina for 2021**

**Action Document for “EU4 Energy”****1. SYNOPSIS****1.1. Action Summary Table**

Title	<b>Action 05 - EU4 Energy</b> Annual Action Plan in favour of Bosnia and Herzegovina for 2021			
CRIS number	043-667/5			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action/location	Bosnia and Herzegovina			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 3 – Green agenda and sustainable connectivity Thematic Priority 2: Transport, digital economy and society, and energy			
Sustainable Development Goals (SDGs)	Improvements to the energy sector are important to achieve the Sustainable Development Goals (SDG). This Action will contribute to: reaching the goal to ensure access to affordable, reliable, sustainable and modern energy for all.			
DAC code(s)	230 Energy			
Main Delivery Channel <sup>1</sup>	Bilateral			
Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women’s and Girl’s Empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>1</sup> <http://www.oecd.org/dac/stats/annex2.htm>.

	Trade Development	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Social inclusion and human development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>Amounts concerned</b>	Budget Line: 15.020201.02 Total estimated cost: EUR 9 000 000 Total amount of EU budget contribution: EUR 9 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>Type of financing and method of implementation</b>	Project Modality Indirect management with Entrusted Entities to be selected in accordance with the criteria set out in section 4.3.4			
<b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans</b>	Sustainable Energy			
<b>Final date for conclusion of Financing Agreement</b>	At the latest by 31 December 2022			
<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>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement</b> (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

## 1.2. Summary of the Action

The energy sector is of strategic importance for Bosnia and Herzegovina's (BiH) competitiveness and economic and social development. It affects production costs of industries and services and the purchasing power of households. To align the BiH energy sector with the EU *acquis*, BiH adopted a countrywide sector strategy, namely the Framework Energy Strategy until 2035 in August 2018. BiH also has developed various Action Plans for the usage of renewable energy sources and energy efficiency measures.

To contribute to the provision of affordable, reliable, sustainable, and modern energy in BiH and contribute to the fulfilment of the obligations of BiH under Energy Community Treaty, Paris Agreement and other international agreements, one Action with two components is being proposed.

Component 1 - implement energy efficiency projects/programmes in the public sector under existing and new innovative, scalable financing mechanisms.

Component 2 - Promotional programmes for sustainable energy utilisation in local communities (not including small hydropower plants), which include the aspects of energy efficiency, renewable energy and reduction of greenhouse gas emissions (GHG) that are recognised as an important factor in the implementation of the strategic objectives of sustainable development of the energy sector in BiH.

The Action is fully aligned with the national strategy and Action Plans, as well as with the 2021 Communication on EU enlargement policy<sup>2</sup>, the Economic and Investment Plan for the Western Balkans<sup>3</sup>, the Green Agenda for the Western Balkans and its 2021 implementing Action Plan<sup>4</sup>, the European Green Deal<sup>5</sup>, the 2019 Analytical report<sup>6</sup>, South East Europe 2020 Strategy<sup>7</sup>, the European Union Strategy for Danube Region (EUSDR)<sup>8</sup>, the European Union Strategy for the Adriatic and Ionian Region<sup>9</sup> and the Sustainable Development Goals (SDGs).

## 2. RATIONALE

### 2.1. Context Analysis

Main objectives of Bosnia and Herzegovina as outlined in the Framework Energy Strategy until 2035 are efficient usage of resources to ensure secure and affordable energy supply, energy efficiency, energy transition and environmental responsibility, development and harmonization of the regulatory and institutional framework. BiH adopted the above-named countrywide sector strategy in August 2018 providing a harmonized approach in transposition, implementation and enforcement of the relevant EU energy *acquis*.

BiH has already started preparing the National Energy and Climate Plan (NECP). The draft of NECP has been submitted to the Energy Community Secretariat and it was concluded that it can serve as a solid basis for the development of an ambitious final NECP. Parallel to the development of NECP BiH 2021-2030, entity energy and climate plans will be developed as well. NECP BiH will define targets for energy efficiency, renewable energy sources and emissions by 2030,

<sup>2</sup> COM(2021) 644 final

<sup>3</sup> COM(2020) 641

<sup>4</sup> SWD(2020) 223

<sup>5</sup> COM(2019) 640

<sup>6</sup> SWD(2019) 222

<sup>7</sup> <https://www.rcc.int/pages/86/south-east-europe-2020-strategy>

<sup>8</sup> COM(2010) 715

<sup>9</sup> COM(2014) 357

as well as the necessary policies and measures to achieve them. This is the first time that BiH has applied an integrated approach where future energy development is monitored in line with climate change. It is planned to finalize these documents by the end of 2021. Renewable energy and energy efficiency represent two out of five main parts of the draft National Energy and Climate Plan (NECP). It is of paramount importance to meet targets defined within the adopted National Renewable Energy Action Plan up to 2020 (NREAP) and the National Energy Efficiency Action Plan for BiH (NEEAP).

An important goal is to establish an attractive investment climate for renewable energy sources. A particular problem remains the promotion of renewable energy in the public sector as well as in transport, heating and cooling systems. It is necessary to promote and implement changes to all legal frameworks that directly affect the energy sector in order to enable greater investments in renewable sources and the application of new technologies in conventional energy sources. Other obstacles that can be targeted are administrative procedures for permitting, construction and licensing which are not coordinated and streamlined.

Public finance management in Bosnia and Herzegovina is decentralised and within the responsibility of each of the administration levels, except for the indirect taxes and the system of public procurements, which are being applied in the whole territory of BiH and are within the competency of the state-level institutions.

Bosnia and Herzegovina has no countrywide strategy for public finance management. The Medium-Term Expenditure Framework (MTEF) with three-year general budget planning of institutions in BiH and general annual budget planning of institutions in BiH is in place. However, the MTEF for the energy sector in BiH has not been established. Ultimately, the budget will need to incorporate the priorities identified by the energy sector, linking budget expenditures in the mid-term period to the sector-wide programmatic and strategic goals.

Activities of the public utilities and service providers at the local level represent an important potential area for improvement of energy efficiency and utilisation of renewable energy for emissions reductions and energy savings. Due to the limited availability and access to existing information, as well as the lack of capacity of the relevant authorities, investments in renewable energy and energy efficiency solutions are limited. Therefore, support is needed to implement sustainable energy pilot projects at the local level and promotional activities that will raise awareness on the benefits of investing in energy-efficient measures and utilisation of renewable energy.

## 2.2. Problem analysis by areas of support

### **Area of support: Renewable energy sources and Energy efficiency**

#### **Short problem analysis**

The organisation of the Energy Sector in Bosnia and Herzegovina (BiH) is complex and the competencies in the sector are divided between the state, two entities of BiH (Federation of BiH and Republika Srpska) and the Brčko District of BiH. The energy sector is of strategic importance for BiH's competitiveness and economic and social development. It affects the production costs of industries and services and the purchasing power of households. Therefore, a consolidated countrywide strategic framework is necessary to ensure security of supply, diversification of supply sources and efficient use of the country's resources as well as improved coordination and cooperation at all levels of government.

To move forward with energy sector reforms, BiH adopted a countrywide sector strategy, namely the Framework Energy Strategy until 2035 in August 2018. This document represents the strategic framework that allows for, among others, a harmonized countrywide approach in transposition, implementation and enforcement of the relevant EU energy *acquis* necessary to ensure that the BiH makes credible and measurable progress in meeting its commitments under EnCT. Commitments imply the adoption of core EU energy legislation, keeping pace with EU developments and continuously aligning its regulatory frameworks in the energy (electricity, gas, energy efficiency, renewable energy, oil) and other sectors.

As mentioned in the Green Agenda for the Western Balkans<sup>10</sup>, energy efficiency, as a prerequisite for achieving decarbonisation at the lowest possible cost, must be integrated in the future energy-related policy and investment decisions. The preparation and submission of National Energy and Climate Plans and Targets will demonstrate a commitment to tackle the issue, targeting the sectors with the highest energy savings potential. Also, renewable energy sources already make a significant proportion of the electricity mix in some economies of the region. The roll-out of modern technologies needs to be accompanied by a better investment environment.

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<sup>10</sup> SWD(2020) 223 final

Regarding renewable energy sources and energy efficiency measures, further reforms are required. Renewable energy and energy efficiency represent two out of five main parts of the draft National Energy and Climate Plan (NECP). It is of paramount importance to meet targets defined within the adopted National Renewable Energy Action Plan up to 2020 (NREAP) and the National Energy Efficiency Action Plan for BiH (NEEAP) for the period 2016-2018 (40% share of RES in gross final energy consumption and 12% energy savings up to 2020), to be able to implement new, higher targets by 2030. BiH has already started with the development of the new NEEAP 2019-2021. Draft entity Action plans for energy efficiency for the period 2019-2021 are prepared (Action plan for energy efficiency of the Federation of Bosnia and Herzegovina for the period 2019-2021 already adopted), as well as draft NEEAP BiH 2019-2021.

The inconsistency in energy statistics represents a significant problem both in monitoring the implementation of energy efficiency and renewable energy targets and determination of future targets in BiH. Current targets for energy efficiency and renewable energy sources and the complete plan of their realization are defined based on previous statistics while monitoring the implementation is done according to the data from the updated statistics. This leads to inconsistency, resulting in difficulties to accurately monitor the level of implementation of BiH commitments in these fields. It is necessary to further improve the quality of energy data to ensure reliable, accurate and composite energy statistics.

### **Renewable Energy Sources**

A particular problem remains the promotion of renewable energy in the public sector as well as in transport, heating and cooling systems. It is necessary to promote and implement changes to all legal frameworks that directly affect the energy sector to enable greater investments in renewable sources and the application of new technologies in conventional energy sources. Renewable energy self-consumption of distributed generation is not prescribed by current legislation to encourage and enable customers to become prosumers. According to the current legal regulation and by-law acts of regulatory agencies, both in the energy sector and other sectors, net metering and net billing are not allowed. Furthermore, the administrative procedures for permitting, construction and licensing are not coordinated and streamlined. Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, in cooperation with relevant state and entity institutions, and with the technical assistance of GIZ, through the project "Promoting Renewable Sources in Bosnia and Herzegovina", prepared a concept proposal for the Reform of the Renewable Energy Sources Incentive System based on improving the economy and market integration. This initiated activities to introduce advanced feed-in-premium or auction-based incentive systems, i.e. systems that are more market-oriented mechanisms. As part of the reform, draft entity laws on the use of RES and efficient cogeneration and accompanying bylaws have been prepared, including the Rulebook on Auctions. New entity regulation is expected to be adopted in 2021. In addition to direct incentive schemes, the reform proposal also took into account the potential of tax incentives and arrangements for consumers, through net metering. The plan also includes community energy projects for which tax relief is envisaged, which relate to the decentralized production of RES from individual citizens and households, local initiatives such as energy cooperatives, communities, local authorities (cities and municipalities). Significant improvements in the legal-regulatory framework are proposed, with an emphasis on transparency and objectivity in action.

### **Complementarity with national strategies**

When it comes to the implementation of NREAP, there has been some investment in renewable energy projects through several support schemes, such as feed-in tariffs. By the end of 2017, there were a total of 130 MW of newly installed renewable energy sources which were extended by WPPs Mesihovina and Jelovaca in 20018 and 2019 by 87 MW. By the end of 2019, there were 2351 MW total capacities of renewable energy in Bosnia and Herzegovina, out of which: 1657 MW in Large hydropower, 162 MW in small hydropower (installed capacity less than 10 MW), 420 MW in pumped storage, 87 MW in wind, 22 MW in solar, 2MW of biogas and 1,22 MW biomass. However, significant measures are lacking to establish an attractive investment climate for renewable energy sources.

### **Energy Efficiency**

BiH's economy is highly energy-intensive consuming 3.27 times more energy per unit of output than an average OECD country (International Energy Agency World Energy Statistics, 2018). Some progress has been made when it comes to the improvement of energy efficiency. Both entities adopted energy efficiency laws and laws on spatial planning, but these laws did not fully transpose all provisions of the EU directives regulating the area of energy efficiency. The Brčko District has not adopted energy efficiency laws but is in the process of adopting them. Some of the provisions of the existing laws are still not supported by appropriate implementing acts (by law). Also, other domestic legislation affected by the energy efficiency laws is not harmonized. All these issues create formal and legal obstacles to the implementation of energy efficiency policy. Besides, the Building Renovation Strategy in BiH by 2050 as well as the establishment of a comprehensive Energy Efficiency Information System (ISEE) in both entities are under development.

One of the obligations of BiH arising from international contractual obligations represents the development of the Integrated National Energy and Climate plan (NECP 2021-2030), which has been started and is planned to be completed by the end of 2021.

Some of the initiatives, regarding clear energy transition, in the Green Agenda for the Western Balkans are to assist partners in developing private and public building renovation schemes and securing appropriate financing, by extending the “EU renovation wave” to the Western Balkans, as well as to assist partners in the development of National Energy and Climate Plans.

### **Complementarity with national strategies**

NEEAP (2016-2018) which is setting an indicative target of 12% energy savings in primary energy consumption compared to the projected consumption without EE measures, is estimating the required investment of over 0.5 billion EUR to achieve this target. It is estimated that there are about 7,000 public buildings in BiH and in the period of past five years, considering all domestic and international projects, measures to increase energy efficiency have been implemented in about 450 buildings with EUR 42.7 million investments, achieving savings of 20,250 tCO<sub>2</sub>/year, 50.2 GWh/year and EUR 6.2 million EUR/year. Within the draft of the NEEAP for BiH for the period 2019-2021 cumulative savings of final energy in individual sectors of final consumption, achieved until the end of 2018, through the implementation of measures planned in NEEAP BiH 2016-2018 are given, in the total amount of 8.22 PJ (2283GWh). NEEAP 2016-2018 envisaged an indicative target of savings in final energy in the amount of 12.47 PJ or 9%. According to data within the NEEAP for BiH for the period 2019-2021 for 2018 was reported 8.22 PJ or 6% of achieved savings. These data clearly indicate that BiH requires substantial funds to achieve goals set out in the NEEAP. Environmental Protection Fund of Federation of BiH and Environmental Protection and Energy Efficiency Fund of Republika Srpska and relevant institutions of Brčko District of BiH have major financing mechanisms established to financially support the implementation of energy efficiency measures in line with the adopted strategy and action documents. The current financing mechanism channelled through funds involves the co-financing of projects together with beneficiaries through the allocation of grants and loans. Furthermore, it has to be emphasised that the majority of implemented energy efficiency projects so far were executed in cooperation with international agencies, which includes blending the grants from an international organization with the grants from the Fund and beneficiaries’ contribution and this practice proved to be very efficient. The problem remains to secure future funding as well as lack of the capacity of the Funds and Ministries to implement innovative and sustainable financing schemes/models that could generate more investments in this field.

### **Area of support: Sustainable energy pilot projects at a local level and promotional activities**

#### **Short problem analysis**

Activities of the public utilities and service providers at local level represent an important potential area for improvement of energy efficiency and utilisation of renewable energy for emissions reductions and energy savings. At the moment, investments in renewable energy and energy efficiency solutions are limited. This is caused by the limited availability and access to existing information, as well as the lack of capacity of the relevant authorities dealing with the issue of energy efficiency, which resulted in poor visibility of achieved benefits. Therefore, support is needed to implement sustainable energy pilot projects at a local level and promotional activities that will raise awareness on the benefits of investing in energy-efficient measures and utilisation of renewable energy. The expected impact would be in stimulating further investments at the local level and in increasing demand for renewable and energy efficiency solutions.

#### **Description of main stakeholders**

Having in mind the above-mentioned issues, the following institutions in BiH represent the main stakeholders under this Action Document (both areas of support): relevant ministries at state, entity, Brčko District of BiH and cantonal level which have competences for energy, spatial planning, environment, as well as regulatory commissions, environmental and energy efficiency funds, operators for renewable energy, relevant companies for electricity, gas, etc.

Those key institutional stakeholders at all levels of governance in BiH are:

State-level:

- BiH Ministry of Foreign Trade and Economic Relations
- **Federation of BiH:**
  - Federal Ministry of Energy, Mining and Industry
  - Federal Ministry of Physical Planning
  - Environmental Protection Fund of Federation of BiH
- **Republika Srpska:**
  - Ministry of Energy and Mining

- Ministry of Spatial Planning, Civil Engineering and Ecology
- Fund for Environmental Protection and Energy Efficiency
- **Brčko District of BiH:**
  - Government of the Brčko District of BiH

The Ministry of Foreign Trade and Economic Relations BiH will coordinate the implementation of all activities related to define policies, basic principles, coordinate activities and harmonize plans of the Entity authorities and bodies at the international level in the fields of agriculture, energy, environmental protection, development and use of natural resources and tourism. There are relevant ministries at entity and Brčko District of BiH and at the cantonal level, which have competences for energy, spatial planning, environment, as well as regulatory commissions, environmental and energy efficiency funds, operators for renewable energy, relevant companies for electricity, gas, etc.

The Steering Committee(s), consisting of all relevant stakeholders involved in specific Components, will be established at the beginning of the Action implementation. Steering Committee(s) will oversee the implementation of activities under this Action Document. Apart from the Contracting Authority, the Steering Committee(s) will include representatives from main stakeholders from all levels of authorities in BiH. The composition of the Steering Committee(s) will ensure equal representation of the interests of all key actors highlighting the effectiveness and efficiency of such body.

Implementation of infrastructure energy efficiency projects in the public sector is foreseen through Component 1. This will contribute to an increased usage of energy efficiency solutions, achieving energy security, reduction of CO<sub>2</sub> emissions and associated environmental impacts of energy at the local level in line with NECP targets. The main beneficiaries under Component 1 will be relevant state and entity ministries, entity environment protection funds and relevant institutions of Brčko District of BiH.

Action foreseen through Component 2 will support the implementation of pilot sustainable energy projects at the local level and promotional programmes for sustainable energy utilisation in local communities, to facilitate the achievement of strategic objectives of sustainable development of the energy sector in BiH. Implementation of these activities, in a long-term perspective, will have positive effects, among others, on energy savings and will contribute to the economic growth, improvement of the energy bill affordability for households, improvement of living conditions, increase in private sector involvement in the development and financing of energy efficiency investments and creation of new businesses and jobs opportunities at a local level. The main beneficiaries under this Component will be the local community (associations of citizens, municipalities, district heating companies, public utility companies, etc.).

### 2.3. Relevance and complementarity with strategies supported by key national stakeholders

This Action will directly contribute to the implementation of the **Framework Energy Strategy of BiH until 2035** and NECP 2021-2030 by improving energy efficiency in BiH and promoting investments in sustainable energy. The countrywide BiH sector strategy, the Framework Energy Strategy until 2035 (adopted in August 2018) represents the strategic framework, which allows for a harmonized countrywide approach in transposition, implementation and enforcement of the relevant EU energy *acquis* necessary to ensure that the BiH makes credible and measurable progress in meeting its commitments under Energy Community Treaty (EnCT). The Strategy identifies barriers to an attractive investment climate for energy efficiency and renewable energy sources. A particular problem remains the promotion of renewable energy in the public sector as well as in transport, heating and cooling systems.

The **Integrated Energy and Climate Plan** of Bosnia and Herzegovina (NECP BiH), which is in the process of being drafted, covers the period from 2021 to 2030 and includes a perspective until 2050, through five dimensions of the Energy Union (decarbonisation, energy efficiency, energy security, internal market and research, innovation and competitiveness), and ensures consistency with long-term relevant policy objectives at the EU, UNFCCC and Energy Community level. NECP represents the main instrument for defining the energy transition of the energy sector in BiH. Committed to following the EU pace, and achieving the long-term energy and climate goals, entities are also developing their energy and climate plans. This Action will directly contribute to the implementation by implementing measures towards decarbonisation of the energy sector, with a special focus on the promotion of energy efficiency and transition of the coal sector.

The **National Renewable Energy Action Plan up to 2020 (NREAP)** and the **National Energy Efficiency Action Plan for BiH (NEEAP)** for the period 2016-2018 set targets: 40% share of RES in gross final energy consumption and 12% energy savings up to 2020, to be able to implement new, higher targets by 2030. BiH has already started with the development of the new NEEAP 2019-2021. The strategic framework of the energy development has been defined along with the Europe 2020 strategy's targets and with a view to the 2030 Energy and Climate Framework, which includes the following key priorities: efficient use of resources, secure and affordable energy, energy efficiency, energy transition and

environmental responsibility, development and harmonization of the regulatory and institutional framework. This Action will directly contribute to the implementation by contributing to increased energy efficiency and transition to the usage of renewable energy sources.

**The 2030 Agenda for Sustainable Development** sets the Sustainable Development Goal 7 stipulating ensured access to affordable, reliable, sustainable and modern energy for all. Goal 7 target is to increase substantially the share of renewable energy in the global energy mix, to double the global rate of improvement in energy efficiency and this Action will directly contribute to the implementation of Sustainable Development Goal 7.

**The Building Renovation Strategy (BRS) for Bosnia and Herzegovina** by 2050 is in the final drafting phase and will profit from the proposed action as well as the National Emissions Reduction Plan (NERP BiH), 2018 – 2027, applicable since its country-wide adoption in 2015.

Institutional structure in the subsector is in line with the constitutional organization of BiH and with the distribution of competencies among different levels of government as defined by the Constitution of BiH and by the laws of BiH. Ministry of Foreign Trade and Economic Relations (MoFTER) is the competent sector institution for energy at the state level. According to Article 9 of the Law on Ministries and Other Bodies of Administration of BiH, the MoFTER is responsible for carrying out tasks and duties within the competence of BiH, related to defining policies, basic principles, coordinating activities and harmonizing plans of the Entity authorities and bodies at the international level in the fields of agriculture, energy, environmental protection, development and use of natural resources and tourism. There are relevant ministries at entity and Brčko District of BiH and at the cantonal level, which have competences for energy, spatial planning, environment, as well as regulatory commissions, environmental and energy efficiency funds, operators for renewable energy, relevant companies for electricity, gas, etc.

Responsible institutions for energy policy development, implementation and enforcement need to be considerably strengthened. Institutional capacity and procedures for EU *acquis* transposition and implementation are not synchronized between various levels of governance in BiH, which could affect the overall progress of BiH to fulfil its international obligations. The capacities of the state level and entity ministries for strategic planning exist but need to be further improved, as well as those of relevant stakeholders that participate in the sector and donor coordination, and regional coordination with the EU member states.

Sector coordination is led by MoFTER and is focused on coordinating relevant sector institutions at all levels of government in strategic and regulatory framework drafting processes. Consultations and obtaining inputs are initiated and organized by the MoFTER, whereas the sector institutions, based on their mandates, equally participate in strategic management, implementation and monitoring of sector (sub)- policies, strategies and legislation enforcement. Further strengthening of cooperation within the country and liaising with the entities is of great importance for successful coordination in the energy sector. The operational principle of the MoFTER is to fulfil the obligations of BiH in the Energy Sector, including the coordination of the working groups that deal with certain topics. The working groups usually consist of representatives of the Ministry and the relevant Entity ministries and institutions. Under ongoing technical assistance projects, the operation of the working groups also involves project experts providing technical support (GIZ, USAID, UNDP, etc.) in several fields.

Donor coordination is conducted through regular meetings for exchange of information among the competent institutions and different donors, to discuss progress in the implementation of reforms, especially in the field of energy efficiency and renewable energy sources. Donors active in the energy sector regularly attend the Donor Coordination meetings hosted by the MOFTER. However, bearing in mind the complexity of the sector and the increasing interest of donors, particularly in energy efficiency it would be necessary to enhance this coordination in the upcoming period.

#### 2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The Action is fully aligned with the overall objectives of the EU's assistance under Window 3 that are to promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, accelerating the shift towards a low-carbon and circular economy and develop the digital economy and society. This approach shall apply on land but also at sea with a new approach for a sustainable blue economy. It will contribute to boosting resilience and preventing the emergence and spread of future health crises. To foster the clean energy transition, it is stated that low-carbon and energy-efficient solutions and renewable energy should be promoted across all sectors, including heating and cooling. It is noted that energy efficiency remains the most effective way to meet carbon reduction targets, reduce energy costs and dependence on imports.

An energy union with the **Western Balkans**: To strengthen the EU's Energy Union, all its dimensions should be expanded to the Western Balkans: supporting energy security, market integration and energy transition, including energy efficiency



and renewable energies. In this context, each country should complete all necessary reforms and streamline its policies fully in line with the five pillars of the Energy Union. As the contracting party to the Energy Community, Bosnia and Herzegovina was obliged to prepare a draft National Energy and Climate Plan (NECP) by the end of 2020. A preliminary draft of the NECP 2021-2030 has been prepared, following the General Framework for Integrated National Energy and Climate Plans given in Annex I of the Regulation on the governance of the energy union and climate action, and it covers all five dimensions of the Energy Union.

**The 2021 Communication on EU enlargement policy** states that the Green Agenda and sustainable connectivity are key to a sustainable and future-proof recovery, as well as economic integration within the region and with the EU, which will benefit both businesses and the broader public. Flagship Initiative 4 underlines the importance of increasing connectivity by developing transport and energy links in the region to facilitate trade and foster economic growth.

**The Economic and Investment Plan for the Western Balkans** puts a strong emphasis on energy market integration, decarbonisation and clean energy, just transition, increased digitalisation of the system and smart grids, energy efficiency, including modernisation of district heating, and energy security. The Staff Working Document, which accompanies the Economic and Investment Plan for the Western Balkans is the Guidelines for the Implementation of the **Green Agenda for the Western Balkans**. This document outlines in more detail the actions related to the Green Agenda for the Western Balkans and its five pillars. Under pillar (1) climate action, including decarbonisation, energy and mobility, it defines actions for implementation of objectives of the pillar. These actions are related to the promotion of clean energy transition and sustainable development that should reduce energy imports, develop renewable energy sources, strengthen regional energy security, unlock greater economic growth, and address persistent air and related health pollution challenges. An additional aspect is the more efficient use of materials that present new opportunities for further reducing greenhouse gas emissions in buildings. Comprehensive approaches targeting materials efficiency along the entire lifecycle of buildings should be encouraged and supported, for example during renovation efforts. Actions outlined in the Green Agenda under the Pillar 1 “climate action, including decarbonisation, energy and mobility”, such as: diversification of renewable energy sources, energy savings in the building sector, etc, will be supported through this action.

**The European Green Deal** focuses on 3 key principles for the clean energy transition, which will help reduce greenhouse gas emissions and enhance the quality of life of our citizens: ensuring a secure and affordable EU energy supply, developing a fully integrated, interconnected and digitalised EU energy market, prioritising energy efficiency, improving the energy performance of buildings and developing a power sector based largely on renewable sources.

The Commission’s main objectives to achieve this are to build interconnected energy systems and better integrated grids to support renewable energy sources, promote innovative technologies and modern infrastructure, boost energy efficiency and eco-design of products, decarbonise the gas sector and promote smart integration across sectors, promote EU energy standards and technologies at global level

**The 2019 Analytical report** states that the country needs to increase and implement measures relevant for both energy efficiency and renewable energy sources. Bosnia and Herzegovina should intensify its efforts to implement connectivity reform measures to support the functional operation of the regional market and adopt state and entity-level legislation on renewable energy and energy efficiency in line with obligations stemming from the Energy Community Treaty. These statements were reiterated in the Commission’s **Bosnia and Herzegovina 2020 and 2021 Reports**.

**South-East Europe 2020 Strategy** emphasizes that the countries of the region, as signatories of the Energy Community Treaty have embarked on a path of energy market reforms and regional integration, which need to be properly and timely implemented to fully deliver their benefits: sustainable, secure and affordable energy services.

The strategic framework of the energy development has been defined along with the Europe 2020 strategy's targets and with a view to the **2030 Energy and Climate Framework**, which includes the following key priorities: efficient use of resources, secure and affordable energy, energy efficiency, energy transition and environmental responsibility, development and harmonization of the regulatory and institutional framework.

**European Union Strategy for Danube Region (EUSDR)** provides a sustainable framework for policy integration and coherent development of the Danube Region. The EUSDR Action Plan is the integrated response to the common set of challenges and opportunities that defines actions such as exploitation of the sustainable use of clean biomass, solar energy, geothermal, hydropower and wind power to increase energy independence and to promote and support multipurpose cross border RES utilisation projects; to promote energy efficiency and use of renewable energy in buildings and heating systems including district heating and cooling and combined heat and power facilities; to promote

decarbonisation and reduction of air pollutants in the transport sector; to improve energy-efficient, cost-efficient and innovative low-carbon technologies.

**The European Union Strategy for the Adriatic and Ionian Region (EUSAIR)** sets out the needs and potential for smart, sustainable and inclusive growth in the Adriatic and Ionian Region. It provides a framework for a coherent macro-regional strategy and Action Plan to address those challenges and opportunities through cooperation between the participating countries. Structured around four interdependent pillars of strategic relevance, the Action Plan presents a list of possible, indicative actions. The overall objective of Pillar 2 "Connecting the Region" is to improve connectivity within the Region and with the rest of Europe in terms of transport and energy networks. The three energy policy objectives of the EU – competitiveness, security of supply and sustainability can only be achieved through a well-interconnected and well-functioning internal energy market.

The strategic framework of the energy development of BiH has been defined along with the Europe targets and with a view to the **2030 Energy and Climate Framework**, which includes the following key priorities: reducing greenhouse gas emissions, improved energy efficiency, reform of the EU emissions trading scheme, progress towards a more competitive, secure and sustainable energy system and sets renewable energy target of at least 27%. The framework is in line with the **2050 energy roadmap**, which explores the transition of the energy system to be compatible with this greenhouse gas reductions target, while also increasing competitiveness and security of supply. Building on the 2030 Energy and Climate Framework, **the Regulation on the governance of the energy union and climate action (EU)2018/1999** emphasises the importance of energy and climate targets and the long-term EU greenhouse gas emissions commitments are consistent with the Paris agreement.

The proposed action to improve energy efficiency through energy savings initiatives in the public sector and public awareness-raising at a local level will address the priorities of the policy instruments and strategies stated above.

## 2.5. Lessons learned and links with previous financial assistance

According to SIGMA 2017 monitoring report, despite substantial technical assistance provided to BiH for *acquis* alignment, the development, implementation and enforcement of laws and policies remain poor. This is mainly because support focuses on technical alignment (content) but does not pay sufficient attention to the quality of the law-and policy-making processes, which largely define whether new laws and policies can be implemented and enforced. The noted common problems can be qualified as, for instance, weak or non-existing regulatory and fiscal impact assessments of proposed laws and policies, insufficient inter-ministerial coordination and public consultations and frequent use of urgent procedures. As of 2012, the absence of a countrywide energy strategy prevented BiH from benefiting from IPA funds. The adoption of the Framework Energy Strategy of BiH until 2035 in 2018 enabled IPA support under IPA 2019 Action Programme that includes enhanced harmonization of legislation with EU *acquis*, i.e., transposition and implementation of obligations arising from the EnCT, Paris Agreement and other international agreements.

In previous years, considerable technical assistance projects were financed by international donors/IFIs (USAID, GIZ, UNDP, SIDA, EBRD, WB, KfW, etc.). The main objectives of these projects are to help the country to meet obligations under the EnCT (especially in the field of energy efficiency and renewable energy) and to attract investment and create jobs in the energy sector. These projects assisted in drafting the National Emission Reduction Plan for BiH (NERP), National Renewable Energy Action Plan (NREAP), National Energy Efficiency Action Plan (NEEAP), entity and cantonal Energy Efficiency Action Plans, Local Environment Action Plans (LEAPs), and Sustainable Energy Action Plans (SEAPs). 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. This innovative sustainable financing mechanism will provide greater capacity for financing energy efficiency measures in public buildings. By applying this financial model investments in energy efficiency measures in public buildings will be recovered through savings. Based on that financing mechanism the investments in energy efficiency measures in public buildings would not be public debt. Based on previous experience from past and ongoing projects (e.g. UNDP GED project <https://ged.ba/>) application of measures similar to those planned in this action significantly reduces emissions. On one hand, energy consumption is reduced by applying EE measures (lower consumption - less emissions), and on the other hand, emissions are reduced by using RES. When it comes to e-mobility, certain activities have been initiated by some public energy utilities in BiH. Also, energy institutions in BiH received technical assistance from UNDP, focusing on e-mobility. This action will take into account activities mentioned above and implement pilot projects which could serve as a good example related to e-mobility.

A technical assistance project has been planned through IPA 2019 for support in the harmonization of BiH legislation with EU energy *acquis* and in continuation with energy sector reforms including energy and climate policies development in BiH. It may be used as a basis for the IPA III Action. Furthermore, a key role in these undertakings plays the Western Balkan Investment Framework (WBIF) with loan and grant components.

The development of NECP is an ongoing activity, which is supported through GIZ Open Regional Fund together with UNDP, GIZ and USAID 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.

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Planned results and intervention logic (describing causal links between impact, outcome(s) and output(s) and including assumptions)

As EU integration remains a BiH state priority the Action aims at the fulfilment of the obligations of BiH under the Energy Community Treaty, the Paris Agreement and other international agreements through the implementation of energy efficiency and renewable energy projects. Two components and their related measurable outputs contribute to ensuring access to affordable, reliable, sustainable, and modern energy for BiH:

**Outcome:** Contribute to the fulfilment of the obligations of BiH under Energy Community Treaty, Paris Agreement and other international agreements through implementation of energy efficiency and renewable energy projects.

##### Component 1

Improved energy efficiency enables the reduction of energy consumption, and at the same time offers a wide range of benefits to end-users. In this area, BiH is guided by the EU pre-accession process, as well as the fulfilment of its international obligations. Pilot projects, such as the Pilot project for future Europe House that will be located in the “Vječna Vatra” building in Sarajevo between Ferhadija Street, MM Bašeskije and Čemaluša street will be implemented at a local level in BiH to show that the citizens that the government is becoming more aware of the benefits of implementing energy efficiency measures.

**Output 1.** Energy savings achieved through energy efficiency projects/programmes.

##### Component 2

Promotional programmes for sustainable energy utilisation in local communities, which include the aspects of energy efficiency, renewable energy and reduction of greenhouse gas emissions (GHG) that are recognized as an important factor in the implementation of the strategic objectives of sustainable development of the energy sector in BiH.

**Output 2.1.** Emission of GHG reduced through sustainable energy pilot projects (refers to combination of energy efficiency measures and introduction of renewables - instalment of solar panels, replacement of boilers for the transition from fossil fuels to biomass, and alike) implemented at a local level.

**Output 2.2.** Benefits of sustainable energy concept promoted among the citizens and public institutions in BiH

For a successful implementation of the Action, capacity building is a key element at all levels in BiH. Good co-operation and co-ordination, as well as proactive involvement of all stakeholders including local communities in implementation of the Action, are prerequisites for reaching the set objectives.

#### 3.2. Indicative type of activities

Following activities are related to the above outputs (see numbering)

**1.1.** Implement energy efficiency projects/programmes in the public sector under existing and new innovative, scalable financing mechanisms.

**2.1.1.** Implement set of pilot projects in sustainable energy at a local level, such as energy-efficient public lighting, use of renewable energy sources in district heating systems, energy efficiency projects in the public sector using cleaner power fuels, community energy concept, consumer-prosumer concept, diversification of power fuels, the introduction of new technologies, e-mobility (charging electrical vehicles), etc.

**2.2.1.** Inform public and private entities to promote the positive effects of renewable energy utilisation, the introduction of new technologies into existing conventional energy sources, the importance of energy source diversification – including natural gas and solar energy - and application of the energy efficiency measures.

### 3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Lack of political commitment to further development of the energy sector	M	Involvement of stakeholders from the very beginning of the implementation of proposed projects
Lack of awareness by beneficiaries on priorities measures to be put in place linked to the preparation for EU accession in the energy sector	M	Increase awareness by campaigning relevant information to institutions and the public
Administrative weakness at all levels of government in particular in local communities, in the processes of energy policy planning, implementation and monitoring	H	Capacity-building measures at all relevant entities
Insufficient financial support for the municipal infrastructure projects from local authorities	H	Assessment and modifications to existing funding structures and underlying procedures
Problems related to the timely acquisition of necessary permits, land ownership, grid connection issues and other legally regulated obligations	H	Capacity-building measures at all relevant entities; improvements/modifications to permitting procedures; Resolved land ownership issues should be taken into account during selection of facilities which will be supported through this action. The use of HV underground cables (voltage level $\geq 110$ kV) could solve many IP problems and will be used more and more in the future.
Lack of the capacities for fast absorption of EU funds and other funds available to BiH	H	Capacity-building measures at all relevant entities
<b>Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes</b> The main assumptions are: (1) There will be political support and institutions will be committed to participate in the Action; (2) They will use the outputs to move forward on the path toward the EU integration for the benefit of the citizens of BiH. To generate successful projects and to mitigate the risks mentioned above, it is very important to include all stakeholders from the very beginning of the implementation of the proposed projects. One key element at all levels is capacity building mainly related to EU-integration and financing.		

### 3.4. Mainstreaming

#### **How does this Action contribute to Gender Equality and Women's and Girls' Empowerment (in line with the EU gender equality strategy 2020-2025)?**

In general terms, equal opportunities will be given to men and women to be an integral part of the implementation, monitoring and evaluation of the Action. Gender mainstreaming will be ensured in all aspects whenever possible, e.g., the composition of various implementing, administrative or supervising bodies, gender-sensitive language, etc. The impact of the planned Action is considered to be beneficial for both men and women. Due attention will be given to the gender aspect within Action's activities, including ensuring participation of both women and men, recognizing different needs of women and men, ensuring benefits for both men and women and considering gender-sensitive data. A gender-sensitive approach is critical in the planning of the initiatives at a local level as envisaged by this Action as so to support gender-inclusive access to renewable energy and sustainable energy concepts. The same applies to envisaged promotional activities related to energy efficiency and utilisation of renewable energy. In general, gender perspective will be maintained ensuring that the results of the Action impact positively and equally on gender. The gender dimension of the activities will also be closely monitored by the European Union in terms of compliance with the Gender Action Plan.

#### **How does this Action address Environment and Climate change?**

The development of the Action is based on the evidence that primary energy and electricity demand increases rapidly in parallel with the growth of the economy. To address this issue, sustainable investments and a well-functioning and regulated energy market are needed, while limiting environmental damage, reducing GHG emissions, and increasing energy efficiency and renewable energy utilisation. In this respect, increased utilisation of renewable energy and energy-efficient measures at the local level is considered to be an effective solution for increased energy savings and reduction of GHG emissions. Thus, the activities of this action are going to contribute to the sustainable environment targets of the EU and BiH.

### **How does this Action address the Rights-Based Approach?**

Based on the fundamental principles of promoting equality and combating discrimination, participation in the Action will be guaranteed based on equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Equal opportunities principles and practices in ensuring equitable participation and non-discrimination within the action will be guaranteed. Equal opportunities for the participation of men and women will be assured in all aspects of action implementation. Action and activities financed will thus be implemented by complying with the principles of preventing all forms of discrimination and promoting gender equality.

### **How does this action promote systemic engagement with Civil Society?**

To ensure that public concerns and aspirations in the field of energy are understood and addressed, civil society is expected to be actively involved in the consultation process during the development of policy documents and action plans and in related public hearings, according to the applicable domestic laws. To the extent possible, the Action will also support the involvement of the civil society in monitoring the implementation of the policy documents. Consultation with the public is also a key feature of environmental assessment procedures. Representatives of non-governmental organizations and civil society will be consulted and invited to actively take part in the different consultation events foreseen during the implementation of the Action Document.

### **Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)**

Participation in the activities will be guaranteed based on equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation. The link between energy supply and minorities and vulnerable groups is reflected primarily in the impact on the health and quality of living of BiH's population. The general tendency is to work simultaneously on minimizing the consequences of energy poverty and promoting activities aimed at its prevention with an ultimate goal of ensuring energy sustainability in the long run. It is expected that through the citizens' feedback on the policy issues, the public concerns and aspirations of all citizens including minorities and disadvantaged, or marginalised groups will be properly understood and addressed.

Addressing the effects of discriminatory treatment of the Roma population is indeed necessary, but it needs to be dealt with as an integral part of thematic policies. The focus should be placed on policies for socially inclusive structures that provide equal opportunities for all. More concretely, the Strategy of BiH for Resolving the Problems of Roma has identified important fields and issues that should be dealt with concrete measures to be supported by the pre-accession assistance.

Having this in mind, activities planned in this Action will promote Roma inclusion and integration wherever it is relevant and following three main directions, such as data collection (census, civil registration and identification, demographic and population policy); active participation (partnership with authorities, networking, cooperation among NGOs); inclusiveness (improving cultural identity, domestic matters, job creation, children's rights). The issue of Roma gender discrimination has to be treated with major attention in all IPA funded actions

## **3.5. Conditions for implementation**

In addition to assumptions that need to hold true for the Action to be implemented successfully, there are no main conditions that need to be met to ensure the success of delivery of Action, except one:

Allocation of funds for rehabilitation of "Vjecna Vatra" pilot project are conditioned to rehabilitation and opening of the EU Info Center at the ground floor of the afore mentioned building as well as the maintenance agreement that must be concluded for the facility. Failure to comply with the requirement set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

### 3.6. Logical Framework

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
<b>Impact</b>	To ensure access to affordable, reliable, sustainable, and modern energy for BiH	Achieved energy savings (ktoe) in all sectors.	Total Primary Energy Supply 7.247 ktoe (2015)	Total Primary Energy Supply 6.328 ktoe (the exact value will be known after adoption of the NECP BiH) (2027)	Progress Report on implementation of NECP  Commission BiH Report  BiH Reports to the Energy Community Secretariat	<i>Not applicable</i>
		Share of renewable energy sources in the gross final energy consumption (%) / sector breakdown	40% (2020)	43.75 % (the exact percentage will be known after adoption of the NECP BiH) (2027)	Progress Report on implementation of NECP	
<b>Outcome 1</b>	Contribute to the fulfilment of the obligations of BiH under Energy Community Treaty, Paris Agreement and other international agreements through implementation of energy efficiency and renewable energy projects.	Progress achieved in preparedness for fulfilment of the obligations of BiH under Energy Community Treaty through transposition of legislation and promotion of investments in sustainable energy.	Limited progress (2022)	Significant progress (2030)	Energy Community Secretariat Annual Implementation Report.	EU integration remains a BiH state priority  Capacity building is a key element at all levels

<b>Output 1</b>	<b>Output 1</b> Energy savings achieved through energy efficiency projects/programmes	Percentage of energy savings in public sector	0% (2022)	35% (2027)	Activity reports on project implementation	Factors outside management's control may impact the achievement of the output.  Good co-operation and co-ordination among key stakeholders including local communities.  Proactive involvement of all stakeholders involved in implementation of the Action.
<b>Output 2</b>	<b>Output 2.1.</b> Emission of GHG reduced through sustainable energy pilot projects implemented at local level  <b>Output 2.2.</b> Benefits of sustainable energy concepts promoted among the citizens and public institutions of BiH	Percentage of CO2 reduction  Level of public awareness related to sustainable energy concept (measurement unit is % of respondents and their level of awareness before and after implementation of the promotional campaign).	0% (2022)  0% (baseline will be determined with first survey measurement) (2022)	20% (2027)  50%	Activity reports on project implementation  Activity reports	Good co-operation and co-ordination among key stakeholders including local communities.  Proactive involvement of all stakeholders involved in implementation of the Action.

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing agreement

To implement this action, it is foreseen to conclude a financing agreement with Bosnia and Hercegovina.

### 4.2. Implementation modalities

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<sup>11</sup>.

#### 4.2.1 Indirect management with [an] entrusted entity[ies]

This action may be implemented in indirect management with entrusted entities which will be selected by the Commission's services, using the following selection criteria:

- a) operational capacity of the applicant for managing large scale interventions involving grants;
- b) technical competence in the preparation and implementation of sustainable energy projects preferably gained in the Western Balkan region in the fields relevant to the Action such as renewable energy, energy efficiency, reduction of greenhouse gas emissions

The implementation by this entity/ies entails a contribution to the fulfilment of the obligations of BiH under Energy Community Treaty, Paris Agreement and other international agreements through implementation of Component 1 and Component 2 as described in section 3.1. Results to be achieved are described in section 3.6.

It is foreseen that each component 1 and component 2, will be implemented through a separate agreement.

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.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.3.8

#### 4.2.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If negotiations with the future selected entrusted entity fail, part of this action may be implemented in direct management through grants. The targeted applicants for grants will be municipalities, canton entities or public bodies with relevant mandate, administrative authority and competence.

### 4.3. 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 the origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

### 4.4. Indicative budget

Implementation modalities	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
<b>Outcome 1: Contribute to the fulfilment of the obligations of BiH under Energy Community Treaty, Paris Agreement and other international agreements through implementation of energy efficiency and renewable energy projects, composed of</b>		
<b>Output 1 Energy savings achieved through energy efficiency projects/programmes, composed of</b>	6 000 000	N.A.

<sup>11</sup>www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.



Indirect Management with entrusted entity - c.f. section 4.2.1.	6 000 000	N.A.
<b>Output 2.1. Emission of GHG reduced through sustainable energy pilot projects implemented at local level</b>	3 000 000	N.A.
<b>Output 2.2. Benefits of sustainable energy concepts promoted among the citizens and public institutions of BiH</b>		
Indirect Management with entrusted entity - c.f. section 4.2.1.	3 000 000	N.A.
Evaluation (c.f. section 5.3)	will be covered by another decision	N.A.
Audit/expenditure verification (cf. section 6)	will be covered by another decision	N.A.
Communication and visibility (c.f. section 7)	will be covered by another decision	N.A.
Contingencies	N.A.	N.A.
<b>TOTAL</b>	<b>9 000 000</b>	<b>N.A.</b>

#### 4.5. Organisational set-up and responsibilities

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

State level:

- BiH Ministry of Foreign Trade and Economic Relations

Federation of BiH:

- Federal Ministry of Energy, Mining and Industry
- Federal Ministry of Physical Planning
- Environmental Protection Fund of Federation of BiH
- Canton Sarajevo/Sarajevo City Administration

Republika Srpska:

- Ministry of Energy and Mining
- Ministry of Spatial Planning, Civil Engineering and Ecology
- Fund for Environmental Protection and Energy Efficiency

Brčko District of BiH:

- Government of the Brčko District of BiH

The Ministry of Foreign Trade and Economic Relations BiH will coordinate the implementation of all activities in cooperation with relevant entity ministries and Funds as well as the Government of Brčko District of BiH. The Steering Committee(s), consisting of all relevant stakeholders involved in a specific Component, will be established at the beginning of the Action implementation. Mechanism for implementation of activities and criteria for selection of activities to be supported through this action should be set-up by the entrusted entity in cooperation with the key institutional stakeholders before start of the implementation of the action.

Steering Committee(s) will oversee the implementation of activities under this Action Document. Apart from Contracting Authority, Steering Committee(s) will include representatives from main stakeholders from all levels of authorities in BiH. 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.

## 5. PERFORMANCE/RESULTS MONITORING AND REPORTING

### 5.1. Internal monitoring

This action will be regularly monitored by EU Delegation BiH. 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. Besides, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement. That is subject to the DG NEAR's Thematic Support, Monitoring and Evaluation Unit. They assess EU support, over a significant period, looking at specific sectors/themes, country support, aid modalities, financial instruments. They help understand why, in a specific context, the policy dialogue and financial assistance have been successful or not and provide recommendations to decision-makers for future programming and implementation.

## 5.2. Roles & responsibilities for data collection, analysis & reporting

A Sector Steering Committee will monitor the implementation of the Action and will be composed of the main beneficiaries and relevant reform institutions in BiH. The Action will be regularly monitored by the EU Delegation to BiH

Also, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

The Steering Committee(s) will be established to monitor implementation of the activities under this Action Document and will be composed of the main stakeholders: Ministry of Foreign Trade and Economic Relations of BiH, Federal Ministry of Energy, Mining and Industry, Ministry of Energy and Mining of the RS, Federal Ministry of Physical Planning, Ministry of Spatial Planning, Civil Engineering and Ecology of the RS, Government of Brčko District of BiH, Elektroprenos-Elektroprijenos BiH, Independent System Operator in Bosnia and Herzegovina, State Electricity Regulatory Commission, Regulatory Commission for Energy of RS, Regulatory Commission for Energy in Federation of BiH, environmental protection funds, cantonal representatives, Directorate for European Integration (DEI), EU Delegation and other relevant institutions.

## 5.3. Evaluation

Having regard to the nature of the action, a mid-term and/or final evaluation will not be carried out for this action or its components.

In case an evaluation is not foreseen for some action's components, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

Evaluation services may be contracted under a framework contract.

The financing of the evaluation shall be covered by another measure constituting a financing Decision

## 6. AUDIT

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

It is foreseen that audit services may be contracted under a framework contract.

## 7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions is a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support visibly received from the EU on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, the general public, etc.).

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

## 8. SUSTAINABILITY

This project, as a continuation of EU support to the energy sector in BiH and cooperation with other donors and the IFIs, will result in improving the institutional capacities of relevant stakeholders in BiH regarding the implementation of sustainable energy measures. Developed capacities and skills in the stakeholders benefiting from this Action will enable them to carry on their tasks in an effective manner after the project ends. There is strong ownership among the project beneficiaries for the implementation of renewable energy and energy efficiency targets in BiH.

To ensure a good level of sustainability, any development of registries, databases, management information systems and other IT systems should respect the national standards for interoperability. In cases when these are missing, consultations with the relevant authorities in the field of Information and Communication Technology (ICT) should be a prerequisite before launching any tenders.

The project will also address public awareness of sustainable energy issues through several targeted promotional activities in the local communities. The emphasis is on awareness of the changes taking place in the energy sector and on the need for energy efficiency improvements. In particular, the Action will promote some local energy community initiatives that would ensure the continuation of the program implementation.