

The authors analysed environmental finance in Bosnia and Herzegovina, to facilitate the prioritization of sustainable finance in the future.

Bosnia and Herzegovina is a country aspiring to become a member state of the European Union. Despite undergoing a socio-economic transition, the country is more than four times as energy-intensive as the average European Union member state. Since the end of the war in the 1990s, the country has received significant amounts of bilateral and multilateral development aid, including environmental finance (e.g., climate finance, funding for biodiversity conservation, impact funding).

Securing adequate financing for the environment, climate change and sustainable development has been challenging, especially in low- and middle-income economies. The authors of this study conducted a scoping literature review and detailed analysis of the environmental finance flows for Bosnia and Herzegovina in the period from 2015 to 2020. The results show that the scientific knowledge on the (effectiveness of) environmental finance for Bosnia and Herzegovina is almost non-existent.

The country received US\$545.6 million in environmental finance in the studied period and more than 99% of this funding was spent on water, energy, waste and environmental management. In contrast, biodiversity, resource management, chemical safety and environmental noise received less than 1% of total funding. Bosnia and Herzegovina received 58% of the financing in grants, while 38% was provided in various types of loans. Funding received among different sectors differs considerably. Funders prioritized a few sectors (e.g., water), whereas others (i.e., biodiversity and nature conservation, chemical safety and noise, and resource management) were neglected.

Bosnia and Herzegovina can argue for more equitable funding distribution based on its minor contribution to global greenhouse gas emissions. Providing almost 40% of environmental finance to Bosnia and Herzegovina in loans increases the country's level of indebtedness. It distorts the principle of climate justice, since the country has emitted very little climate-changing greenhouse gases, SEI reports.