PORTFOLIO PROGRESS REPORT: CATALYSING THE GREEN TRANSITION IN BOSNIA AND HERZEGOVINA INITIAL RESULTS (2025) AND TARGETS (2026)

1. Introduction

This report provides a concise overview of the initial results achieved in 2025 and the strategic plans for 2026 within the Portfolio "Catalyzing the Green Transition in Bosnia and Herzegovina." The Portfolio is designed as a response to the need for systemic transformation, focusing on three key pillars: institutional governance, economic transformation, and social engagement.

Active changes and progress at the level of the Portfolio's direct objectives consolidate the contribution of each intervention. This approach enables tracking not only the immediate results of specific interventions but also their contribution to the intermediate Portfolio Shifts and the long-term strategic vision, Portfolio Intent, the system seeks to achieve.

The following overview of the Portfolio progress focuses on concrete achievements and results across specific interventions, highlighting how achievements from 2025 are being built upon through planned activities and initiatives in 2026.

Shift (Output) 1: From sectoral approach to policy design, financing, and delivery towards outcome driven governments in Bosnia and Herzegovina, which collaborate across mandates and with system stakeholders and apply holistic, just, gender sensitive and sustainable approaches in legislative, policy and financing frameworks that catalyze the green transition with equitable benefits, inclusive decision-making, and access to climate and environmental opportunities for all in Bosnia and Herzegovina.

During 2025, the Portfolio focused on laying the foundation for a functional coordination mechanism for the green transition. It was officially operationalized through the establishment of a Steering Committee co-chaired by the Ministry of Foreign Trade and Economic Relations of BiH and the UN Resident Coordinator, involving key UN agencies (UNDP, UNEP, UNODC, UN Women, ILO), private sector, academia and donor community.

The *Catalyzing the Green Transition in Bosnia and Herzegovina Portfolio* (GTP) is a joint initiative of the United Nations in Bosnia and Herzegovina, led by UNDP, and co-chaired by the UN Resident Coordinator and the Ministry of Foreign Trade and Economic Relations of BiH (MOFTER), with the support and strategic partnership of Sweden and the Government of Switzerland. It brings together UN agencies, including FAO, ILO, UNECE, UNEP, UNODC and UN Women, along with national institutions and authorities at all levels, to drive the country's green, inclusive, and sustainable transition across four key areas: decarbonization, depollution, biodiversity and nature, and circular economy.

All four Portfolio pillars were launched in 2025. A new learning culture was introduced through a digital workspace and regular learning cycles, enabling active participation of over 60 institutional representatives in dynamic portfolio management.

Early results from Portfolio implementation confirm the value of the portfolio approach: a structured process of collective reflection validated the theories of change across the pillars, and identified opportunities for integration, such as the interlinkages between pollution reduction and the circular economy, and between decarbonization, climate resilience, pollution reduction, and the protection of nature and biodiversity.

During 2025, the Portfolio launched several processes aimed at improving the legislative and regulatory framework, strengthening inter-institutional coordination, and aligning sectoral policies with relevant EU directives and standards.

Several public policy instruments were developed, including a Carbon Border Adjustment Mechanism (CBAM) manual and the electricity grid emission factor. The Union Bank credit line for green financing of energy efficiency measures is being advanced with technical support from the Portfolio; AAA guarantees are under negotiation with Sweden; and follow-up activities have been agreed to support the improvement and harmonization of the legislative and regulatory framework for Energy Service Company (ESCO) implementation.

Regulatory and institutional frameworks were strengthened through comprehensive technical support to environmental and chemicals legislation, including waste management, air protection, and chemical safety strategies at the entity and canton/district levels.

Nine protected area management plans were finalized, and their adoption is ongoing. Two by-laws were prepared to further regulate biodiversity protection in the Federation of Bosnia and Herzegovina. The process of designating Prenj as a protected area within the territory of the City of Konjic was initiated.

In the Federation of Bosnia and Herzegovina, Portfolio supports development of industrial strategies including strategies for the construction materials, wood-processing, and metal and electrical industries, with the integration of circular economy and green transition principles, as well as for the preparation of a strategy for mining and mineral resources.

During 2025, the Portfolio also worked to enhance public participation in consultations related to the development of new policies and the improvement of existing ones under the green agenda. Between April and November 2025, a series of targeted trainings on environmental justice was delivered across Bosnia and Herzegovina, reaching a total of 106 participants from the judiciary, inspection bodies, and executive authorities. A gender-sensitive questionnaire

and action plan to address energy poverty were developed, alongside the completion of Energy Poverty Advisory Hub (EPAH) training and the preparation of an internal action plan. E-mobility activities included Sustainable Urban Mobility Plan (SUMP) mapping, survey implementation, and two major awareness-raising events (the Sarajevo Energy & Climate Week and the e-mobility conference). More than 400 representatives of responsible institutions, academia, and local communities participated in events and consultations on nature protection and biodiversity, reflecting the Portfolio's strong commitment to the inclusive engagement of relevant stakeholders in this thematic area.

In 2026, the Portfolio will continue strengthening coordination among institutions, increasing the active engagement of local communities, citizens, the private sector, and academia, and broadening the systemic approach to the green transition in Bosnia and Herzegovina. The goal is for the lessons learned during the first year of Portfolio implementation to inform systemic change and generate lasting impact from the interventions undertaken in support of the green transition in Bosnia and Herzegovina, through participatory initiatives that empower communities and enable citizens to actively contribute to sustainable practices.

In 2026, the Portfolio will continue to support the development of key policies and strategies, including the Just Energy Transition Strategy and the Energy Strategy of the Federation of Bosnia and Herzegovina, while efforts to strengthen climate resilience will advance through the implementation of concrete infrastructure measures.

The Portfolio will also focus on creating an enabling environment for the ESCO financing model through the development of relevant by-laws and regulatory provisions, with the aim of operationalizing ESCO mechanisms. Through a public call, 23 public institutions in underdeveloped municipalities across Bosnia and Herzegovina were selected to receive support in 2026 and 2027 to secure co-financing and implement energy efficiency measures. The current state of energy poverty will be comprehensively assessed, including a review of existing legislation and by-laws in the Federation of Bosnia and Herzegovina and Republika Srpska. In 2026, support to the Ministry of Health and Social Welfare of Republika Srpska in the preparation of the Chemical Safety Strategy will continue. Support will also be provided for the finalization of the Waste Management Plan in the Federation of Bosnia and Herzegovina, as well as for the drafting of the necessary by-laws. The Federal Ministry of Health has been supported with finalization of secondary legislation in chemicals management system in the Federation of BiH.

Seminars for judges, prosecutors, inspectors, and representatives of the Ministries of Interior will continue in 2026, with the aim of promoting the exchange of experience among institutions in Bosnia and Herzegovina and with relevant institutions from across the region.

At the same time, the publication Analysis of Case Law in the Field of Criminal-Law Protection of the Environment is being prepared and will provide an overview of the relevant legislation, an analysis of judicial practice, and recommendations for strengthening criminal-law protection of the environment in Bosnia and Herzegovina. In addition, an initiative has been launched to establish a working group tasked with analyzing criminal legislation in the field of environmental protection, with the aim of identifying existing shortcomings and opportunities to improve the legislative framework and align it with EU standards.

In October 2025, representatives of environmental and health institutions from Bosnia and Herzegovina had an opportunity to learn from the successful practices of Italy's Special Commissioner for the remediation of landfills and contaminated sites, particularly with regard to landfill closure, remediation and monitoring, regulatory enforcement, as well as inter-institutional coordination and financing mechanisms.

At the same time, a country-wide environmental hotspots map is being developed and will be integrated into existing information systems to ensure long-term sustainability, continuous data updates, and improved decision-making. Based on that map, remediation projects for identified hot spots will be developed, including the on-going one for Modriča (Garevac site).

In the area of nature protection and biodiversity, draft biodiversity finance plans are expected to be developed by the end of 2026. The Guide for Transposing High Conservation Value Forests (HCVFs) into the appropriate categories of Other Effective Area-Based Conservation Measures (OECMs) is scheduled for finalization in September 2026. The initial phase of GEF-8, beginning in June 2026, will initiate the introduction of integrated planning and management approaches in management of natural resources (across forestry,

agriculture, and nature protection) and spatial planning, while promoting nature-based solutions and climate change adaptation.

In 2026, in the area of the circular economy, the Portfolio will focus on finalizing sector strategies in the Federation of Bosnia and Herzegovina for the industry of construction materials, wood-processing industry, and metal and electrical industry, as well as on completing the strategy for mining and mineral resources. The analytical basis will be further strengthened through a Knowledge, Attitudes and Practices (KAP) analysis and development of a Circular Economy Roadmap, with accompanying Action Plan. The KAP analysis will provide critical insights into the current level of awareness, perceptions, and behaviors related to circular economy among key stakeholder groups, including public institutions, private sector actors, and citizens. It will help identify knowledge gaps, behavioral barriers,

and opportunities for targeted capacity building, communication, and policy design, ensuring that interventions are evidence-based and responsive to real needs on the ground.

In parallel, the Circular Economy Roadmap will serve as a strategic and operational framework to guide Bosnia and Herzegovina's transition towards a circular economy. Building on the analytical findings, it will define priority sectors, policy directions, and through Action Plan actionable measures aligned with EU acquis and best practices will be defined. The Roadmap and Action Plan will also outline roles and responsibilities across institutions, propose mechanisms for financing and implementation, and set measurable targets and indicators to track progress over time. Together, these tools will provide a robust foundation for coherent policymaking, stakeholder coordination, and effective implementation of circular economy principles.

This analytical basis will be further operationalized and strengthened through support expected to be mobilized via forthcoming project proposals under IPA III - EU4GreenEconomy, as well as through continued cooperation with SDC.

Shift (Output) 2: From linear economic models and high fossil-fuel dependency of the economy towards significantly reduced pollution and greenhouse gas emissions from the private sector, as well as circular and climate neutral business models that protect natural resources and biodiversity, ensuring equitable access.

Through initial structured dialogues, working groups, thematic workshops, and participatory processes conducted during 2025, the Portfolio engaged representatives from the state, entity, and local levels of government, civil society, the private sector, and academia. To support the transition to a circular economy, consultations were launched for the development of sector-specific policies across several industries, building materials, wood processing, and metal and electrical industries, as well as for the preparation of a strategy for mining and mineral resources.

Complementary initiatives focused on promoting a shift in private sector business mindsets towards greater social and environmental responsibility, as well as the creation of value that goes beyond financial profit alone. This shift has been encouraged through the introduction and application of international sustainability standards in the private sector, including the principles of the UN Global Compact, ESG frameworks, and standards on business and human rights. Particular emphasis was placed on supporting companies in understanding and meeting EU requirements related to sustainable and responsible supply chains, as well as carbon-related regulations. In this context, five trainings on international sustainability

standards were organized in different cities across Bosnia and Herzegovina, bringing together a total of 83 participants, including 39 women. Capacity-building activities also reached 23 women-owned or women-led companies, further underscoring the project's commitment to gender equality and inclusive participation in green transition processes. Through these activities, companies strengthened their understanding of responsible business conduct and sustainable practices, marking an important step towards changing business behavior by integrating social and environmental criteria into strategic decision-making.

In the context of aligning Bosnia and Herzegovina with the EU regulatory framework and strengthening the competitiveness of the domestic economy in the EU market, particular focus was placed on supporting companies in relation to CBAM. This process represents not only a regulatory challenge, but also a strategic opportunity to improve emissions transparency, advance the decarbonization of production processes, and strengthen the resilience of the export sector. To this end, detailed guidance was developed, including a manual with examples and step-by-step instructions to help companies prepare CBAM reports. For the first time, the manual includes electricity grid emission factors for Bosnia and Herzegovina, which had previously not been defined at the state level and had therefore required companies to rely on recommended international values. The introduction of these coefficients has enabled more accurate CBAM reporting and greater emissions transparency, directly encouraging companies to manage their carbon footprint in a more systematic manner.

In addition, to establish a sustainable financial and institutional framework for the implementation of the ESCO model in Bosnia and Herzegovina, a coordinated process of inter-institutional cooperation and dialogue with the financial sector was initiated. This approach seeks to remove regulatory and market barriers, mobilize public and private financing, and put in place operational mechanisms for the delivery of energy efficiency projects, thereby creating new opportunities for companies to invest in sustainable and low-carbon solutions.

Implemented coherently, these interventions are contributing to a gradual shift in the mindsets of both the private and public sectors towards greater integration of social and environmental responsibility into business strategies.

In 2025, second generation of SME Accelerator was launched, with the goal to introduce principles of circular economy and green industry into operations of 10 selected SMEs. Through published public call, 10 companies were selected to participate in several months long technical assistance programme, where they will redesign their business operating through trainings and one-on-one mentoring sessions.

In 2026, companies will continue to develop their Circular Economy Transition Plans (CETPs) - bankable investment plans that can serve as the basis for obtaining funding, and in parallel work on the definition of green chemistry measures to improve their operation. At the same time, the capacity-building programme for companies on CBAM reporting will continue, including technical workshops for exporters, specialist training for engineers and environmental managers, training for SMEs in relevant value chains, and an advanced certification programme for CBAM managers.

Further activities are also planned to strengthen the application of the ESCO model through dialogue with institutions, the financial sector, and chambers of commerce. In parallel, cooperation with Union Bank and Sweden will continue on the development of financing for ESCO start-up projects, as well as support for a new credit line for energy efficiency projects in industry and SMEs, with technical assistance from the Portfolio in assessing investment feasibility.

Pollution reduction activities will include finalizing characterization plans for two pilot sites in Bosnia and Herzegovina, conducting field investigations and laboratory analyses, and preparing proposed remediation measures. The results have been presented at the regional SEEPP meeting in Vienna in March 2026, together with continued training and capacity-building throughout the year, with the aim of strengthening domestic expert capacities for the management of contaminated sites.

Shift (Output) 3: From communities with limited agency and responsibility towards the environment and prevailing consumption behaviors towards building a society that embraces sustainable lifestyles and is actively engaged in the green transition process.

During 2025, a range of educational and participatory initiatives were carried out to raise awareness of environmental protection, biodiversity conservation, and disaster risk reduction, with a particular focus on children and youth. These activities included the development and distribution of a children's picture book on the Bosnian alpine newt to mark International Biodiversity Day, support for the "Trebević Trail 2025" event promoting sustainable recreation in nature, and the launch of an initiative to establish a Western Balkans regional chapter of the Global Youth Biodiversity Network. Educational activities were also facilitated in the area of depollution, including the "Climate Action Academy" in Mostar, which focused on establishing Biodiversity Platform, strengthening knowledge of biodiversity and financing mechanisms for its protection, as well as the "Green Chemistry for a Greener Future" school, which introduced students from across Bosnia and Herzegovina to the principles of sustainable industrial solutions.

A survey questionnaire on household energy needs and energy poverty was developed in line with EUROSTAT standards, aimed to cover up to 3,000 households across Bosnia and Herzegovina and contributing to participatory policy design. A gender-responsive assessment of energy poverty is scheduled for completion by autumn 2026 and will serve as the central analytical document on energy poverty for Bosnia and Herzegovina as a whole, generating evidence to inform future legislation and policy development. Through sex-disaggregated and intersectional analysis, the assessment will examine how energy poverty affects different population groups, including rural women, Roma women, women with disabilities, and female-headed households, ensuring that the resulting energy transition policies and measures are inclusive, equitable, and aligned with commitments to gender equality. The Portfolio also supported stronger cooperation among government institutions, civil society, academia, and UN partners, helping to consolidate evidence on the gender dimensions of climate change, enable inclusive stakeholder dialogue, and strengthen local institutional capacities through targeted support to municipalities. These activities also contributed to raising public awareness and strengthening engagement in gender-responsive climate action, as well as in the more inclusive development of energy and climate policies in BiH.

In parallel, a series of trainings on combating environmental crime was delivered for representatives of the judiciary, inspection bodies, and enforcement authorities, accompanied by the signing of memoranda of cooperation with judicial and training centers in both entities. These activities contribute to strengthening institutional capacities for the more effective enforcement of environmental legislation and the long-term improvement of environmental protection in BiH.

In the area of nature and biodiversity, the focus in 2026 will be on strengthening and sustaining the Biodiversity Platform, which provides science-based information for decision-making and brings together representatives of the legislative and executive branches, academia, youth, civil society, and the private sector. Particular emphasis is placed on empowering young people and ensuring their long-term engagement in biodiversity conservation and the sustainable management of natural resources. Planned activities include a public campaign to present the scientific monograph National Ecosystem Assessment and its key recommendations, a study visit for decision-makers to selected protected areas aimed at increasing awareness of effective financial mechanisms for nature conservation, and the promotion of measures for the restoration of wetland habitats and ecosystems more broadly. These initiatives contribute to informed decision-making, stronger technical capacities, and increased public awareness of biodiversity conservation in Bosnia and Herzegovina.

Within the circular economy pillar, previously mentioned work on KAP analysis will provide a clear understanding of current knowledge, attitudes, and behaviors related to sustainability and consumption patterns across different population groups. By identifying key gaps, misconceptions, and behavioral drivers, it will inform the design of targeted awareness-raising, education, and engagement interventions that foster a stronger sense of environmental responsibility and agency. This evidence-based approach will support the transition towards a society that actively adopts sustainable lifestyles and participates meaningfully in the green transition.

Interventions are also planned to facilitate the exchange of experience with Slovenia and Croatia, particularly in the field of legislation related to soil contamination. In addition, under the GEF-8 project, the work will commence in 2026 on improving the methodology for the preparation of strategic environmental assessments.

MOMENTUM

Momentum, or Portfolio momentum, in 2025–2026 is a critical factor for long-term success, generating economic, political, and social drive through the implementation of initiatives and their wider impact on society. Portfolio momentum is regularly assessed in order to optimize the Portfolio's action in response to changing circumstances.

Political momentum: Strong and increasing, particularly in decarbonization, where energy security is emerging as a key cross-government priority and an opportunity to accelerate renewable energy deployment, energy efficiency, and a just transition. Depollution and nature are also expected to benefit from forthcoming EU environment and nature protection-related reforms.

Economic momentum: Decarbonization presents significant economic opportunities through industrial pilot initiatives, although legal and administrative constraints continue to slow progress. Depollution demonstrates industry readiness, but limited resources remain a challenge. Biodiversity continues to suffer from insufficient economic awareness of the value of investing in nature.

Socio-technological momentum: Technical progress is strong in the energy sector, while social momentum requires more participatory approaches. Pollution reduction and nature show improvements in monitoring, education, and public mobilization. Momentum in the circular economy remains constrained by the high cost of green technologies.

Based on the real-time assessment of the context, in 2026 the Portfolio would need to:

Strategically position energy security as the overarching framework linking decarbonization, renewable energy, energy efficiency, and the just transition, thereby accelerating decision-making and reform implementation. It will support local initiatives that integrate energy efficiency, social protection, and SME development in order to strengthen community resilience and reduce the socio-economic pressures of the transition. It will also increase investment in advanced monitoring systems (pollution, biodiversity, energy), improve data interoperability, and strengthen digital and analytical capacities to enable evidence-based decision-making, faster policy adaptation, and more effective monitoring of progress in the green transition.

WHAT HAVE WE LEARNED

EU integration is a powerful accelerator of change. Industry is ready, local communities are showing interest, and working groups are becoming more active. Pilot interventions in energy efficiency, renewable energy, circular economy, pollution reduction, and nature protection demonstrate clear potential for scale-up.

What is still missing?

No institution has yet articulated a shared vision for taking Portfolio interventions beyond pilot intervention. Political commitments to systemic reforms in the energy sector, circular economy, and biodiversity would need to be more explicit. Experimental approaches, adaptive management, and learning through practice have not yet become standard.

Conclusion

This implementation cycle of the Portfolio suggests that, while the Portfolio is generating signals of change, its full potential has yet to be realized. Interventions need to become more systemically relevant, better coordinated with the external ecosystem, and more responsive to the way the system is evolving. Internally, learning across the pillars must move from being occasional to continuous and integrated; from the sharing of information to shared understanding and interpretation; and from a project-level focus towards systemic pathways for action. Only then will the Portfolio truly function as a living system capable of steering the green transition in Bosnia and Herzegovina.