

DCF members active in the sector in 2017	Germany, EBRD, The World Bank, USA/USAID, Czech Republic, Slovenia, EU and EIB.
Other key international organizations	Energy Community; South East Europe Energy Community; Western Balkans Investment Framework; Regional Cooperation Council.
Key government partners	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; National Assembly of Republika Srpska; Ministry of Foreign Trade and Economic Relations of BiH; Ministry of Finance and Treasury of BiH; Regulatory Agency for Radiation and Nuclear Safety of BiH; State Electricity Regulatory Commission; Federal Ministry of Energy, Mining and Industry; Federal Ministry of Physical Planning; Federal Ministry of Finance; Federal Ministry of Environment and Tourism; Regulatory Commission for Energy in FBiH; <i>Operator for Renewable Energy Sources and Efficient Cogeneration</i> FBiH; Environmental Protection Fund of FBiH; Ministry of Industry, Energy and Mining of RS; Ministry of <i>Physical Planning</i> , Civil Engineering, and Ecology of RS; Ministry of Finance of RS; Ministry of Economic Affairs and Regional Cooperation of RS; <i>Ministry of Agriculture, Forestry and Water Management</i> of RS; Regulatory Commission for Energy of RS; Fund for Environmental Protection and Energy Efficiency of RS; Foreign Trade Chamber of BiH; Chamber of Economy of FBiH; Chamber of Commerce of RS; Commission for Concessions of BiH; Commission for Concessions of FBiH; Commission for Concessions of RS; Association of cities and municipalities in RS and FBiH.
Total allocation / disbursement to the sector in 2017 by DCF members	<p>Total allocated €88.87 million – €4.24 in a form of grants and €84.62 million in a form of loans.</p> <p>Total disbursed €76.99 million – €5.61 million in a form of grants and €71.38 million in a form of loans.</p> <p>Out of total ODA in 2017, 21% was allocated and 18% was disbursed in the sector.</p>
Legal framework and sector strategies adopted in 2017	<p>The Law on Changes and Amendments to the Law on Exploration and Exploitation of Oil and Gas in the FBiH (FBiH Off. Gazette No. 19/17); The Law on Energy Efficiency in the FBiH (FBiH Off. Gazette No. 22/17).</p> <p>Energy Efficiency Action Plan in BiH for the period 2016-2018, adopted on 04.12.2017. (Off. Gazette of BiH no. 40/18); Energy Efficiency Action Plan of the FBiH / EEAPF, (adopted on 10.07.2017.)</p> <p>Previously adopted legal framework and sector strategies are available on www.donormapping.ba</p>
Coordination with and among donors	<p>Energy connectivity: Informal <i>ad hoc</i> coordination, project-based and mostly bilateral / multilateral, self-organizing meetings between donors with MoFTER attendance.</p> <p>Energy efficiency: Coordination meetings between donors with MoFTER are held biannually.</p>

	<p>Renewable energy: There is a sub-sector DCF donor group and MoFTER, however, the meeting has not been convened for one year. Informal <i>ad hoc</i> project-based coordination.</p> <p>Joint <i>Bioenergy</i> program was initiated, following the UN bilateral meetings with GIZ and USAID.</p> <p>Oil: Informal <i>ad hoc</i> project-based coordination</p> <p>Gas: Informal <i>ad hoc</i> project-based coordination</p> <p>Electricity: Informal <i>ad hoc</i> coordination</p> <p>Nuclear safety and radiation protection: Informal <i>ad hoc</i> project-based coordination.</p> <p>Donors active in the sector and BiH Institutions from all levels of government regularly attended Donor Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</p>
--	--

Overview of activities in 2017

Energy sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

Energy sector consists of seven sub-sectors:

- Energy connectivity,
- Energy efficiency,
- Renewable energy,
- Oil,
- Gas,
- Electricity and
- Nuclear safety and radiation protection.

Energy sector of Bosnia and Herzegovina is one of the most promising sectors of the economy. In terms of potentials in the energy sector, it's worth saying that BiH has more than 50 percent of unused available hydro-potentials. The precondition for large investments in the energy sector and implementation of significant projects is the harmonization of legislation with European directives, as well as the inclusion of Bosnia and Herzegovina in the regional electricity market.

In 2017, some progress was made in the preparation of strategic documents at all levels of government, in order to meet the obligations of Bosnia and Herzegovina from the Energy Community Treaty.

During 2017, BiH Framework Energy Strategy by 2035 was under preparation, which should define the course of development of the energy sector, encourage the development of clean energy and energy efficiency in the country. The adoption process of the BiH Framework Energy Strategy included the preparation of energy strategies for the Federation of BiH and the Brčko District. Last year, these strategies were in the form of draft versions, while the existing Energy Strategy of Republika Srpska by 2035 has been updated.

The Government of the Federation of BiH issued a positive opinion on the BiH Framework Energy Strategy document (Conclusion no. 958/2017, dated July 10, 2017), as well as the Government of the Brčko District of BiH (Conclusion no. 16-000084 / 17, dated November, 06, 2017). After receiving positive response from the Government of Republika Srpska, the document will be forwarded to the Council of Ministers of BiH in the adoption procedure.

In December 2017, Council of Ministers of BiH adopted the Energy Efficiency Action Plan in BiH for the period 2016-2018 (123rd session held on December 4, 2017), as an important segment of the reform process in this area and the assumed obligations from the Energy Community Treaty. The Action Plan includes measures to increase energy efficiency in all areas of electric energy production and energy for heating and cooling, as well as in the field of transmission and distribution of electric energy and gas, which should lead to energy savings and reduction of greenhouse gas emissions in the following period.

In 2017, the Federation of BiH adopted the Law on Energy Efficiency in FBiH (Official Gazette of FBiH, no. 22/17), whose purpose is to achieve the goals of sustainable energy development and meeting the international commitments undertaken by Bosnia and Herzegovina in terms of reducing the

greenhouse gas emissions. Based on this law, the Energy Efficiency Action Plan of the Federation of BiH for the period 2016-2018 was adopted (Official Gazette FBiH, no. 53/17) and the Provisional policy guidelines for implementation of the energy efficiency in the Federation of BiH (Official Gazette of FBiH, no. 53/17).

In accordance with the complex structure and shared competencies in the Federation of BiH, a Cantonal platform in the field of energy efficiency has been established with the aim to implement the Law on Energy Efficiency and Energy Efficiency Action Plans.

In Republika Srpska, the Law on Electricity is in the drafting phase, which will define the goals of the electric power policy, the conditions and the modality of carrying out the electric power activities, the development of the electricity market as well as the construction, reconstruction and maintenance of electric power facilities. The Law on Electricity has not been forwarded in the adoption procedure yet.

In 2017, the text was prepared of the Law on the Regulator of Electricity and Natural Gas, the Transmission and the Electricity Market in Bosnia and Herzegovina. The process of harmonization of the Draft Law is still in progress. The adoption of this law will create the preconditions for establishing of organized wholesale electricity market in BiH as well as its linking with the markets of the countries in the region.

The Energy Community has launched an initiative to establish the regional electricity market in six Western Balkans countries under the name "Western Balkans 6 Initiative" (WB6). The Council of Ministers of BiH, on its 93rd session held on March 8, 2017, entrusted the competent institutions in BiH to define the timeline for implementation of the measures from the Initiative, with the aim to regulate the internal market of electricity in accordance with the EU directives and the Energy Community guidelines, in order to prepare the BiH market for easier and more efficient integration with the regional electricity market. Accordingly, the Roadmap was made for implementation of the measures envisaged by the WB6 Initiative.

Also, in line with the requirements from the Third Energy Package, the new laws on gas should be adopted at entity levels, which governs the manners of organizing, regulating and functioning of the natural gas sector as well as supplying of the natural gas to the customers. In December 2017, the Government of Republika Srpska adopted the proposal of the Law on Gas and sent it to the parliamentary procedure. In the Federation of BiH, the drafting of the Law on Gas is underway and it has not been forwarded in the adoption procedure yet.

During 2017, several major energy projects were implemented in the field of renewable energy, the construction of Mesihovina wind farm, Podvelezje wind farm, Hrgud wind farm Hrgud, Janjici hydro power plant as well as the revitalization of Trebinje hydro power plant. The implementation of these projects will significantly contribute to the increase of the stability of the BiH energy system, as well as to the increase of the produced electricity from the renewable energy sources in Bosnia and Herzegovina.

In addition, in order to implement the remaining obligations from the Directive 2009/28/EC on the promotion of the renewable energy sources usage, Progress Report was prepared on implementation of the Directive 2009/28/EC, which was submitted to the Secretariat of the Energy Community in November 2017.

Investments of DCF members in 2017

DCF members active in the Energy sector in 2017, are Germany, EBRD, The World Bank, USA/USAID, Czech Republic, Slovenia, EU and EIB.

Total allocations of DCF members to the sector in 2017, amounted to €88.87 million, out of which, €4.24 million in the form of grants and €84.62 in the form of loans.

Total disbursements of DCF members to the sector in 2017 amounted to €76.99 million, out of which € 5.61 million in the form of grants and €71.38 in the form of loans.

Figure 5.1. compares grants allocated and disbursed per donors, according to the amount of invested funds. Leading donors in the sector in 2017, who allocated i.e. disbursed largest amounts were Germany and USA/USAID, followed by Czech Republic, Slovenia and EU.

Figure 5.1. Allocated and disbursed grant funds per donors in 2017

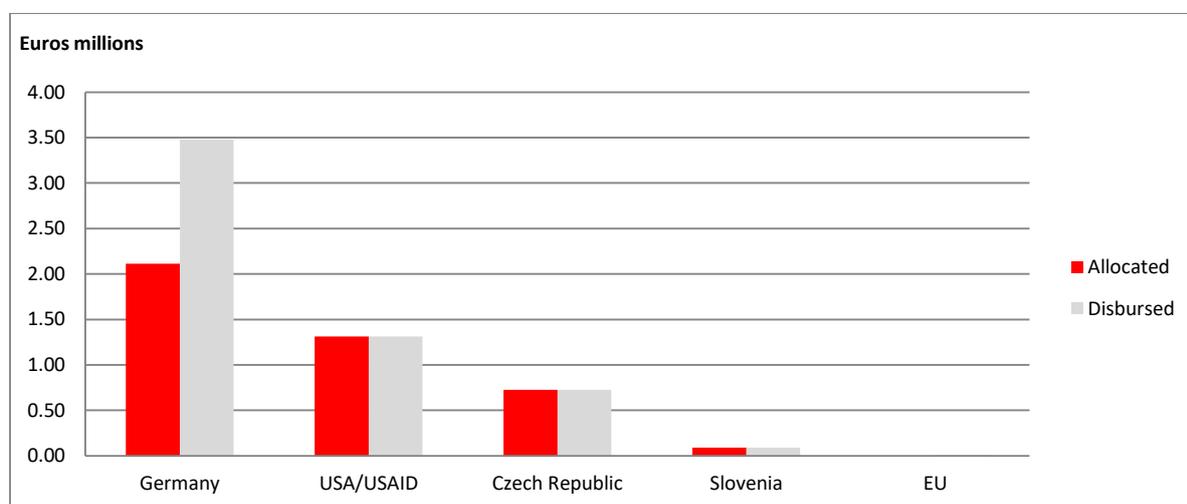
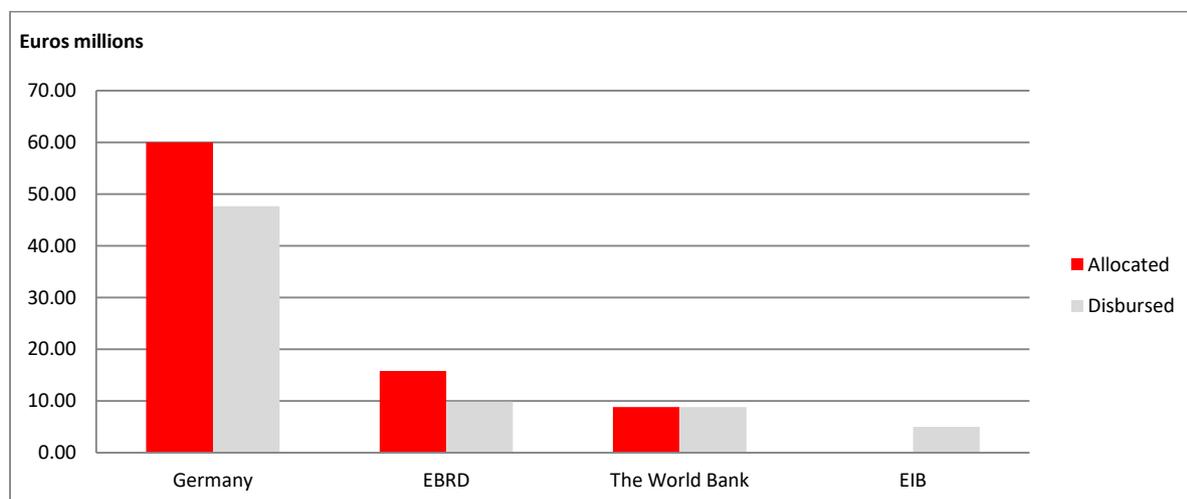


Figure 5.2. presents allocated and disbursed loans in 2017.

Figure 5.2. Allocated and disbursed loans per creditors in 2017



Energy sector consists of 7 sub-sectors. Figure 5.3. presents the structure of total allocated funds per sub-sectors.

Out of total allocated funds in 2017, 69.1% was allocated to the sub-sector Renewable Energy, 22.4% to the sub-sector Energy Efficiency and 8.4% to the sub-sector Electricity. Sub-sectors that did not have funding are not presented in the chart.

Figure 5.3. Total allocated funds per sub-sectors in 2017

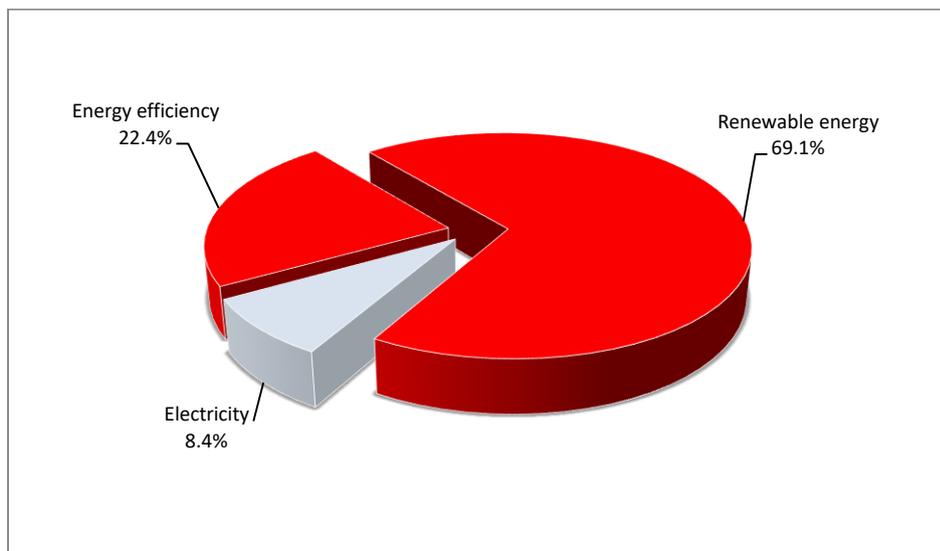
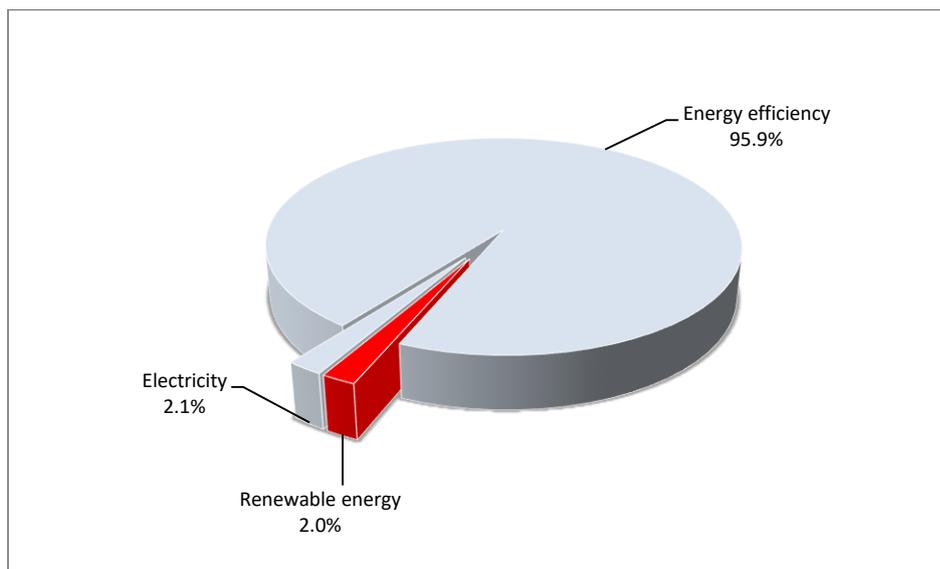


Figure 5.4. presents the structure of total disbursed funds per sub-sectors in 2017.

Out of total disbursed funds in 2017, the largest disbursements were recorded in the sub-sector Energy Efficiency 95.9%. Sub-sectors that did not have funding are not presented in the chart.

Figure 5.4. Total disbursed funds per sub-sectors in 2017



Ten major projects in the sector that allocated or disbursed funds in 2017, are listed below:

PROJECT TITLE	Donor/Creditor	Total Project Value (Euros millions)
Construction of Wind Farm Hrgud	Germany	120.05
Windpark Mesihovina	Germany	72.00
Construction of Wind Farm (WF) Podvelezje	Germany	65.00
ELECTRICITY DISTRIBUTION BIH	EIB	35.00
Distribution SCADA/DMS/OMS System	Germany	34.05
Energy Efficiency Project	The World Bank	22.90
Rehabilitation of Hydro Power Plant Trebinje, Phase 3	Germany	10.01
ISO - EMS, SCADA and IT upgrade	EBRD	8.50
GrCF: Banja Luka District Heating	EBRD	8.30
Elektrokrajina Power Distribution Project	EBRD	7.50

All projects are available in the Donor Coordination Forum Database, via the following link:

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

Future activities

Future activities should be focused on further adjustment of legislation in Bosnia and Herzegovina with the European standards, as well as strengthening of infrastructure and capacities of the energy sector. Based on the responses of BiH Institutions from all levels of government that participated in the preparation of this Report, as well as in line with the recommendations of the European Commission, further efforts should be made in the following period:

- adopt the BiH Framework Energy Strategy by 2035 and strengthen the cooperation of all levels of government in Bosnia and Herzegovina in the Energy sector;
- accelerate the energy sector reform by adopting laws and by-law acts, particularly in the area of electricity and gas, in accordance with the Third Energy Package;
- harmonize roles and responsibilities between the cantonal, entity and state institutions in order to effectively manage the energy sector in accordance with the constitutional competencies;
- improve institutional capacities in order to have good governance and implementation of the *acquis* in the energy sector at all levels of government, as well as develop energy and climate policies;
- continue activities towards meeting obligations under the Energy Community Treaty;
- continue strengthening of institutional capacities of competent institutions for the energy sector in BiH;
- meet the remaining obligations from the Energy Community Treaty for electricity energy and gas;

- implement the recommendations for improvement of the process for issuing licences for construction of the new energy facilities;
- improve mechanisms for sustainable financing of energy efficiency (operationalization of innovative and sustainable models);
- continue activities on development of the energy and climate plan of Bosnia and Herzegovina for the period 2020-2030;
- improve energy efficiency in industry and transport;
- carry out activities on establishing the mandatory reserves of oil in Bosnia and Herzegovina;
- initiate activities of on the use of waste for production of electrical and thermal energy