



# Weekly Briefing

**Bosnia-Herzegovina economy briefing:  
New infrastructure projects and energy laws in FBiH**  
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# New infrastructure projects and energy laws in FBiH

## Summary

*The construction of infrastructure is a prerequisite for the further economic development of Bosnia and Herzegovina. Some of such projects has been built with the help of the European Union, as well as Western financial institutions such are European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), World Bank (WB), etc. As part of the European Commission (EC) Fifth Investment Package of the Economic and Investment Plan for the Western Balkans, non-reimbursable financial assistance was approved for four important projects that should ensure better traffic connections, clean energy and environmental protection. The projects are worth 303 million euros, and what is significant is that they are all located in one entity, the Federation of Bosnia and Herzegovina (FBiH). At the same time, the legislative body of this entity adopted a set of energy laws insisted on by the EU, which liberalize the electricity production market in FBiH.*

## Introduction

On June 30, the European Commission announced a new financial package to support the financing of 14 leading investment projects in the fields of transport, energy, environment, human capital and support for the private sector in the Western Balkans. Among them are four infrastructure projects that are implemented in BiH, and the state will additionally benefit from four regional projects.

As announced by the EU Delegation in Bosnia and Herzegovina, the new package worth 2.1 billion euros is intended to accelerate the European perspective of the Western Balkans. This is the fifth investment package within the EU Economic and Investment Plan for the Western Balkans. Out of a total of EUR 528 million in grants awarded by the EU to the region, EUR 303 million is intended for BiH for four important projects that will provide citizens with concrete benefits in terms of improving traffic, clean energy and the environment<sup>1</sup>.

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1 European Commission launched an additional €2.1 billion investment package for the Western Balkans under the Economic and Investment Plan. [https://neighbourhood-enlargement.ec.europa.eu/news/european-commission-launched-additional-eu21-billion-investment-package-western-balkans-under-2023-06-30\\_en](https://neighbourhood-enlargement.ec.europa.eu/news/european-commission-launched-additional-eu21-billion-investment-package-western-balkans-under-2023-06-30_en)

Of the four approved projects, two are part of the highway on the Vc corridor, the one which goes through whole Bosnia and Herzegovina and connect the state with EU network of highways. The first section is the Ozimice – Poprikuše, near city Zenica, Central Bosnia. With this investment project, 11.9 kilometers of highway will be built on Corridor Vc, including five tunnels and nine bridges. The second is the section of the Mostar North - Mostar South highway in south region Herzegovina,,: this investment project will build 14.2 km of highway on Corridor Vc<sup>2</sup>.

The third project is in the capital city, Sarajevo, with the aim of improving the water supply system. Sarajevo has had problems with an outdated water supply system for a long time, which in previous years caused numerous reductions. The goal of this project is to reduce water losses by replacing or rehabilitating outdated pipelines, pumping stations and wells, which will enable the improvement of existing ones and the connection of around 4,000 new connections for households. The project aims to improve the overall efficiency of water supply in the wider area of Sarajevo Canton.

The last project is the renovation of the Čapljina Hydroelectric Power Plant (HPP). Čapljina is a city in Herzegovina, located between Herzegovina cultural center Mostar and Adriatic coast. Renovation is necessary in order to increase the share of renewable energy sources and reduce carbon emissions. The project will rehabilitate the equipment of Crpna HPP Čapljina, which will ensure the production and pumping potential for another 15 years of operation<sup>3</sup>.

Direction for European Integration (DEI), state institution which deals with BiH – EU issues, said that the aid BiH receives through Western Balkan Investment Fund (WBIF), which includes EU grants, bilateral aid from donors and favorable loans, is extremely important because it builds the infrastructure necessary for economic growth and quality of life in BiH and for BiH citizens. They said that benefits of the relevant project are different. The

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2 The EU approved 303 million euros for four new infrastructure projects in Bosnia and Herzegovina. <https://federalna.ba/eu-odobrila-303-miliona-eura-bespovratnih-sredstava-za-cetiri-nova-infrastrukturna-projekta-u-bih-mzx09>

3 *Ibid.*

construction of the highway on corridor 5c will better connect and speed up the transport of goods with the EU and its members, which are our most important export destinations. With Sarajevo and Čapljina projects, water supply system and wastewater treatment for more than 600,000 people will be improved<sup>4</sup>.

Similar views share FBiH Employers' Association. Director of this important association and ex-Prime minister of Sarajevo Canton, Mario Nenadić, emphasizes this is significant blow to the real sector, although this assistance comes from outside, and it is not economic measure nor decision of BiH state institutions. Anyhow, he highlight BiH simply have to do a lot more on our own in order to create the conditions or preconditions to withdraw the approved funds in an organized or systematic manner. He adds that the whole story lacks exactly what the employers point to: lack of capacity of economic system in BiH..

“We have not yet done enough to take over and through the system implement green energy projects in the Federation or the entire BiH. A lot of work still needs to be done on changes to the law, preparation of strategies. We need to be much more organized and work on taking a unified stance. The business environment in FBiH must be improved so that employers would have a greater interest and opportunity to initiate such projects. We often talk about labor shortage problems, but no one takes us seriously. You have to be competitive at all times in order to ensure the appropriate workforce within the deadlines”, Nenadić points out<sup>5</sup>.

### **No projects in RS**

What is significant is that all four projects that will be financed with EU grants are located in the entity of the FBiH, and that no project from the other entity, Republic of Srpska (RS), received a passing grade. That is why the representatives of the RS openly rebelled, arguing that it was a political decision, that is, a kind of punishment of the RS. Given that the decision on the implementation of these funds must go through procedures at the state level, the representatives of the RS openly said that they will not support the distribution of these funds

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4 *Ibid.*

5 *Ibid.*

to the Federation, that is, that the representatives of the RS in the Parliamentary Assembly and the Presidency of BiH will block 303 million euros for the FBiH<sup>6</sup>.

On the other hand, financiers from the EU say that, although they remain committed to the even development of the whole of BiH and that they want to support prosperity and stability in the entire country, they note that for the latest investment package, a very small number of projects from the RS were sent for approval, and that even those that were sent did not meet the necessary criteria for funding<sup>7</sup>.

### **“Energy laws”**

Almost simultaneously with the package of infrastructure projects, the highest legislative body of the FBiH entity adopted a set of so-called energy laws package, which had been on the waiting list for a while. Due to the filling of the FBiH Parliament with new representatives instead of those who accepted positions in the executive power<sup>8</sup>, sessions of this legislative body were not held for several months, since without new representatives the ruling majority did not have enough votes to implement the agreed programs. Be that as it may, the set of three legal proposals from the energy sector was accepted by the majority of votes at the session of the House of Representatives (HoR) of the Parliament of the FBiH, which took place on July 7. Majority in HoR voted for introduction of new laws, namely the draft of the Law on Electricity in the FBiH and the draft of the Law on the Use of Renewable Energy Sources (RES) and Efficient Cogeneration (EK).

What are “energy laws” and why are they important for FBiH and its economic and energy system? Federal Minister of Energy, Mining and Industry, Vedran Lakić, says that this set of laws directly follows the standards and norms of the EU, and that we have committed to adopt them when signing the Stabilization and Association Agreement (SAA) with the EU, the Agreement on the Establishment of the Energy Community (EC) and the Sofia Declaration. He

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6 Either money for both entities or noone will get it: Srpska threatens to block 303 million euros of EU aid for the Federation of BiH. <https://srpskainfo.com/ili-novac-za-oba-entiteta-ili-ga-nece-dobiti-niko-srpska-prijeti-blokadom-303-miliona-evra-pomoci-eu-za-federaciju-bih/>

7 EU Delegation: Projects from RS did not meet the criteria. <https://www.nezavisne.com/novosti/bih/Delegacija-EU-projekti-iz-RS-nisu-ispunili-kriterijume/779136>

8 The majority standing on shaky feet? <https://n1info.ba/vijesti/vecina-stoji-na-klimavim-nogama/>

emphasized that their adoption is also important in the context of the future energy policy of the FBiH, especially in the time of the energy crisis, but also in the general trend of decarbonization<sup>9</sup>.

Beside that, formal importance that BiH follows EU path, there are also very concrete improvements which laws will bring both to citizens and energy system in FBiH. First ones, the Draft Law on Energy and Regulation of Energy Activities in FBiH, aim is to create the development of equal and fair market competition between different energy sources, which has not been the case so far. The second is the Law on Electricity. It significantly simplifies administrative procedures for the construction and operation of production facilities that use renewable energy sources, primarily solar power plants and wind power plants. It introduces new categories of participants and activities on the electricity market and strengthens and additionally protects end customers of electricity, etc. Third law, draft of the Law on the use of RES and EK,, enables citizens for the first time to, without forming legal entities, be equal participants in the energy sector, to produce electricity for their own needs<sup>10</sup>.

## **Conclusion**

Transport infrastructure and energy environment are two basic characteristics of any economic system. The development of infrastructure in BiH takes place with the active participation of external factors, as do the reforms of the energy sector, which in BiH is still traditionally based on coal. It could be a coincidence that at the same time grants for the construction of new sections of the highway were made official and energy laws were adopted in the FBiH entity, but few believe in coincidences anymore. But what is most important is that new steps have been taken towards improving the economic environment, even if only in one part of the state of BiH, which as a whole is crying out for stronger economic momentum.

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9 A set of energy laws was adopted. <https://www.oslobodjenje.ba/vijesti/bih/usvojen-set-energetskih-zakona-874655>

10 Our party: "The June session of the House of Representatives is an energy salvation for FBiH". <https://radiosarajevo.ba/vijesti/bosna-i-hercegovina/nasa-stranka-junska-sjednica-predstavnickog-doma-energetski-je-spas-za-fbih/499773>