

Germany

Policy approach

Germany is committed to assist BiH on its path towards the EU, to overcome its various obstacles and to support taking the steps spelled out in BiH Reform Agenda. Building on decades of economic co-operation, this particularly requires an overall focus on fostering private investment schemes and adapting its business climate accordingly. Foremost, this is BiH development into a functioning market economy with private investments and a stable macro-economic outlook, efficient administrative and governmental structures, the alignment of its related legal system with the EU *acquis* and the overcoming of the aftermath of war.

For this purpose, the German government has provided and will provide bilateral development assistance to BiH directly and through several implementing agencies and non-governmental organizations. The most prominent are: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and KfW Entwicklungsbank (Development Bank). Projects are also implemented through political foundations and other German institutions represented in BiH. The embassy oversees and coordinates these efforts and implements some funds directly.

Focus Area Private Sector Development

Ongoing programs implemented by GIZ build, *inter alia*, build capacities in the BiH public and private sector for strengthening competitiveness of small and medium term enterprises and their specific sectors, particularly in metal and wood processing and tourism sectors. In addition, we support digitalization of small and medium size enterprises at creating an enabling environment for SMEs to successfully undertake digitalization and innovation transformations. Additional project aims to mitigate the impact of the COVID-19 in important sectors of the economy. The project ensures business continuity to preserve existing jobs and thus reduce negative social consequences such as unemployment, poverty or migration. In order to improve employability, the TVET (technical vocational education and training) project supports the exchange between public and private structures in the further development of framework conditions for dual vocational education and training. In addition to this, support is provided to selected vocational schools, formal economy, pedagogical institutes and ministries of education in the improvement of the exercise of their roles in the planning and implementation of dual vocational education and training.

KfW Development Bank provides concessional loans to local banks and microfinance institutions for onlending to micro, small and medium-sized enterprises in BiH. KfW also promotes Energy Efficiency through financial sector and supplements these lines with technical assistance for the partner institutions and incentives for the end-borrowers. Those programs aim at providing funds to individuals (residential buildings) and MSMEs to reduce energy losses and to enable environmentally friendly solutions.

Focus Area Energy/Climate Protection

The Energy Sector in BiH stands out as one of the most promising sectors for economic investment and growth, as much as for a core need of service for the public to be fully secured in BiH and to further pursue an environmentally healthy and climate change sensitive path.

In the area of renewable energy, activities have focused on German governmental support for the rehabilitation of existing hydro-electric power plants and the promotion of renewable energy technologies (wind and solar). Various large-size projects of KfW Development Bank with a total financing volume of up to € 180 million are in different phases of implementation.

In addition to engagement in renewable energy KfW has recently launched a program focused on energy efficiency in public buildings.

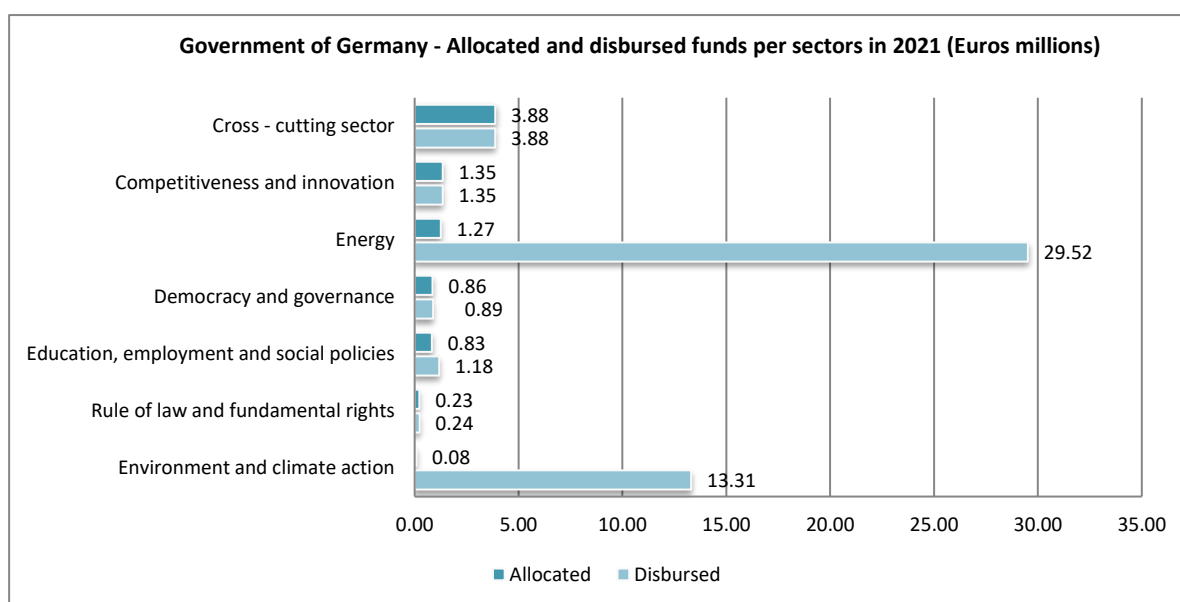
A project on decarbonization of the energy sector in Bosnia and Herzegovina is implemented by the GIZ since 2020. The objective of this project is to support the government of Bosnia and Herzegovina in implementation of decarbonisation measures and in monitoring national integrated energy and climate targets. The common goal is that public institutions are prepared to rollout energy efficiency programmes for renovation of residential buildings. Furthermore, Institutions should use sustainable support instruments to increase the share of large-scale renewable energy together with citizen-centered promotion of decentralised energy supply

Environment

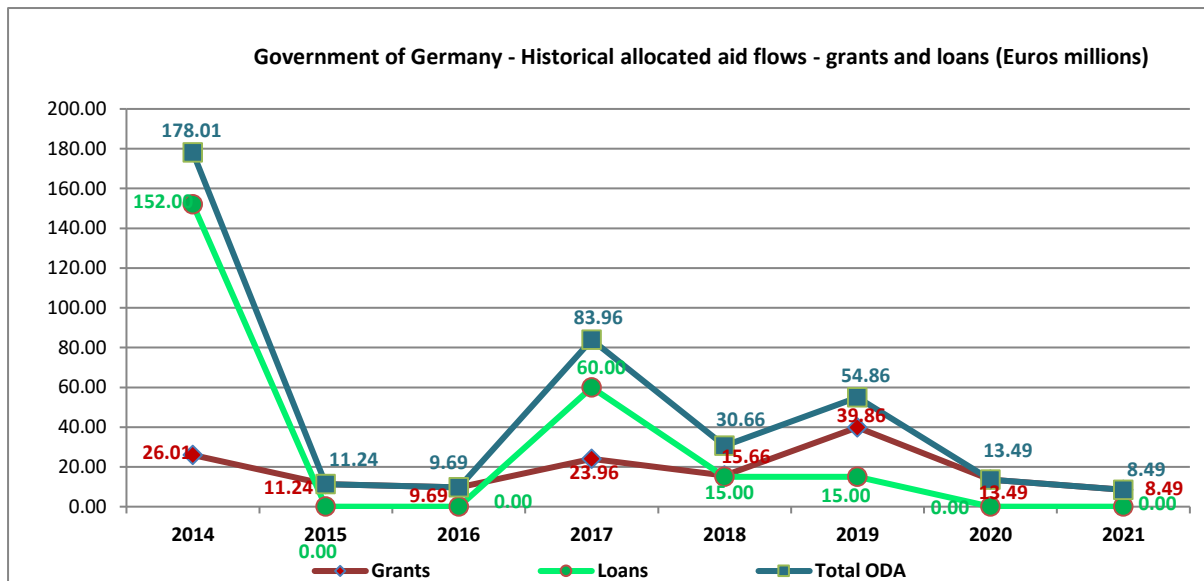
KfW Development Bank has an ongoing portfolio in this sector with grant-financed programmes to improve water supply and wastewater. A project for the construction of a wastewater treatment plant in Gradiska is under preparation.

Key activities in 2021

The Government of Germany **allocated € 8.49¹ million and disbursed € 50.36 million in 2021 in the form of grant and loan** to the following sectors: Environment and climate action, Rule of law and fundamental rights, Education, employment and social policies, Democracy and governance, Energy, Competitiveness and innovation and Cross - cutting sector.



¹ German Development Bank KfW reports allocations by year of signing of loan or financing agreement



Medium and long-term approach

Germany will continue to actively support BiH on its way to EU integration. In doing so, we will primarily focus on the known priority sectors: creating framework conditions for private sector development as well as energy supply / climate protection.

We are also ready to promote further activities to overcome the consequences of the Corona crisis.

Development partners coordination efforts

We coordinate informally with other development partners in our main areas of cooperation. We would very much welcome a more formal development partners coordination that could be organized by the BiH authorities.

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