



# BOSNIA AND HERZEGOVINA | 2023

Road Map for the SDG Financing Framework in  
Bosnia and Herzegovina

## ROAD MAP FOR THE SDG FINANCING FRAMEWORK

1. As part of the Joint Program of the United Nations (UN), a comprehensive development finance assessment (DFA) was carried out in Bosnia and Herzegovina (BiH) in 2020 and 2021, with the aim to offer, based on the extensive diagnostic, the Road Map proposal for the preparation of the [SDG Financing Framework in Bosnia and Herzegovina](#). The development finances assessment and the preparation of the Road Map proposal was carried out in accordance with the internationally recognized UN methodology for the assessment of development finances and with the technical support of a group of international and domestic experts for financing sustainable development. The development finances assessment and the Road Map were prepared with the consultative support of members of the SDG Financing Working Group, which consists of representatives of the Council for Monitoring the Implementation of the Sustainable Development Goals of BiH, appointed representatives of the Ministries of Finance and other ministries from the level of BiH, the Federation of Bosnia and Herzegovina (FBiH), Republika Srpska (RS) and representatives of the Finance Directorate of Brčko District of BiH.

The purpose of the Road Map is to offer an expert proposal of concrete solutions for the upcoming preparation of the SDG Financing Framework in Bosnia and Herzegovina, the implementation of which would significantly accelerate progress in achieving Agenda 2030, i.e. sustainable socio-economic development of the country.

Institutions at all levels of government in BiH will, through the work of the Sub-Working Group for the development of the SDG Financing Framework for achieving the SDGs, use the Road Map as a basis for the further process of participatory development of the aforementioned Financing Framework. Ultimately, the SDG Financing Framework in BiH after adoption by all levels of government in BiH, will offer new approaches/solutions for accelerating the realization of the SDGs in BiH and as such will be used as an entry platform for the institutions of BiH, FBiH, RS and Brčko District for mobilization of financial and other forms of support through financial institutions, international organizations and donors active in BiH and the Western Balkans region.

2. *The Road Map for SDG Financing Framework preparation is aligned with the SDG Framework development pathways, SDG accelerators, and EU accession process.* Given that the EU added BiH to the list of official candidate countries in December 2022, aligning with EU sustainable financing taxonomies and standards becomes even more important. In closing the SDG financing gap, *this Road Map outlined necessary policy and investment processes, instruments, and reforms over the short (2023-2025) and longer term (2026-2030).*

## SUMMARY OF HIGH LEVEL DFA FINDINGS

3. This DFA has identified a number of structural constraints to financing sustainable development, which translate into opportunities through strengthening the BiH financial ecosystem to support SDG Framework execution and Agenda 2030. A summary of high-level findings is provided below, informing the main contents of the Road Map for SDG Financing Framework in BiH.

### *Domestic Public Sector*

- The *overall domestic economic, social and environmental policy making, including the current status of greening the banking and financial system deny BiH access to an expanded set of financing instruments*, and undermine the potential of the private sector as the engine of growth.
- While the SDG Framework in BiH is well established, the absence of monitoring and identification *of budget expenditure allocation for SDGs (i.e. budget tagging) means that*

*existing SDG spending remains essentially unknown. The costing exercise, based on application of an international established method, estimated the size of the financing gap in the amount of the average annual need for an additional 0.8 billion BAM necessary to achieve a significant realization of the SDGs in BiH by 2030. A significant amount of the financial gap suggests that it is necessary to ensure (and encourage) considerable new financial flows between now and 2030 to encourage sustainable development in BiH and significantly accelerate the achievement of the SDGs.*

- *The quality of public spending and revenue collection remains very low.* Public sector financing dominates GDP and should be reduced below 40 per cent, and though public sector debt remains low and sustainable, a highly uncertain global market environment could undermine the potential for medium-term fiscal consolidation, and as a result *prudent debt management* remains essential to support the currency board arrangement and maintain financial stability.
- Given the low level of GDP per capita, there is an urgent need to *boost GDP growth outturns even above its pre-2007-2009 recession growth rates*. With, say, 7 per cent growth rate, BiH could reach US\$ 9.400 over the next decade and pass today's global average. By increasing growth rate to 10.5-11.0% in ten years BiH would ensure income per capita of US\$ 12.196, (i.e., entering the club of countries with large income). Given that such high growth rates require structural transformation and many years to implement the necessary reforms, there is a need in the near future until 2030 for systemic measures that would gradually create the conditions for moving the country towards higher growth rates compared to those of 2.5% - 3.5% in the last decade.
- *Domestic debt* policy will need to strike a balance between *lengthening the average maturity of securities* and a *higher share of BAM-denominated debt* to reduce exchange rate risks, and *reduced interest payments* in the medium term. A functioning secondary market for securities would help achieve these objectives and allow banks to manage the existing large liquidity.
- *Inefficient state-owned enterprises* slow-down private sector incentives, negatively affect fiscal sustainability and labor market and competitiveness.
- To become a typical high-income European country BiH needs to *activate chain of knowledge production and retention* (the production of ideas, conducting research, testing ideas, increase the stock of expertise etc.), as well as its commercialization to capture value addition. BiH needs to focus on *supply side economics* with *value chains* of cities and regions linked to global markets as engines of development. Policy makers need to analyze global niches and decide where it is the easiest for BiH firms to become technological leaders and achieve economies of scale. An aggressive innovation policy is needed to ensure the production of products with higher technological content.
- BiH must *increase investment in its workforce* through human capital development programs, including with the private sector, given that in 2021 only 10.6 per cent of citizens older than 25 have achieved tertiary education (World Bank, 2023).
- Efforts aimed at *lowering interest rates have met with limited success*, particularly under the current currency board regime. *Reducing systemic risk and increasing competition* in the financial market is the only feasible course of action, which can be achieved by strengthening existing and introducing new financial institutions, mechanisms and instruments.
- *To decrease the financial flows informality levels* (employment, income and payment) it is necessary to determine the maximum amount that can be paid in cash, necessary usage of POS terminals for certain types of sectors and types of companies, strengthen promotional campaign

and other support mechanisms (e.g. organize a lottery for those who picked up the bills for which VAT is paid), tax incentives for buyers and merchants who use electronic payment. By decreasing these informalities BiH could increase tax revenues for 4.2 % of GDP or 1.2 billion BAM (Ernst & Young Global Limited, 2016).

- It is necessary to ***increase production to improve productivity and competitiveness*** by 4 per cent per year (in order to achieve Copenhagen's criteria to enter the EU) and increase employment to 2 per cent per year (in order to reduce mass inactivity and unemployment to prevent the collapse of health and retirement funds).
- ***The strengthening of the PPPs in financing of development is of key importance.*** Strengthening the PPP legislative framework and guidelines, while building core capacities is critical, to massively ramp up funding for critical infrastructure investment in particular, within a transparent and accountable governance framework.
- ***Green and climate related policies, regulations and standards remain either under-developed or non-existent,*** denying the market access to a sizeable emerging asset class (e.g. green bonds) that can be used to finance all SDG Framework development pathway priorities and accelerators. ESG standards and indexes for example, are also nascent.
- ***Budgeting for the SDGs is not formally undertaken in an explicit manner,*** undermining alignment and eventually, SDG's integration in planning processes in the context of targeted support for the realization of SDGs.
- ***SDG localization*** –in terms of financing from the budget and grants and other sources, including those from private sources – is necessary, allowing entities, cantons and municipalities to identify new financial instruments to be deployed. For SDG localization to be strengthened, core capacities in new financial literacy are needed.

### ***Domestic Private Sector***

- Supply and demand for ***domestic private sector financing and investment in the economy remain under-developed,*** with a predominance of micro to small enterprises with few large fully privately owned companies (outside of the banking system). As a result, there is a large 'missing middle' in the market that can only be resolved through an active policy to increase financial inclusion and to incentivize the market to develop a wider range of financial instruments.
- ***Primary and secondary markets and financial instruments are under-developed and restricting critical sustainability financing.*** Underdeveloped markets are undermining the potential for stocks, bonds, and other securities to be traded, as sources of capital for investment purposes. Creating a functioning secondary market for securities would help achieve these objectives and allow banks to manage the existing large liquidity.
- ***As shown by the practices of the comparator countries<sup>1</sup>, further regulatory strengthening and new approaches and new practices are needed to enable better use of existing and introduction of new instruments such as mutual guarantee funds, financial holding and investment associations and non-bank deposit taking institutions (savings banks, credit unions etc.).*** The law on banks also prohibits non-banking deposit taking financial institutions, though the transposition of EU legislation in this subject area would abolish this practice.

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<sup>1</sup> Comparator countries are small countries in Central and Southeast Europe with the population up to three times larger or smaller than BiH (Switzerland, Austria, Czech Republic, Slovakia, Slovenia, Croatia, Serbia, North Macedonia, Montenegro, Albania, Moldova).

Through further reforms the supply of finance would increase, real interest rates on loans decrease, deposits increase by creating competition in the financial market and inflows of funds from abroad would also increase. Citizens have around 6 billion BAM of deposit savings in BiH banks, *effectively constituting dead capital*.<sup>2</sup>

### *International Public Sector*

- International public flows remain important to the overall economy, and they are fully aligned to EU Integration and the Agenda 2030 SDGs, including horizontal theme such as gender equality. However, following the Addis Ababa Action Agenda<sup>3</sup> (AAAA), greater effort is needed to deploy official flows in a catalytic manner, including by providing guarantees and de-risking, as well as supporting blended financing solutions beyond PPPs. Linkages to EU Integration are critical, and given the EU's active interest in the Addis Agenda, far more could be done to link the agenda with integration, and the new set of EU taxonomies.

### *International Private Sector*

- Reform to *attract diaspora funds* sufficient to increase GDP growth rates for at least 1.4 percentage points (Mitra (IMF), 2016), i.e., in total 3.4 % of GDP if coupled with the financial reform (IMF, 2019). Diaspora channel flows are critical to GDP, balancing trade and elevating household consumption, however investment instruments such as diaspora bonds or support for bankarization are lacking.
- *Net current transfer from abroad is needed to raise long-term economic growth* in emerging Europe, on average, by 1.4 percentage points of GDP (Mitra (IMF), 2016). Accordingly, tapping into diaspora's resources could secure GDP bigger growth rate of almost 50% of current trend 2.52% growth rate. Therefore, BiH could deliver a higher GDP growth rate than the average for Central and East European countries due to its large diaspora and the size of remittance sent to BiH.
- *FDI for greenfield or brownfield investments has been limited*, mainly driven by reinvested earnings of banks, as in 2020, and the potential to increase portfolio investment mostly comprised of foreign holdings deserves greater attention.

4. As noted earlier, strengthening the market economy in order to benefit from an increasingly diverse range of instruments is necessary, and EU integration requires it. Capital and financial markets remain under-developed, and lack of financial inclusion (at the enterprise and retail levels) suggest that financing (and the missing middle for SME financing) is a constraint to sustainable growth. Moreover, the DFA suggest that the development strategy should be export-led development and based on (i) rapidly improving education levels, (ii) relatively moderate inflation rates, (iii) high investment and savings, (iv) high foreign investment, (v) high export of industrial products, and (iv) if not free trade, at least a high degree of openness to and integration with world markets. Increasing access to sustainable financing instruments is now also vital to the attainment of Agenda 2030, EU Integration, the EU Green Deal and the Paris Climate Agreement. For this to happen, the policy, regulatory and standards

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<sup>2</sup> The yield on government bonds would have been safer and more profitable (higher yield of bonds than from interests on bank savings). In addition, it would be very liquid, because it could be traded on the bond market.

<sup>3</sup> The Addis Ababa Action Agenda (AAAA) is an agreement of 193 UN members from the Third International Conference on Development Financing (July 2015). It represents the foundation for supporting the implementation of the 2030 Agenda for the Sustainable Development Goals. It encompasses a range of policy activities with a package of over 100 concrete measures to finance sustainable development, transform the global economy and achieve the SDGs. It represents a new global framework for financing sustainable development that aligns all financial flows with economic, social, and environmental priorities and ensures that financing is stable and sustainable (<https://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/DESA-Briefing-Note-Addis-Action-Agenda.pdf>).

environment needs to be further strengthened, as developed in the Road Map for SDG Financing Framework provided below.

## **OVERARCHING ENABLING POLICIES, REGULATIONS AND STANDARDS**

5. To address the summary of key DFA findings outlined above, the financing framework targets critical gaps in enabling policies, regulations and standards, while pursuing an agenda of capital and financial market development. Policy, capital and financial market reforms are necessary given the need for private sector flows to be increased and incentivized, in coordination with a reduced public sector footprint. A sample of actions incorporated into the financing framework are illustrated below:

- Improving the overall policy making and regulatory environment in line with the EU, as well as “greening” the banking system by joining the Bank for International Settlements (BIS) Network for Greening the Financial System (NGFS).
- Establishing a working group for innovative and sustainable financing comprised from ministries of finance and banking Agencies or a working group to direct investments towards sustainable activities in order to meet the EU Green Deal and transpose solutions from the EU Green Taxonomy Regulation Decree. These provide a classification system for sustainable activities and investments, which set out overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.<sup>4</sup> The regulatory framework of all government levels for this subject area would need to link to six environmental objectives, all of which align to the SDG Framework pathways and accelerators, as follows: (i) climate change mitigation (ii) climate change adaptation (iii) the sustainable use and protection of water and marine resources (iv) the transition to a circular economy (v) pollution prevention and control, and, (vi) the protection and restoration of biodiversity and ecosystems.
- In line to constitutional responsibilities improve the non-bank market regulations and developing capital and financial market development road maps, linked to critical legislative strengthening, improving financial inclusions, financing for SMEs and the vibrance of primary and secondary capital markets.
- Developing, adapting or adopting green and climate bond financing standards, as well as ESG markets standards, in support of a drive towards BiH Sustainable and Responsible Investment (SRI).
- Additional strengthening of the PPP legislative framework (laws, standards, guidelines, taxonomy and transaction advisory) and establish a BiH wide PPP taxonomy as a standard terminology and taxonomy for classifying PPP according to various characteristics is therefore key.

The Road Map for the development of the SDG Financing Framework proposes a special focus on three priority sectors: (i) digitalization; (ii) infrastructure and energy; (iii) research and development, which have a strong internal development potential for accelerated achievement of the SDGs within each of these sectors and a strong catalytic potential for generating additional fiscal space for financing sustainable development and the achievement of other SDGs in BiH. When supported by incentive policies and new and innovative financing mechanisms and instruments, these sectors have a significant

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<sup>4</sup> The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020

investment potential for investments from the private sector, but also for the opening of additional sources of financing from domestic and international private and public sources, including institutional investors, international programs and funds that support the SDGs realization.

## **PRIORITY SECTOR DIGITALIZATION**

6. Priorities for digitalization and financial instruments, outlined in the enclosed Road Map for the SDG Financing Framework, focus on measures related to policy strengthening, legislation, regulations, standards and strategy development, focused on strengthening e-business, e-business infrastructure and e-commerce (with respect of the existing subject regulations). In implementing the EU digital strategy and the Green Agenda for BiH and the action plan for its implementation, investment instruments need to focus on inclusive green and digital transition, to also enable regional integration through the Common Regional Market.

7. This road map prioritizes actions that: (i) adopt countrywide legislation aligned to EU Digital Services and Digital Market Acts as well as electronic identification and trust services and all to be done in line to the BiH constitutional arrangement (ii) ensure that more citizens and professionals have basic digital skills (iii) provide sustainable digital infrastructure though mobilizing new sources of financing (iv) promote the digital transformation of public services and private businesses including the adoption of a new law on electronic identification and trust services for electronic transactions is an urgent priority, and, (v) encourage a system of cooperation between BiH and EU Member States to monitor and promote digitalization goals.

8. Up front investments in the E-Government Development Strategy (for government levels that don't have it adopted) and Broadband Access Framework Strategies and Public Administration Reform Strategic Framework are prioritized. Given the central focus of digitalization in the ERP, the responsible bearers of these strategies from all government levels will work closely with the ERP Coordinators, relevant officials for the ERP preparation, officials working at the finance and IPA departments of line ministries, officials working at the budget department of Ministries of Finance and digitalization policy planning experts.

## **PRIORITY SECTOR: INFRASTRUCTURE AND ENERGY**

9. The Road Map focuses on infrastructure and energy financing tools through the creation of PPP markets. The draft PPP law at FBiH and Public Private Partnership and Law on Concession in the Republika Srpska are already harmonized with relevant EU directives. As a result, the primary focus of the Road Map is not legislation or regulations, it is developing a PPP taxonomy and building PPP pipeline investment planning in key energy and infrastructure areas, with a focus on working with relevant PPP sector planning units to develop a viable pipeline of bankable investments. This work will link with the development of a PPP taxonomy.

10. The Road Map for this priority – under the guidance of the Council – includes the following supportive actions, to be integrated into the Financing Framework:

- Actively target and benefit from the EU Green Deal.<sup>5</sup>
- Develop a Road Map for establishing a carbon market (either compliance or voluntary market) linked to the energy transition, supported by vertical climate funds.

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<sup>5</sup> It is necessary to bear in mind that an EU tax on carbon dioxide and the Carbon Border Adjustment Mechanism (CBAM), will be introduced in 2026 but a reporting system will apply as from 2023.

- To increase guidance to PPP development units, establish a BiH wide PPP taxonomy (including a taxonomy of risks) as well as develop good practice guides covering outsourcing, concession, divestiture of the public companies<sup>6</sup> and so on.
- Support divestiture in state owned enterprises in the energy and infrastructure sectors, to increase market space for private investors.
- Build core capacities in entity and canton level PPP pipeline developed through financial literacy development, linked to SIF, syndicated loans and targeted bond issuance.
- Formally establish strategic partnerships with the Public-Private Infrastructure Advisory Facility (PPIAF) and World Bank Global Infrastructure Facility (WBGEF).
- Strengthen O&M financing arrangements for new infrastructure, and,
- Establish an incentive Program for Entrepreneurial Infrastructure Development to link with primary (e.g. anchor), ancillary and other (e.g spinoff) investments.

## **PRIORITY SECTOR: RESEARCH AND DEVELOPMENT**

**11.** To drive the R&D process forward it is proposed to establish entity and cantonal R&D Innovation and Productivity Councils as an Advisory Councils, constituted by both public and private representatives, as well as representatives from international cooperation partners. The Councils would constitute an innovative support system.

The primary work of these Councils will be to develop an R&D Road Map, including advisory support in regard to the implementation of actions which were given priority as part of support for strengthening research and development, innovation and productivity. The mission of these R&D Councils will be to foster collaboration among leaders in industry, academia and government to drive BiH's innovation economy.

**12.** The entity and cantonal R&D Councils will lobby to increase government R&D spending, establish R&D funds there where not yet established (e.g Technological Fund of RS, Federal Technological Fund, Cantonal Technological Funds or Cross-Sharing Grant Schemes, for example) that can provide innovation study programs, scientific innovation funds, and, for example, incentivize tertiary students through scholarships for basic research, applied research and experimental development. These Councils will work with European R&D Councils and Universities to attract funding, corporate outreach for financing for STEM education, spotlight research talent and support financing for R&D hubs across the entities. These would be centers of expertise consisting of a technology and innovation unit and training units.

## **FINANCIAL INSTRUMENTS TO SUPPORT SDG ACHIEVEMENTS**

**13.** The heart of the SDG Financing Framework is the development, piloting and establishment of key, complementary and other financial instruments to support accelerated SDGs attainment. The Financing Framework sets out priority short term, complimentary and longer-term financial instruments. **Short term instruments include the SIF, Syndicate loans, SME Apex Financing Structure and the first BiH SDG bonds.**

As capital and financial markets develop, complimentary and longer-term instruments will be scaled, increasing private contributions to SDG Framework outcomes. The key features of the proposed financial mechanisms and instruments are presented in the appendices of the Road Map.

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<sup>6</sup> It refers to various forms of divestiture of the public companies (in whole or in part), e.g. through privatization, merger, merger, shutdown or other possible forms provided by the legal and regulatory framework.

## **STRATEGIC BUDGETING AND INVESTMENT DE-RISKING FOR SDG ACHIEVEMENTS**

**14.** Strategic budgeting for the SDGs will be integrated into the PFM Strategies support, with an initial focus on improving SDG alignment, introducing SDG budget tagging and integrating new SDG priorities and financing instruments into public investment planning (PIPs) and procurement, as well as to tracking SDG outcomes.

An early priority will be to work towards integrating the SDG Framework into the ERP process in particular, as well as the PPP pipeline planning process. An additional priority will focus on budgeting for SDGs by providing mechanisms for deepening the vertical integration between the SDG Framework and the resources over which government on all government levels in BiH has most direct control, (the budget and PIPs). This is critical because of the importance and scale of public finance, and its potential impact on leverage and catalytic impacts.

SDG costing will also be piloted, using a bottom-up sector-based approach, and linked to the proposed SDG localization agenda. This refers to the development of costing tools for the implementation of SDG's priority interventions, and ideally linked to the ERP costing guideline. Finally, the SDGs will be fully integrated into any Citizen's Budget to ensure that the general public is informed about the localization of the SDGs.

## **GOVERNANCE AND COORDINATION ARRANGEMENTS**

**15.** Governance and coordination arrangements will focus on mindset change and on delivering tangible results to execute the SDGs. BiH aims to mainstream the SDG Framework and the Road Map embedded in SDG Financing Framework across all government entities and cantons everyday practice.

The SDG Council, represented by all administrative levels in BiH, will be coordinating, monitoring and reporting the actual execution of the SDGs in BiH. Given that meeting the SDGs is not just about financing but also about mind-set change and moving towards a whole-of-society approach, public private collaboration and dialogue are central to governance and coordination arrangements.

In this context, the following proposals are made for mechanisms, measures and mind-change elements:

- Strengthen and formalize the main mechanisms of SDG management and coordination by strengthening the coordination of the SDG Council with the representatives of entities' Prime Minister's Offices, Chairmen of Council of Ministers and ministries of finance from all government levels including permanent working groups/committees and government institutions that are important for the implementation of the SDG Financing Framework in BiH.
- Define the bearers and organize annual meetings with the aim of presenting the results of the implementation of SDG Financing Framework in Bosnia and Herzegovina to the wider community of relevant actors (e.g. private sector, financial institutions, etc.).
- Define the bearers and establish quarterly coordination meetings with the appointed coordinators for PER and a representatives of the prime minister's offices, Chairmen of Council of Ministers and the ministries of finance
- Improve and strengthen mechanisms of Public-Private cooperation at all levels of government.

## **MONITORING AND RISK MANAGEMENT ACTIONS**

**16.** The Council for the implementation of the SDGs in Bosnia and Herzegovina is assigned for overall monitoring and reporting on the implementation of the SDGs Framework, coordination of the preparation of annual reports and voluntary reviews towards the United Nations.

Reporting on the implementation of the SDGs Framework in Bosnia and Herzegovina is conducted through: (i) establishment and updating of an SDG-FF (web-based) Dashboard, (ii) an Annual Report on the Implementation of the BiH SDGs Framework (iii) the Voluntary Review to the UN (2023 and 2027), and, (iv) SDG Indicators.

**17.** There are inevitably considerable risks in undertaking such a reform agenda, both in terms of financing risks and investment safeguards, but also in terms of failure to meet Road Map targets. Given the balance between competition and market resilience, as part of the development of the SDG Financing Framework in Bosnia and Herzegovina, a risk management matrix will be developed to support the work of institutions in Bosnia and Herzegovina at all levels of government. In terms of market resilience, a range of financing instruments will be promoted covering non-bank institutions, social and micro insurance and de-risking and risk transfers, as well as guarantees provided by government and ODA partners for blended financing operations.

**18.** An Annual Report on Implementation of the SDGs Framework in Bosnia and Herzegovina will outline progress towards the determined development pathways, accelerators and drivers, which contribute to achieving the defined targets of sustainable development. Updated VNR (Voluntary National Review) will provide an important basis for reporting progress against challenges and it is proposed to conduct a Mid-Term SDG-FF Review.

## **FURTHER ASSESSMENTS AND DIAGNOSTICS**

**19.** The existing SDG Council (or other SDG governance and coordination mechanism that may be established) will work with international cooperation partners to identify additional research that is required to promote and deliver the SDGs, e.g in positioning for the EU Green Deal, blockchain development, deepening of capital markets or on gender equality and social exclusion, as required.

## **SDG PARTNERSHIPS FOR THE GOALS**

**20.** So far, far too few domestic and international institutions in BiH are focused on supporting the SDGs, and as such the SDG supportive institutional system needs to be developed, to allow a guiding coalition and common vision to emerge.

The proposed activities require close cooperation with the EU Delegation in Bosnia and Herzegovina and EU member states in order to integrate the priorities from the SDG Framework with PER through the determination of common priorities arising from Agenda 2030 and the process of European integration. This would imply the establishment of joint working teams of the EU, the UN and other relevant international organizations and representatives of institutions in BiH.

## **SDG FINANCING FRAMEWORK**

**21.** Table in further text constitutes the Road Map for the SDG Financing Framework elements that are shaped by the DFA findings and the key policies, legislation, standards and instruments that must be developed to execute the SDG Framework in BiH, while accelerating progress towards EU integration, improved sustainability and gender equality.

**22.** As the Road Map established midway through Agenda 2030 covering a period of eight-years (2023-2030), the greater the progress that is made in the early years by delivering quick wins, the greater the pace of acceleration and bigger the impact on results.

**23.** The Road Map will be used for the participatory development of the SDG Financing Framework envisaged through the Phase II, as the common financing platform for all government levels in BiH that offer long term directions for accelerated SDGs achievements.

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
<b>Overarching Enabling Policies, Regulations and Standards</b>							
1	<i>Improve policymaking</i>	Improve the economic, social and environmental policy making in line to the constitutional responsibilities each of government levels	<p>Following the EU's approach of smart specialization, it is necessary to address the major structural economic challenges and eliminate key bottlenecks in economic development</p> <p>The labour market and the social policies have not been very successful in addressing the specific needs of vulnerable population. BiH is vulnerable to environmental shocks, including droughts, floods and earthquakes to enhance the legal framework, strengthen administrative capacity and monitoring systems, and improve inter-institutional coordination, in line with the Green Agenda for the Western Balkans and the 2050 climate neutrality target.</p> <p>Following the EU's approach of financial intermediation and aiming to increase savings, investments and GDP level, it is necessary to implement the financial reform (to pass on laws on credit unions and investment companies, etc; introduce digital banking, etc; allow to various companies to deal with the business of international payments to transfer billions of remittances etc.).</p>	Entity/cantonal ministries of Economy Entity/cantonal ministries of labour Ministry of Foreign Trade and Economic Relations, and respective entity and cantonal ministries	UN/ EU/ IFs	X	X
2	<i>Greening the BiH Banking and Financial System</i>	Bank for International Settlements (BIS) Network for Greening the Financial System (NGFS)	To accelerate the scaling up of green finance in BiH and to develop recommendations for strengthening the banks' role for climate change.	Banking agencies and ministries of finance	BIS/ IMF/ International financial institutions		
		Establish an Innovative and Sustainable Financing working group	Sustainable Financing Working Group will need to be established to lead the development of sustainable and green finance in direct collaboration with the private sector through Joint Committees. <a href="#">Lessons can be drawn from Malaysia.</a>	Banking agencies and ministries of finance	BIS/ IMF/ International financial institutions	X	
		Gradual transposition of the EU Green Taxonomy Regulation	<p>In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, it is vital that BiH directs investments towards sustainable projects and activities. For this to happen, either adoption or adapting the <a href="#">Green Taxonomy is essential if the EU Green Deal</a> is to be executed. The outcome would be EU aligned standards for:</p> <ul style="list-style-type: none"> <li>▪ Climate change mitigation</li> <li>▪ Climate change adaptation</li> <li>▪ The sustainable use and protection of water resources</li> <li>▪ The transition to a circular economy</li> <li>▪ Pollution prevention and control</li> <li>▪ The protection and restoration of biodiversity and ecosystems</li> </ul>	Ministry of Foreign Trade and Economic Relations and competent entity ministries	EU	X	

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#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Introduction of the new approaches and practices to enable better use of the existing and introduction of the new instruments	An overall review and <a href="#">strengthening of financial regulations</a> is required in the light of ushering in a new era of sustainable development financing.  (e.g. establishing of the new or strengthening of the existing regulations for non-bank institutions, mutual guarantee funds, savings banks, savings and loan associations, financial holding and investment companies, and credit guarantee funds).	Entity ministries, Parliaments/ Cabinet level entities	UN / WB	X	X
		Adopt EU green and climate bond standards	Establishing green markets requires the adoption of <a href="#">European Green Bond</a> and climate bond standards. Adoption is required to maximize gains from the Green Deal and to better direct financial and capital flows to BiH green investments.	Securities Commission of FBiH, Securities Commission of the Republika Srpska Sarajevo and Banja Luka Stock Exchange, etc.	EU, UK, UN	X	
		Adopt EU ESG markets standards	Given the increasing centrality of ESGs in corporate governance and financing, it is necessary to strengthen protection for end-investors and improve the disclosures that they receive from a broad range of financial market participants and financial advisers, as well as regarding financial products, in line with <a href="#">EU Standards</a> .	Central Bank, Securities Commission of Republika Srpska, FBiH Securities Commission, Sarajevo and Banja Luka Stock Exchanges, etc.	IFIs/ UN	X	
		Incorporate ESGs into Investment Project Pipeline	It will be necessary to increasingly incorporate ESG standards into future investment instruments and vehicles, such as the proposed SIF and PPPs.	Entity Ministries, Capital Markets	IFIs/ UN	X	
3	<b>PPP Regulatory Strengthening</b>	PPP legislative framework additional and continual strengthening in line to constitutional arrangement and responsibilities of each government levels (laws, standards, guidelines, taxonomy and transaction advisory) to provide alignment with the EU <i>acquis Communautaire</i> .	PPPs are in the ascendency due to government macro-fiscal challenges, and there is therefore a need to review and upgrade PPP laws, regulations, guidelines and standards, as part of the process of establishing an annual high-quality PPP pipeline of bankable and VfM assessments, in line to constitutional arrangement and responsibilities of each government levels.	Ministries of Finance, Audit Offices, Ministries of Spatial Planning, Construction and Environment	WB	X	
<b>Priority sector: Digitalization</b>							
4	<b>Institutional and political leadership</b>	Ensure coordinated and harmonized policy making and setting of standards/actions.	Digital transformation of the public sector requires harmonized approach and relevant actors with authority to streamline and steer the process, both through political leadership and decision making, and policy making and setting of standards/actions.	Prime Ministers, relevant Ministries/ institutions	UN	X	X
5	<b>Alignment with relevant requirements and</b>	Align with the relevant EU legislation, strategic and operational framework	It is necessary to align all the policies, strategies and action documents at BiH government, entities and cantonal level with the relevant strategic frameworks and sources of standards.	Relevant institutions	EU/UN	X	X

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	<i>standards EU Digital Strategy in line to constitutional arrangement and responsibilities of each government levels</i>	Align with the SEE 2030 Strategy <sup>7</sup>	Adapt strategic, policy and operational plans to requirements and commitments from SEE 2030, including funding mechanisms.	Relevant institutions	EU	X	X
		Adopt relevant legislation	Law on cyber security and Security of Network and Information Systems - Law on Electronic Identification (including electronic signatures) and Trusted Services for E-transactions. Laws would regulate electronic identification, usage of data to represent natural or legal persons, as well as usage of trust services in electronic transactions and documents.	Relevant institutions	EU	X	
6	<i>Digital Skills Training</i>	Country-wide digital skills training programs in academic and learning institutions		Ministries of Education, Secondary and Tertiary Institutions	UN	X	X
		Improvement of capacities and development of competencies and skills in the public sector	It is necessary to ensure relevant capacities and knowledge/skills of public sector employees, required for introduction of digital transformation and development/maintenance of e-governance system (infrastructure, services, digital solutions and processes)	Relevant public institutions	UN	X	X
		Design financial incentives to encourage corporate skills training		Ministries of Finance, Associations of Employers and relevant ministries	IMF / WB / IFC	X	X
7	<i>Laws on Electronic Identification and Digital Infrastructure Financing in line to constitutional arrangement and responsibilities of each government levels</i>	Adopt law on electronic identification and trust services for electronic transactions	It is necessary to establish legal framework to enhance trust in electronic transactions in the internal market. Lack of trust makes consumers, businesses and administrations hesitate to carry out transactions electronically and to adopt new services.	Relevant institutions	EU	X	
8	<i>Strategic Framework and</i>	Adopt relevant Strategies and Action Plans	Strategies are defining strategic direction and ensuring alignments with area 5; Action plans are defining concrete actions and ensuring implementation of these requirements, reflecting their minimum (8.2.)	Relevant institutions	EU / UN	X	

<sup>7</sup> [SEE-2030-strategy.pdf \(rec.int\)](#)

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	<b>key public digital infrastructure</b>	Implementation of 6 key pillars of Information Society Development in BiH	These pillars are defined in relevant strategies and their full implementation is described in relevant action plans.	Ministry of Communications and Transport, responsible institutions (as defined in plans)	EU / UN	X	
		Implementation of fully transactional system of digital public services	Implementing critical infrastructure on each administrative levels as a precondition for implementation of fully transactional system of digital public services.	Responsible institutions	EU / UN	X	
<b>Priority sector: Infrastructure &amp; Energy</b>							
9	<b>Develop PPP Market in line to constitutional arrangement and responsibilities of each government levels</b>	Conduct PPP Capacity Readiness Assessment and Review the PPP market	<p>A <a href="#">country readiness diagnostic for PPPs</a> is necessary to provide strategic, customized advice to BiH entities in making informed decisions in determining an operational plan for their PPP program, the choice of public investment vis-à-vis PPP, and type of PPP.</p> <p>In order to determine the PPP longlist, it is necessary to review the state of existing PPP proposals in line with <a href="#">OECD Principles for Public Governance Of Public-Private Partnerships</a> and to undertake feasibility studies for new potential PPP investments, to be shortlisted for Wave I and Wave II execution, covering different sectors and SDGs.</p> <p>In developing the long list, and in reducing to a short list of viable (marketable and bankable) PPPs it is necessary to establish a formal process for shortlisting, based on VfM assessments, NPV/IRR/ERR, offtake, safeguards and risks. This is a formal process which often includes transaction advisory services.</p> <p>As a blended financing arrangement, developing <a href="#">PPP Project Financing Instruments</a> that balance equity, debt, bond and other instruments such as contingent liabilities and guarantees is necessary to enjoy the fuller scope of potential PPPs.</p>	Ministries of Finance/ PPP Units/Sectoral Ministries	UN, ODA partners, EU WB / IFC	X	X
		<b>Establish Pipeline for Infrastructure Sectors</b>					
10	<b>Develop Energy Sector measures</b>	Adopting laws and bylaws on energy, transmission system operator and harmonize both them and energy efficiency laws as well with EU legislation, in line to the signed agreement from 2019	To transpose acquis (the third EU energy package)	Entity Ministries of Industry, Energy and Mining	EU/Energy Community	X	X

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		Establish and harmonized single regulatory framework for the energy sector, in line to the signed agreement from 2019	To transpose <i>acquis</i> (the third EU energy package)	Ministry of Foreign Trade and Economic Relations, Entity Ministries of Industry, Energy and Mining	EU/Energy Community	X	
		Engage EU Green Deal and Vertical Climate Funds in line to constitutional arrangement and responsibilities of each government levels	The European Green Deal is the EU's response to environment-related challenges and climate change consequences, coming as an integral part of the EC's strategy to implement the SDGs, putting people first.	Ministry of Foreign Trade and Economic Relations, Entity Ministries	UN	X	X
		Develop the EU ETS alike system in line to constitutional arrangement and responsibilities of each government levels	In the field of climate issues, the most important action for BiH is to facilitate a swift alignment with the EU climate Law as well as to explore options for early inclusion of BiH in the EU Emissions Trading Scheme (EUETS).	Ministry of Foreign Trade and Economic Relations, Entity Ministries	UN	X	
11	<b>Develop Entrepreneurial Infrastructure Incentives</b>	Incentive Program for Entrepreneurial Infrastructure Development	In developing a successful entrepreneurial ecosystem, a program is required to incentivize and promote startup companies through the provision of free or low-cost funding streams, perhaps structured around support for (i) Business Management (ii) commercializing ideas and (iii) strengthening research connections.	Ministry of Development, Entrepreneurship, and Crafts (FBiH)/ Ministry of Economy and Entrepreneurship (RS)/ Department of economic development, sport and culture (BD)	UN	X	
<b>Priority sector: Research &amp; Development</b>							
12	<b>Establish entity and cantonal R&amp;D, Innovation and Productivity Council as an Advisory Council</b>	Draft Council Charter	The council must be based on a strong charter which describes how the Council will operate.	Government of Entity/BD/Cantons	UN	X	
		Involve representatives of industries, academia, governments and donor community	To operationalize the council, and to recruit the necessary skills set and experience necessary to allow the Council to meet its overall strategic objective.	Government of Entity/BD/Cantons	UN / EU	X	
		Secure technical support for the Councils work	Support for the councils work will be provided by institutions defined by the founder of Councils	Founders of Councils	EU	X	
13	<b>Develop R&amp;D, Innovation and Productivity Road Map Elements</b>	Map Global Value Chains (GVCs)	A sectoral mapping of the Region's existing and potential GVCs is aimed to finding out its development potential, the opportunities and challenges for the construction of specific GVCs to each of the regions.	Entity and/or Cantonal Ministry of Economy	UN/ EU/ WB	X	
		Develop Value Chain Strategy and Policy to identify key policy priority	The key question for policymakers is how to create an enabling environment for the region's firms (i) to gain entry into existing networks and GVCs (hard infrastructure: connectivity, energy and logistics), (ii) to expand participations in GVCs (preferential trade	Entity and/or Cantonal Ministry of Economy	UN/ EU/ WB	X	

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
		areas for supporting participation in GVCs	agreements, soft infrastructure i.e. training) and (iii) upgrading within GVCs and creating new GVCs.				
		Design and Establish a Network of Regional Excellency Centres (with innovation and training units) for the Region’s Leading Value Chains	A smart, efficient and cost-saving system of pooling knowledge and expertise and make it available where needed across the value chains and around them.	Entity and/or Cantonal Ministry of Economy	UN/ EU/ WB	X	X
		Turn Business Zones into Innovation Districts	Innovation districts are zones in cities where public and private actors work to attract entrepreneurs, start-ups, business incubators, etc.	City Councils	UN/ EU/ WB	X	X
		R&D Funding Strategies	To identify the primary anchor investors to finance R&D from both public and private resources.	Relevant ministries	UN / GIZ	X	
14	<b>Develop R&amp;D Funds &amp; Incentives</b>	Design Innovation Study Programs	Research and development (R&D) include activities to innovate and introduce new products and services, as the first stage in the development process. The goal is typically to take new products and services to market. Design innovation study programs direct research resources to attract researchers in key areas of study linked to SDG Framework outcomes.	Relevant ministries	Relevant donors, including philanthropic organizations	X	
		Regional/Cantonal and/or Entity Technological Funds	Industrial technological or investment funds are a new financing innovation mode that can build an effective financing channel in the R&D space, using the portfolio concept to allocate funds for science and technology, for example. In the absence of funding, no technological R&D will be undertaken.	Relevant ministries	Relevant donors, including philanthropic organizations	X	X
		Cross-Sharing Grant Scheme	The promote the positive effect in which a research (development) grant triggers additional development (research) expenditures due to complementarity of both activities. The cross-sharing scheme would need to be formally established.	Relevant ministries	Relevant donors, including philanthropic organizations	X	X
		Promote R&D tax credits	To incentivize corporations and enterprises to avail of cash savings for performing activities related to the development, design, or improvement of products, processes, formulas, or software.	Relevant ministries	Relevant donors, including philanthropic organizations	X	X
<b>Financial instruments to support accelerated achievements in the SDGs priority sectors</b>							
15	<b>Develop, pilot, establish the key, complementary and other financial instruments to support</b>	Develop and implement proposed main short term SDG financial instruments: - <b>Strategic Investment Fund(s)</b> - <b>Syndicated Loans</b> - <b>Apex Financing Facility</b> - <b>SDG Bond</b>	Establish a <b>Strategic Investment Fund(s)</b> Establishment as special-purpose investment vehicle with the aim to (i) secure financial and economic returns, (ii) accelerate investment in, and (iii) mobilize commercial capital to energy and infrastructure sectors where private investors would otherwise not invest or would invest to a limited extent.	Public sector institutions interested in establishing SIF and private firms, banks etc.	WB / IMF	X	
			Accelerate use of <b>Syndicated Loans</b> to promote commercial solutions that can close important financing gaps in infrastructure, climate change and social services. Most financing mobilized from	Ministries of Finance	EBRD / EU	X	X

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030	
				Potential Organization	Potential Partner Organizations			
	<i>accelerated achievements in the SDGs attainment, in line to constitutional arrangement and responsibilities of each government levels</i>		the private sectors shares in collective investment vehicles in areas with clear commercial opportunities are achieved through syndicated loans and credit lines.					
			Establish an <b>Apex Financing Facility</b> to provide credit guarantees to participating financial institutions providing lending services to SMEs	Ministries of Finance	WB / UN	X		
			Prepare and issues the first BiH first <b>SDG Bond</b> as a fixed income security focused on financing the SDG Framework components digitalization, infrastructure and energy and research and development.	Ministries of Finance	UN /WB/ IFs	X		
		Develop and implement complementary mechanisms / instruments that could be established in the short term	Work to accelerate use of the complementary mechanism & instruments to support accelerated SDG achievements through: <b>Digital Transition Funds, State Guarantees, Credit Guarantees for SMEs, O&amp;M Fund, R&amp;D Tax Credits, PARE 1+1, Corporate Philanthropy, Vertical Funds, Social Impact Bonds and IFI Concessional Loans.</b>	Proposed Innovative and Sustainable Financing Unit in the Banking Agency and MoFs	UN /WB/ IFs	X		X
		Select, develop and pilot the proposed long term SDG mechanisms / instruments	Expand the use of the new generation of financial mechanisms & instruments that are in a long term applicable in BIH: <b>Central Bank Digital Currency (CBDC) in line with emerging EU standards, Crowdfunding (donations and equity financing), equity investments, Catalytic First Loss Finance, Double-leveraged Mezzanine Finance, Energy Saving Insurance (ESI), Energy Cooperatives, Carbon Markets, National Property Catastrophe Insurance Pool, Commercial Bonds, Trade finance, Public equity fund and crowdfunding (including equity crowdfunding), PPPs Funds, Cross Border Infrastructure PPPs, Gender Bonds and Project Bond among other instruments.</b>	Proposed Innovative and Sustainable Financing Unit in the Banking Agency and MoFs	UN /WB/ IFs	X		X
<b>Strategic Budgeting and investment de-risking along support activities for accelerated the SDGs achievements</b>								
16	<b>SDG Localization</b>	Pilot SDG Alignment and Integration within Canton & Municipal Levels	In support of the <a href="#">Global Taskforce of Local and Regional Governments, UNDP and UN Habitat</a> to support cities and regions to deliver the 2030 Agenda, piloting SDG localization is necessary given that most SDGs will only be met through local action, and that SDG localization is critical for awareness raising, advocacy, implementation and monitoring, as well as making sure that sub-national spending is linked to the SDGs.	Line ministries/ Municipalities and Cities/Association of municipalities and Cities	UN	X	X	
17	<b>Strengthen SDG Strategic Budgeting and, its alignment with</b>	SDG Budget Tagging	The implementation of BiH's SDGs requires the involvement of various stakeholders at different tiers of government in order to track SDG spending and to provide a bridge to monitoring impact.	Ministries of Finance	UN, UN Women	X		
		Strengthen Budget Call Circular SDG Guidance	As the budget call circular guides spending units in planning their budgets, integrating key elements of the SDG Framework and SDG-	Ministries of Finance	UN	X		

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	<i>development strategies / PIP</i>		FF will guide spending units on how to align with and integrate the SDGs into public investment plans.				
		Integrate SDGs to Development Strategies	Development strategies defines the priority goals – including SDGs - coherently explains how set goals can be reached, identifies the policy tools and explores trade-offs and the time frame.	Council of Ministers, Entity Government	UN/EU	X	
		Integrate SDG in public investment programs (PIP) Integration	Unless SDGs are integrated into the public investment plans (PIPs) – given that PIPs dominate public spending – public spending will not be aligned to the SDG Framework.	Ministries of Finance	UN / WB	X	
		Integrate SDGs into Citizen’s Budget	SDGs are not incorporated to the Citizen’s Budgets. Moving from a whole-of-government approach to a whole-of-society approach however means that society must be fully aware of the SDG Framework, its objectives and priorities.	Ministries of Finance	UN	X	X
18	<i>Development of policies and mechanisms for Market Risk Development</i>	Identify Blended Financing Solutions to De-Risk	De-risking is critical to closing the BiH SDG financing gap. The objectives of <a href="#">de-risking projects</a> are to make them more financeable by both public and private sector lenders and to attract investors that can earn an acceptable “risk-adjusted” return.	Ministries of Finance	ODA Partners	X	X
<b>Governance and Coordination Actions (within the implementation of SDG Financing Framework (SDG FF))</b>							
19	<i>Governance and coordination mechanisms</i>	Identify major governance and coordination mechanisms for SDG FF implementation.	To strengthen and formalize SDG Council coordination with the governments’ premier cabinet at all government levels, including with the government advisors and relevant government Councils, permanent working groups/committees and government institutions that are important for SDG FF implementation.	Chairmen of CoM BiH, Entity prime ministers and BD BiH)	UN	X	
20	<i>Governance &amp; coordination measures</i>	Annual Community Meeting on SDG FF implementation	To bring together all SDG key actors that work on SDG implementation ( <a href="#">similar to the Geneva Annual SDG Community Meeting</a> , for example) with aim to present the best practice and way of mobilizing wider community and resources for implementation and financing SDGs.	SDG Council or other designated government body.	UN	X	X
		Quarterly coordination meetings with the coordinators for ERP preparation and working group members for monitoring of implementation of the PFM Strategy u BiH 2021-2025	Given how central ERP (which covers PFM, digital, infrastructure and governance reforms) and the PFM Strategy (for SDG Alignment) the 6 monthly coordination meeting will allow a two-way flow of information between stakeholders to make sure that alignment with the SDG Framework and SDG-FF are observed, and integrated.	SDG Council, PRR coordinators and Working group for monitoring of implementation of the PFM Strategy u BiH 2021-2025	UN	X	X
21		Establish SDG Communication Strategy	Establish SDG Communication Strategy with clearly identified roles, channels and key messages to support financing of SDGs in BiH.	SDG Council, CoM BiH, Entity Government	UN	X	

Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK							
#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	<i>Additional work on SDG Mind Set Change</i>	Identify & Establish Public Private Collaboration Platforms	To <a href="#">strengthen collaboration between public and private actors for the goals</a> , it is necessary to establish a BiH Sustainable Development Solutions Network, linked to regional and global SDSN Centers, <a href="#">as has occurred e.g. in the UAE</a> .	SDG Council, CoM, BiH, Entity Government	UN	X	X
<b>Monitoring &amp; Evaluation &amp; Risk management Actions (within the implementation of SDG Financing Framework (SDG FF))</b>							
22	<i>SDG-FF Web Dashboard</i>	Integrate SDG-FF in SDG Web Dashboard	The SDG-FF Web Dashboard would monitor <b>development finance trends</b> in contrast with BiH's resource needs (as proposed in <a href="#">Kazakhstan</a> by ADB). The Web Dashboard would monitor progress toward mobilizing the identified resources and how these contribute to development targets and indicators and be integrated in the whole financing strategy implementation monitoring process.	Ministries of Finance and MEIMS RS	UN	X	
		SDG Indicator Development	In advance of the <a href="#">proposed BiH 2023 VNR</a> , there is a need to update indicators and to link the indicators the SDG-FF Dashboard so that the VNR is linked to the SDG FF Road Map and Financing Strategy outcome.	Ministries of Finance and, MEIMS RS, Agency for Statistics of BiH	UN	X	
23	<i>Reporting and Evaluation</i>	Annual Report on the Implementation of the BiH SDGs Framework	A short annual report will be prepared by the SDG Council (or other designated body) in coordination with UN, in order to maintain momentum on the SDG-FF, to draw out lessons, make adjustments to road map priorities and to provide the basis for an annual performance review.	SDG Council or other designated body/ Entities/ MEIMS RS and Brčko District	UN	X	
		Update VNR (Voluntary National Review)	The proposed updated 2023 VNR would fully integrate with the SDG Framework, SDG- Financing Strategy as the basis for demonstrating a comprehensive approach to the High-Level Political Forum.	SDG Council / Ministries of Finance and MEIMS RS, Agency for Statistics of BiH	UN	X	X
		Mid-Term SDG-FF Review	The mid-term review will take stock of the degree to which planned results are on target, and the areas where additional improvement is required.	SDG Council / MEIMS RS	Independent evaluation organization	X	X
<b>Further Assessment &amp; Diagnostics</b>							
24	<i>SDGs Concept and Policy Position Papers</i>	Thematic Issues identification that are important for SDGs implementation	There is a need to build in capacity for further assessment and diagnostic going forward, to accompany emerging and future actions, on issues such as (i) SDG localization (ii) detailed market assessments for each financing instrument (iii) tax and non-tax incentives for the SDGs, for example.	SDG Council	UN	X	
<b>SDG Partnerships for the Goals</b>							
25	<i>Additionally Strengthen SDG</i>	Solicit EU and EU Member State support for the SDG Framework	Implementation of the BiH SDG Framework from EU is key to success and yet EU instruments, the ERP and other actions related to PFM / PAR for example do not explicitly mention the SDG Framework	SDG Council and other relevant institutions	UN	X	

**Table 1. BOSNIA & HERZEGOVINA ROAD MAP FOR SDG FINANCING FRAMEWORK**

#	Strategy / Policy	Action	Rationale	Responsibilities		Short Term 2023-2025	Long-Term 2026-2030
				Potential Organization	Potential Partner Organizations		
	<b>Linkages with EU Integration</b>	Identify SDG-FF EU integration joint priorities and establish joint working relations	In support and linkage with Team Europe through <a href="#">Team Europe Initiatives (TEI)</a> , undertaking joint analysis, programming, execution and monitoring are key to an integrated approach that links the SDG Framework with EU Integration and the SDGs and the Global Gateway. Formal discussion between Government, UN and EU ( <a href="#">Working Better Together</a> ) is necessary to agree on entry points given the many shared activities between the EU and SDG Framework.	SDG Council	UN	X	
26	<b>Improve Legislative SDG Oversight Capacities at all government levels</b>	Establish SDG Parliamentary Committees at all government levels	To hold governments accountable for the goals they have subscribed to, and to make sure that enabling laws are passed and budgets adopted to support the SDGs. <a href="#">Core parliamentary roles for the SDGs include law making, budgeting, oversight, representation and localization.</a>	Parliament of BiH, National Assembly RS, Parliament of FBiH	UN	X	
27	<b>Foster SDG partnerships</b>	Establish Framework for Triangular Cooperation for Priority Sectors	<a href="#">Triangular co-operation</a> helps to achieve the SDGs in innovative and collaborative ways and can provide solutions to overcome BiH's most pressing environmental, economic and social challenges.	SDG Council	UN	X	X

**ANNEX 1:**

<b>TABLE - MAIN SHORT-TERM FINANCIAL INSTRUMENTS FOR SDGS</b>						
<i>Name of the financial instrument/mechanism</i>	<i>Description of the financial instrument/mechanism</i>	<i>Key actors</i>	<i>Additional regulatory requirements (if any)</i>	<i>Implementation requirements (if any)</i>	<i>SDG financing potential</i>	<i>So that the instruments could be strengthened/optimized</i>
<b><i>Strategic Investment Fund (SIF)</i></b>	<p>SIFs serve to finance projects of strategic importance for the country, region or municipality.</p> <p>Their establishment is supported by the IMF and the World Bank.</p> <p>They usually have a threefold task: economic and social return and international contribution (to attract as many foreign funds as possible).</p> <p>The management of SIF is based on imitating the operation of a private investment fund.</p>	<p>Public sector institutions (BiH institutions, entities, cantons, municipalities and public companies) and private sector institutions (banks and large companies)</p>	<p>Non existing</p>	<p>Non existing</p>	<p>High</p>	<p>The leading shareholder should be the entity government, which would bring together domestic financially generous public and private sector institutions. It is extremely important to secure a foreign AAA bank as a shareholder - this would increase the success of issuing bonds, acquire credit lines and develop project finance, and improve corporate governance.</p> <p>The SIF could collect three billion BAM in the period 2023-2025, which would finance the medium-term gap in SDG financing, with the condition that the development of project finance takes place in parallel (e.g. 3 wind power plants and six solar power plants with an individual power of 200 MW); thus, BiH would be much more prepared to meet the EU measures planned for 2026.</p>
<b><i>Syndicated loans</i></b>	<p>Syndicated loans are used when a project, e.g. infrastructural, required too much credit exposure for one bank, but not for several of them, which therefore join together to implement a large investment project.</p>	<p>Domestic commercial banks</p>	<p>Non existing</p>	<p>Non existing</p>	<p>High</p>	<p>Certain development projects would be realized through the cooperation of entity and cantonal governments as project promoters on the one hand and banks as financiers on the other.</p> <p>The financial potential of this instrument is over three billion BAM, which is the amount of surplus funds of the banks at the Central Bank above the required reserves.</p>
<b><i>Financial instrument</i></b>	<p>Apex is a "wholesale" fund that directs public funds to multiple retail financial service</p>	<p>Entity governments</p>	<p>Law on the establishment of the APEX institution</p>	<p>Non existing</p>	<p>Relatively high</p>	<p>Apex would offer credit guarantees, equity investments, grants to support</p>

**TABLE - MAIN SHORT-TERM FINANCIAL INSTRUMENTS FOR SDGS**

<i>Name of the financial instrument/mechanism</i>	<i>Description of the financial instrument/mechanism</i>	<i>Key actors</i>	<i>Additional regulatory requirements (if any)</i>	<i>Implementation requirements (if any)</i>	<i>SDG financing potential</i>	<i>So that the instruments could be strengthened/optimized</i>
<i>Apex</i>	providers - usually lenders - in a single financial market.					operational costs and technical assistance to special categories of SMEs (startups etc.) and special sectors (knowledge economy, energy, agriculture, environmental protection, etc.).  Apex is not always an independent institution and may be located within another organization. Apex could mobilize around 200 million BAM.
<i>SDG bonds</i>	SDG bonds are fixed income debt instruments which are becoming an increasing source of funds for financing several goals of sustainable development in priority areas (e.g. digitization, and infrastructure, etc.)	Entity governments	Non existing	Non existing	Relatively high	The Ministries of Finance would lead the development process of SDG bonds.  Using government guarantees could remove the obligation to reserve regulatory capital and thus encourage the use of this instrument.  Firms like Sustainalytics Ltd. (UK) would ensure that the bond framework for the SDGs is credible, effective and aligned with the Sustainable Bond Guidelines 2021, Green/Social Bond Principles, etc.  The development of the interbank market and the repo market can support the development of this market.  The financial potential of this instrument is BAM 0.2 billion per year

**ANNEX 2:**
**TABLE - EXISTING FINANCIAL MECHANISMS / INSTRUMENTS (LONG-TERM)**

<i>Financial instrument/mechanism Name</i>	<i>Description of financial instrument/mechanism</i>	<i>Key stakeholders</i>	<i>Regulatory Requirements (If any)</i>	<i>Implementation Requirements (If any)</i>	<i>SDGs Financing Potential</i>	<i>How The Instruments Could Be Strengthened/Optimized</i>
<b>Commercial Bonds</b>	Also known as business bonds and commercial surety bonds, commercial bonds are agreements that develop /protect businesses.	Business, financial institutions, individuals	No	No	Low	It is necessary to develop a business environment conducive to private investment, which creates private sector employment that supports the growth of both small and medium-sized enterprises and larger companies.
<b>Trade Finance</b>	The following trade finance financial instruments are used in BiH to make payments abroad: documentary collections, checks, and letters of credit.	Firms, SMEs, banks, exporters, importers	Strengthening collateralized transaction regulations and the court system make it easy to foreclose on the collateral. Strengthening the country's legal system to work well for the resolution of international commercial disputes.	No	High	Strengthening collateralized transaction regulations.
<b>Equity Investment and Public Equity Funds</b>	An equity investment is money that is invested in a company by purchasing shares of that company in the stock market. Public equity funds are investment funds that raise money via an initial public offering (IPO) in order to invest in securities according to a specified investment strategy.	Stock Exchange, Companies, financial institutions	No	No	Low	Strengthening corporate governances and shareholder protection laws.
<b>Crowdfunding</b>	Crowdfunding is the practice of funding a project or venture by raising money from a large number of people, in modern times typically via the Internet.	Fund demanders and suppliers	Making necessary regulations for crowdfunding	No	Medium	Making necessary regulations for crowdfunding.

### ANNEX 3:

<b>TABLE- FUTURE INNOVATIVE FINANCIAL MECHANISM AND INSTRUMENTS</b>						
<i>Financial instrument/mechanism Name</i>	<i>Description of financial instrument/mechanism</i>	<i>Key stakeholders</i>	<i>Regulatory Requirements (If any)</i>	<i>Implementation Requirements (If any)</i>	<i>SDGs Financing Potential</i>	<i>Basic Conditions Necessary For The Establishment Of The Mechanism</i>
<b><i>Cross Border Infrastructure PPPs</i></b>	Mobilizing international private or public sector resources to other countries through PPPs	International private sectors, governments, international and local financial institutions	No	A type of loan-grant blending facility could be designed to encourage cross border PPPs	High	Enabling business environment
<b><i>PPPs Funds</i></b>	PPPs funds help finance their PPPs programs. International experience shows that PPP funds should be built on an understanding of the appropriate role of government.	Owner of the PPPs projects and PPPs funds	Fund establishment law	No	High	Establishing operational independence in the foundation law of the fund.
<b><i>Energy Saving Performance Contracting</i></b>	Performance contracting is frequently used to finance and implement EE projects. A performance contract refers to the execution of energy-saving implementation services under energy saving performance contracts (ESPC). <sup>8</sup>	Energy Service Providers, Firms	No	Dedicated saving energy funds should be established to promote the use of this contract.	High	Enabling the banking sector to gain experience in energy-saving projects Strengthening the energy services distribution infrastructure
<b><i>Gender Bonds</i></b>	Gender Bonds can be broadly defined as bonds that support women's empowerment and gender equality	Those who supply and demand the bond. Financial Institutions	Preparing a taxonomy regulation related to gender equality	Issuing bonds in accordance with the Social Bond Principles	High	Having a developed capital market to issue these bonds in the local market

<sup>8</sup> UNDER ESPC energy service providers provide a full range of services through the implementation of EE projects. Energy service providers undertake the technical and performance risk with ESPC while performing these services. Service-related payments depend on whether energy service providers meet the performance targets set in the ESPC. Often the payments to the energy service providers are less than the cost savings from implementing the EE project.

**TABLE- FUTURE INNOVATIVE FINANCIAL MECHANISM AND INSTRUMENTS**

<i>Financial instrument/mechanism Name</i>	<i>Description of financial instrument/mechanism</i>	<i>Key stakeholders</i>	<i>Regulatory Requirements (If any)</i>	<i>Implementation Requirements (If any)</i>	<i>SDGs Financing Potential</i>	<i>Basic Conditions Necessary For The Establishment Of The Mechanism</i>
<b><i>Project Bond</i></b>	Project bonds provide an alternative to bank loans for projects that have characteristics allowing them to be financed by the private sector	Those who supply and demand the bond. Financial Institutions	No	No	High	Having a developed capital market to issue these bonds in the local market
<b><i>Double-leveraged Mezzanine Finance</i></b>	Mezzanine financing is a hybrid of debt and equity financing. In the event of contractually specified conditions, a debt-like financial instrument is converted to an equity instrument. For this, trigger points are determined in the contract.	Those who supply and demand the hybrid of debt and equity instruments	No	A Public-Private mezzanine fund should be established	High	Increase the financial literacy of SME owners to understand this form of financing
<b><i>Central Bank Digital Currency (CBDC)</i></b>	CBDCs are digital coins issued by central banks that use distributed ledger technology like cryptocurrencies.	Central Bank, those who demand CBDC	Central Bank law change is needed for CBDC.	No	High	A new Financial infrastructure is needed
<b><i>Energy Cooperatives</i></b>	Energy Cooperatives are established for the purpose of producing and distributing energy, mostly from renewable resources such as wind, solar power, or biomass. The remaining profits from cooperative activities are invested in the infrastructure of the cooperative or distributed to its members as dividends.	Local People, SME, companies that sell energy efficiency or renewable energy equipment.	No	A Cooperative needs to be established	Medium	Political and local commitment support is a must

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