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REGIONAL ECONOMIC DEVELOPMENT STRATEGY

HERZEGOVINA ECONOMIC REGION



# **Regional Economic Development Strategy for Herzegovina Economic Region**



Asocijacija za ekonomski razvoj REDAH

*Bosnia and Herzegovina, November 2004*

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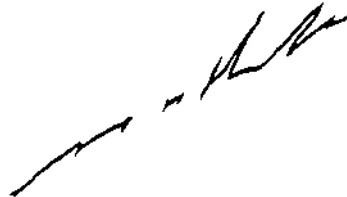
*Over many years, the European Union has developed strategically targeted policies to improve economic opportunities in its disadvantaged regions. It has also successfully applied such policies in the pre-accession phase leading up to the EU's recent expansion and it continues to apply them in Romania and Bulgaria. Recent decisions have also ensured that Croatia now benefits from pre-accession schemes.*

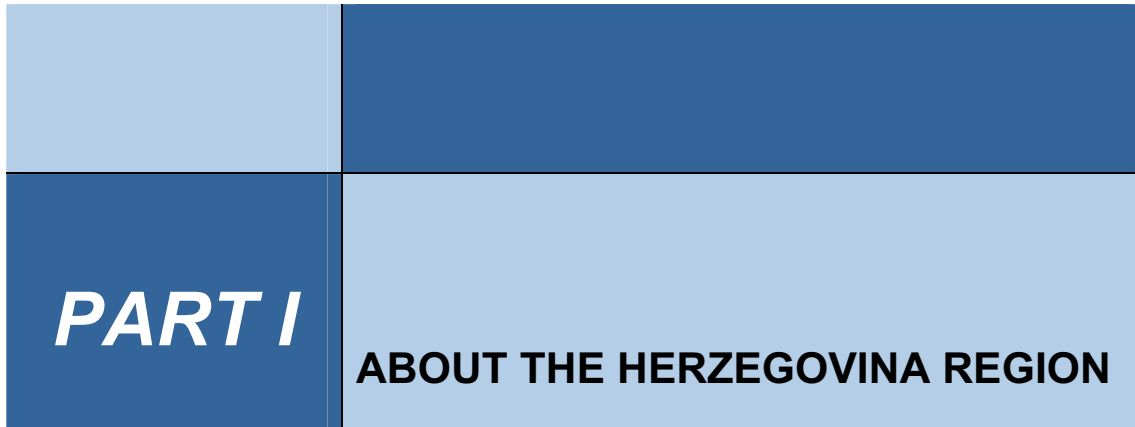
*Sustainable development in transition economies requires strategic development plans, since indiscriminate financing of individual projects, sectors or geographical areas simply leads to a waste of resources if there is no proper planning system. To this end, BiH recently completed the Medium-term Poverty Reduction Strategy and Development Plan.*

*In Bosnia and Herzegovina, the EC is providing support for regional development, which will ultimately lead to structural funding when BiH joins the Union. This Regional Economic Development Strategy has been co-ordinated by the new Regional Development Agency for Herzegovina (REDAH), during an extensive process of consultation within the region over the past 9 months, under the guidance of the EU RED project. Municipalities and other local government structures, along with a variety of organisations and groups representing the private and civil sectors, have participated enthusiastically in the discussions about their economic future – the detailed measures outlined in this Strategy are the result of their contributions and reflect their commitment.*

*Much remains to be done to get the economy of Bosnia and Herzegovina back on its feet, and this Regional Strategy will assist in this endeavour. It will serve as a reference document for investors, for government and for the European Union. We hope that the government and other donors will use it to plan their interventions, so that strategic projects will have the greatest possible impact. We wish Herzegovina Region and its stakeholders all the best for its successful implementation.*

*Ambassador Michael B. Humphreys  
Head of Delegation of  
The European Commission to BiH*





## 1. INTRODUCTION

The implementation in Bosnia and Herzegovina of the first stages of a regional policy process through the EU RED project is aimed at introducing the country to EU economic and social cohesion (ESC) policy. The European Commission has previously adopted this approach with a view to familiarise pre-accession countries with Structural Funds' procedures and further structures needed upon accession. The aim is to strengthen the countries' administrative capacity and budgetary structures, while introducing progressively the approach of the Structural Funds in the areas of private sector development, enhancement of human resource capacities and business-related infrastructures.

Adopting a regional policy approach requires the preparation of a Regional Economic Strategy which serves a number of purposes:

- it provides a strategic framework for balanced economic and social development in the region;
- it serves as a strategic document for the programming of future EU funds, and eventually, local funds; and
- it provides the basis for future participation in the EU's structural funds mechanisms.

The EU RED project financed under the CARDS 2002 project facilitated the drafting of strategy documents in all five identified regions of Bosnia and Herzegovina. Central to the process of drafting each Regional Development Strategy were the beliefs that:

- the approach to regional development in BiH should be 'bottom up' - that is, local stakeholders should be directly involved in identifying the needs of local areas and developing the strategies and projects to address those needs;
- regional development should be seen as an integrated process, rather than a series of individual projects and programmes; and that
- regional development should involve a partnership that involves municipality governments, local stakeholders in the business community, voluntary bodies and the private sector;

Consequently, the process for drafting the Regional Development Strategy for the Herzegovina Region has been strongly guided by the principle that people in the region are best placed to identify their needs and decide on the best solutions. In line with this overriding principle, the process in each region has deeply involved local people working under the guidance of the EU RED project team which mainly facilitated the methodological approach. In other countries, building regional and local capacity through a partnership process has proven to be an important catalyst in the regeneration of economically depressed areas. The Regional Strategy can play a pivotal role in helping people in local communities organize themselves to identify their needs, and seek resources internally and externally to address those needs.

The partnership principle is an intrinsic part of the EU approach to economic and social cohesion policy and the preparation of the Regional Strategy for the Herzegovina Region has fully respected this principle. The process, which began in January with the collection of the socio-economic data, involved a deep consultation between municipal authorities, business representatives and other social partners. To get the process underway EU RED wrote to mayors of the municipalities and invited them to nominate representatives to take part in a regional Working Group which analysed data and prepared the basis of the eventual strategy documents.

The Working Groups were later supplemented by Focus Groups, which analysed priorities in specific sectors, and a Partnership Group which reviewed all the stages of the strategy work. This latter group was widely representative of public and private sectors, and civil society. The direct approach by the EU RED team and the Partnership Group can play an important part in helping to turn the BiH economy around.

Guidelines on the outline of a practical methodology for the preparation of the Strategy was provided by the EU RED advisers and were aimed at setting economic objectives for their region, identifying strategic priorities underpinning those objectives and eventually proposing investments/projects which conformed with the strategy's objectives. The full methodology is provided in Chapter 3.

The task of drawing up a list of concrete proposals for investment is a sensitive one as it runs the risk of turning into a shopping list of favourite projects. While needs in Bosnia and Herzegovina are great the spending proposals developed in the strategy must be justified and prioritised in terms of their contribution to:

- relieving constraints that may inhibit growth over the medium-term;
- expanding the regional economy's productive potential;
- improving productivity and competitiveness;
- underpinning growth in sustainable jobs;
- integrating the unemployed into the active labour market;
- producing a more balanced geographic distribution of economic activity.

In future years, when the strategy building process in BiH reaches a more sophisticated level, and is fully in line with EU requirements, the authorities charged with drafting the strategies will be required to provide the economic rationale for public intervention in areas considered priorities for investment support; to make proposals for the involvement of private financing (public private partnerships); to give a multi-annual profile for the phasing of their investment priorities; and to ensure that the proposals are in conformity with Community policies, particularly in the areas of environment and equality. As this document represents the first effort to create a regional economic plan, and has been prepared with limited resources, it does not strive to meet these ambitious goals.

The EU RED Fund, through its first and second Calls for Proposals, demonstrated the importance of EU schemes, not only in financing direct investments, but also in raising the capacity of local groups in designing and implementing projects. This in turn will promote the enterprise culture which is vital to the creation of a self-sustaining and broadly based economy throughout the region. The challenge is now to harness local capacity and direct it through the strategy to generate greater benefits for the region and the country as a whole.



## 2. LINK WITH MEDIUM TERM DEVELOPMENT STRATEGY (PRSP)

The Regional Strategies complement the Medium Term Development Strategy - PRSP document and many synergies between them are possible. The Medium Term Development Strategy is an informative and detailed document covering the period 2004-7. Broadly, it contains many of the elements that the European Commission would expect to see in a country's development plan - an informative analysis of the economic and social situation, identification of development gaps, and a reform scenario. It is clearly structured and reads well. The analysis of the current situation in BiH is detailed and well presented although the emphasis is very much on sectors rather than regions. While it recognises the importance of developing a regional economic development process it does not identify target regions nor does it contain a financial plan. It acknowledges the work done to date in establishing the RED process and points out that the priorities to further develop economic regions are as follows:

- Adopt a suitable legal framework and establish a proper forum, at the BiH level, which would propose policies and measures for regional economic development;
- Finalise the process of defining economic regions based on voluntary linking of municipalities;
- Define a strategy for regional development;
- Strengthen the existing and establish new regional development agencies.

As well as addressing the macroeconomic fundamentals, and the need for fiscal and structural reform, the PRSP also identifies sectoral-specific priorities. Many of the findings of the socio-economic audits at regional level reflect the countrywide findings of the PRSP and the findings in the following key sectors set a backdrop for the regional economic plans.

### Industry and SMEs

The enhancement of the business environment and stimulation of entrepreneurship are important prerequisites for private sector growth. This implies above all, the establishment of an appropriate legal, business, social security and, in general, socio-economic climate. The absence of a single economic space is a great obstacle to the creation of an attractive business climate for domestic and foreign investors and approximation to the European Union. There are still a number of barriers to inter-entity trade. Administrative barriers to setting up businesses (drawn out registration, high start-up costs, tax rates that are among the highest in Europe, inspections and corruption) are all obstacles to faster private sector development. The legal framework on bankruptcy, which has not been updated, is part of this problem. The size of the grey economy presents a particular problem. According to estimate by the European Commission and the World Bank, the grey economy accounts for about 36% of the country's total economy.

## **Agriculture**

Agriculture is one of the key activities in rural areas and the main activity of the rural population. It is a very important factor for the preservation of balance and environmental protection. Agro-environmental conditions in BiH are favourable for agricultural production. However, agriculture also faces the necessity to repair war damages and the transition from a centrally planned to a market economy. With the exception of potatoes, BiH has not achieved self-sufficiency in any of the major agricultural products. Few farmers have reached the level of commodity producers and foreign markets have been lost. The Medium Term Development Strategy places the main emphasis on the economic development of the sector, implying activation of natural and human resources, thus opening possibilities for reducing rural poverty. Agricultural policy must be based on strengthening the competitiveness of the sector.

Stronger development of cattle and sheep breeding, pig breeding, fish farming and bee keeping would result in greater utilization of domestic natural resources and in the increase of local production of currently scarce products (milk and dairy products, beef). There are also great prospects for farm exports, especially sheep products, fish and honey. A priority in this area would be to establish the legislative and institutional framework for certification of production in conformity with EU standards (particularly the BiH Veterinary Office).

## **Education**

An educated workforce is not a guarantee of a country's economic success but it is an essential precondition. The most advanced and wealthiest countries also have the best educational systems. The right to an education is built into the constitution of BiH. The White paper considers education to be one of the most important elements in the process of eliminating discrimination, through mutual recognition of professional qualifications aimed at free movement of people and services.

Funds allocated for educational purposes are inadequate. Operational responsibility for educational establishments is diffused; and framework laws need to be adopted, with subsequent harmonization of entity and cantonal laws. A large number of the universities do not have a sufficient number of qualified faculty members or the appropriate resources and they offer outdated curricula. They lack a developed in-country network and are not connected to other universities abroad.

Vocational training is a key link to economic development and the reduction of unemployment and poverty. Business schools and IT training centres are needed to support the market and to supply a greater employment potential. Professional training must also be reformed. Particular attention must be given to stimulating the private sector to invest in this area and to establishing an agency for professional standards.

## **Transport**

The roads in BiH are in extremely poor physical condition and the annual cost of maintaining the main and regional roads is about €40 million. There is a low safety level in road traffic and a clearly defined legislative framework at the level of BiH does not exist. Increased volume of traffic suggests the need for modernization of the

existing road network, and safety on regional and local roads needs to be improved. Up until mid-2003, when its first 11 km of a modern motorway were built, BiH had been the only country in SE Europe without a single kilometre of motorway.

The current state of rail infrastructure ensures that normal traffic is impossible without major investments.

BiH has 4 airports in Sarajevo, Mostar, Banja Luka and Tuzla. All four were restored after the war and are registered for international air traffic. Air transport and infrastructure have assumed a more significant role than before the war. The four airports are being brought up to the levels prescribed for their categories under ICAO standards. The same applies to flight control.

## **Forestry**

Over 50% of land in BiH is under forest or barren land but it is estimated that only 25% can be managed economically but even this portion has low timber reserves. Strategic development should be based on increasing forestation, boosting productivity and preserving biological diversity. Although some of the bare terrain has been degraded beyond repair, due to clear felling, ore mining, construction of reservoirs and forest fires etc., the remainder could be included in the strategy of increasing forestlands by reforestation. The forest road network needs to be improved to make this forest management viable.

## **Water Management**

BiH has considerable water resources, a basic foundation for economic development in many areas. Like many other sectors of the BiH economy, water management is in a difficult situation due to the war damage, insufficient maintenance and an inadequate regulatory framework. Furthermore, the quality of potable water is deteriorating, the existing infrastructure is in poor condition and water resources are increasingly polluted.

The provisions of the Dayton Peace Accord entrusted water management to the entities (in FBiH some responsibility has devolved to the cantons). Construction and maintenance of infrastructure is financed by the water utilities and local communities through subsidies, grants, loans etc and partially by participation of the public corporations for catchment areas management.

With the implementation of ongoing reforms, the water management sector should resolve the problems of sustainable, efficient and transparent funding of the water management sector, as well as of construction and maintenance of water management and utilities infrastructure.

## **Energy Sector**

The basic identified sources of primary energy in BiH are coal and hydropower. In 2001, annual production of energy from those sources was 62% of the total consumption which indicates that BiH is dependant on imports of energy.

Energy efficiency is low in BiH in comparison to developed economies. Energy production is based on technologies developed some 30 years ago. However, electricity, which is produced in hydro and thermal power plants, has greater export potential. Currently, production capacities exceed domestic demand and electricity is exported to Croatia, Slovenia, and Serbia and Montenegro. On a cash-flow basis the electric power sector is profitable but depreciation causes large losses. Revenues only cover 30% of the depreciation amount per annum, resulting in enormous delays in systems maintenance and causing major losses. Attracting investors is one of the most important preconditions for the successful development of the BiH electricity market. Competition in production needs to be created in order to attract foreign and domestic investment. A precondition for investment is for the production companies to operate in a competitive environment, based on explicit rules.

## **Environment**

Environmental policy is an important element of the establishment of an internal market. Environmental issues should be part of the process of trade and economic integration as elements of the pre-accession strategy of the country.

## **Conclusion**

In the course of the strategy work, much thought will have to be given as to how the sectoral development plans in the Medium Term Development Strategy and the regional development plans fit together and how they will be coherently managed and implemented. As BiH moves towards EU integration, it is expected that the Medium Term Development Strategy (updated) will be supplemented by more detailed regional plans which will then form the basis for identifying future EU support for economic and social cohesion. As most member States recognise, the country development plan that they draft in order to access EU finances is usually the sum of its regional plans. When BiH reaches the pre-accession stage, much more detailed economic analysis will be required at regional level.

To highlight the complementarity of the Medium Term Development Strategy and the Regional Strategies, EU RED has prepared a synthesis document which identifies common themes and explores how both initiatives can fit together. This is available separately.

### 3. METHODOLOGY

Development of the concept of regional development in BiH depends on the interrelated combination of various reform actions, appropriate policy decisions and a radical response that will meet overarching economic objectives in line with the country's economic, social and environmental needs. The decision to start building the necessary capacities for a regional development process reflects the imperative of assisting in BiH's economic regeneration and also contributing to the country's preparation for future EU integration and absorption of the EU pre-accession funds.

Learning from the experiences of both old and new EU member-states and other accession countries, BiH stakeholders identified three main axes in the process of the necessary capacity building for regional development:

- a. A "bottom-up" approach in regard to the consolidation of economic regions;
- b. The transfer of methods, mechanisms and instruments of strategic planning generally based on the application of EU guidelines for pre-accession and Structural Funds; and
- c. The establishment of a comprehensive and coherent system with the necessary structures for carrying out regional policies.

#### ➤ The Approach

1. Adopting the same approach as in consolidating the economic regions, the regional strategy building process was started and led as a **bottom-up process** through the formation of Working Groups and Partnership Groups as the overall leaders and decision makers for development orientations and fields of intervention.
2. The time frame was the second important element in the initiation of Strategic Development Planning. Due to the fact that the present regional strategy process is the first of its kind developed since the war, the time frame of the strategies encompasses a combination of a long-term strategic plan and both mid- and short-term operational programmes. The gap between the long term and the short to medium terms was overcome through logical sequencing in defining the implementation measures and prioritizing the implementation of certain programmes and sub-programmes. Using this approach, the Strategic Goals and Priority Objectives were defined as long-term (7 years) development directions while programmes and sub-programmes were more oriented towards priority fields of interventions (to be achieved within 3 years). Measures, as key elements of the strategy documents, defined scenarios and pathways for achieving the Strategic Objectives. As well as pioneering the regional process, the second reason for the dual sequence approach was the low overall level of development in each of the BiH economic regions combined with the need to set very general strategic goals as incentives for long term development visions.

3. The BiH Medium Term Development Strategy (PRSP) gave general direction in identifying the fields of intervention for regional development. But the specifics of each region formed a very important basis for regional strategic planning since they combine both regional needs and solutions to the problems identified, while fully taking into consideration the respective regions' comparative economic and social advantages. Nevertheless, the Medium Term Strategy defined higher level strategic orientations, combined with the assumption of implementation of reform tasks in a similar time frame for fulfilling the regional strategies.
4. The philosophy introduced throughout the overall process of strategic planning applied where possible the EU's methodology and principles. The main difference to the EU Structural Funds' approach lies in the fact that, within the course of the strategy building process in BiH, the needs of regions were used as a starting point to define fields of intervention, while the Pre-accession and Structural Funds' principle is to provide the fields of intervention and financial resources to the regions first. Hence, a modified approach to the one used in EU regions was introduced in BiH.

## ➤ The Methodology

### Principles

The main principles of the methodology used in the process were by and large equivalent to those used in EU regions and are applicable to the particular BiH conditions at this time. Taking into account BiH's geographical, administrative, economic and social factors, which are closely interlinked and mutually conditional, some crucial elements were considered as essentially relevant in creating the development plans. The main principles that were applied to the content of the documents are as follows:

1. *Partnership.* This is an essential requirement for sustainability and the need to accelerate change in economic conditions through the application of dynamic planning instruments. The essence of strategic development is built through a variety of consultations with the aim of building consensus and aligning the reasonable expectations of the community with the actions of the authorities. For that reason, all relevant stakeholders, such as representatives of governmental authorities, academic institutions, associations of entrepreneurs, chambers of commerce, respective enterprises, NGOs, civil society, etc. were invited to participate in the decision making process and in the development of strategic axes.
2. *Common ownership and participation.* The intention of this principle is to ensure "common ownership" of actors from both the public administrations and the private sector. This ensures a broad social consensus as well as clear public support for strategies and programmes. All activities were designed in a manner safeguarding the strong influence of all development actors and encourages the

incorporation of selected decision makers, stakeholders, experts, representatives of non-governmental organizations, donors etc.

3. *Sustainability*. The main issue in relation to sustainability relates to good balance and coherency of internal elements of the strategy (objectives, measures, programmes) supported through the application of all the principles mentioned herein. The other important element that supports sustainability is the development of comparative advantages through the application of the “maxi-maxi” strategy approach that ensues from the SWOT analysis (that is, building on a combination of regional strengths and development opportunities). In BiH regions this winning factor of sustainability is particularly important since the regions are characterized by a low level of development. In addition, the “mini-maxi” SWOT matrix was used as a corrective factor for incorporating the essential assumptions for sustainability (otherwise known as risk management).
4. *Integration* was implemented in two ways:
  - Integration of common local needs at regional level, both in geographical terms and by content. Ultimately, this means that any regional goal will produce an impact at local level. Integration was achieved through the active participation of all regional stakeholders.
  - Integration as a multi-dimensional plan for the development of mutually supportive priority sectors and fields of interventions that strongly avoid conflicts or negative influences. So, in this sense integration ensured concentration on the compatibility and synergy of identified measures.
5. *Quality*. The quality of the strategic plan is achieved through identification of the socio-economic situation, the comparative advantages and the available fields of intervention. The combination of these three elements determined the quality level of the plans throughout BiH.
6. *Innovation* is applied as a principle in identifying the projects and the most efficient usage of resources available for the identified projects.
7. *Strict structure of Objective Tree* as a principle enables a synergetic and complementary effect of the elements and a clear view on:
  - *Where we are*
  - *Where we go*
  - How to get there
  - When to get there
  - With what resources and capacities.
8. *Duality paradox*. On the one hand, the strategy is a dynamic document liable to change and, on the other hand, it needs to be respected and implemented.



9. *Hierarchy of strategic plans.* Strategic plans at the lower level are more specific while higher level strategy plans are more general, providing the framework for taking more specific decisions at the lower levels (subsidiarity).

## **Methods**

The strategic plan was built by the following groups:

- working groups
- partnership groups
- focus groups
- expert group

The building of the plan itself involved a number of workshops, where partners in the process were first provided with technical assistance in the form of training and afterwards the groups proceeded to discussions, to the necessary compromises and ultimately to the decisions in regard to the main elements of the strategy. The continuous consultations performed by the groups' members guaranteed commitment and consensus.

Workshops were also used as a tool to safeguard the application of the agreed principles and, at the same time, to focus on the areas of intervention of the highest development priorities. As an example, this could be seen through the stakeholders' activities in defining the criteria for identification of projects and programmes.

During the definition of the document, constant attention was paid to the potential risks to the strategy's sustainability through "push and pull" analysis performed when each of the milestones in the process was reached.

The following tools were also used throughout the process to strengthen the quality of the strategies:

- Pair comparison analysis
- Grid analysis
- Push and pull analysis
- GMA [global management approach] method for identification of strategic goals and objectives
- Cost-benefit analysis (for projects)
- Synergy, complementarity and conditionality (to build up to the programmes)
- Interrelation grid for each strategy element (internal balancing and coherency).

## **➤ The Process**

### **The Principles of the Process**

The principles defined for the content of the strategy were also used in the process:

1. Partnership
2. Ownership
3. Integration



The principles applied in addition to these are:

1. *Subsidiarity*. This principle is incorporated with the partnership principle and the “bottom-up” approach used in the overall process. The type of structure needed to implement the principle of subsidiarity was based in terms of sectoral and geographical representation and built in a way to facilitate common development interests at the regional level. This means that the definition of strategic interventions comes from the lowest levels - local (community) needs, but involves regional level resources.
2. *Coordinated process*. The process of strategic building was organized and mentored so that for strategic long-term definition of objectives the Working Groups and Partnership Groups played separate roles. Firstly as actors from a sectoral point of view and secondly, from the geographical and local aspect. Coordination between both groups culminated in joint meetings at the phase of defining Priority Objectives. The principle of coordination came even more to the fore in defining the measures and projects in the Focus Groups. The coordination of all the groups involved required gradual and constant nurture, management and reinforcement. This was the main impact of EU RED technical assistance to the process along with the transfer of know-how
3. *Participative approach*. With the active involvement of a number of regional stakeholders, representatives of local communities, NGOs and other actors of economic and social development this principle was broadly implemented throughout all process. The partnership and participative approach brought about a commitment to act towards common objectives, a high level of mutual trust, shared responsibility and acceptance of accountability for the final result.
4. *Step by step and consultative approach*. The strategy building process contained a set of phases and steps, interrelated in such a way that the outcomes of one step were used as the inputs for the next step. EU RED provided groups with all the outcomes of earlier phases, as well as analyses and technical materials for discussion on the following phases.

## **The Process**

The process was coached and coordinated in phases. At each milestone the overview on the outcomes of the previous phase was presented, discussed and approved by regional conferences.

### ***Phase I: Socio-economic Audit, SWOT Analysis***

The starting point for the strategy development process was the collection of socio economic data relevant to the region. As the availability of information about the area can vary enormously, before embarking on the collection of data it was important to identify what information was needed. This means that the data had to be collected at the appropriate level – too much desegregation at this stage could have made it difficult to identify the key issues. Once specific issues were identified, further research and analysis was sometimes appropriate. The template for data collection and analysis was provided to all relevant institutions and to municipalities in the region.

Data collection activity faced problems that are specific to BiH regions:

- The inability to collect regional data due to the system of centralized data management in entity or cantonal institutions such as statistical offices
- The lack of updated and professionally processed information and,
- The lack of reliable sources of data.

The Strategic analyses represented more than just a consideration of statistical indicators but also contained an assessment of structural, political, economic and social conditions. In this sense, quantitative/empirical aspects were closely linked to qualitative aspects.

After the conclusion of the status analysis, the analysis of regional potential was initiated. The methodology by which this activity was carried out was by conventional SWOT analysis. In practice Working Groups and Partnership Groups identified regional strengths, development opportunities, weaknesses and external threats. Brainstorming was carried out in several workshops, based on a sectoral approach and at the end outcomes were integrated in a regional SWOT.

The identified strengths, weaknesses, opportunities and threats presented a clear vision of the current situation, the comparative advantages and development potential of the regions. The SWOT can be seen as a bridging document between the Socio-economic audit (SEA) and the strategy, and allowed the strategic orientations and the main elements of the strategic objectives to become evident at the end of this stage.

*Milestone I.*

- SEA
- SWOT and Matrix
- Comparative advantages of the region (with risk analysis)

## **Phase II: Vision, Strategic Goals and Priority Objectives**

- a. The Vision, as an optimistic picture that people would have about the realistic development of their region, was defined for a 20 year period. The definition of the Vision was based on development potential and gave an idea of the strategic orientations.
- b. For BiH as a less developed country, it was impossible to define a problem tree because all fields of economic and social life identified needs for reform and development. Since regional development problems were being addressed through identification of Priority Objectives, it was very important to focus on the priority principle in doing this.
- c. Strategic Goals were set very generally in all 5 regions and for at least 7 years. This time frame was taken for the entire strategic part so as to establish a platform for two 3 year operational cycles so as to avoid repeating the overall process of strategy building in mid term and to ensure sustainability of planning in the long term. The identification of Strategic Goals was based on the Vision, the strategic orientation and the comparative advantages of the region.
- d. Priority Objectives are specific objectives of selected (priority) areas of intervention and were built into the Strategic Goals. Priority Objectives were set for 7 years.

The Vision, Strategic Goals and Priority Objectives were defined at several meetings of Working and Partnership Groups and were the subject of numerous consultations, discussions and compromises among stakeholders until consensus was achieved.

*Milestone II.*

- *Vision (values of the Vision)*
- *Strategic orientations*
- *Strategic Goals (analysis of interrelations)*
- *Priority Objectives*

**Phase III: Measures and projects**

Measures were set to achieve each Priority Objective and will also stand for 7 years. Very often measures were a combination of regional interventions (projects) and emerging reform activities of the authorities. In identifying projects, the partners' groups mainly addressed areas of intervention that are within the competences of local (and cantonal) bodies. In each region around 30 measures and over 100 projects were identified.

*Milestone III.*

- *measures*
- *project ideas*

**Phase IV: Operational Plan**

- a. *Turning project ideas into projects.* This activity involved expert groups and was coached in several brainstorming sessions augmented by additional collected information.
- b. *Defining the main content of project characteristics.* The activity required setting the main objectives of the projects (addressing specific problems), the main activities through which it would be implemented, the timeframe and the means needed for implementation well as indicators for monitoring.
- c. *Selection of priority projects.* Regions identified 12 selection criteria for prioritizing the first package of projects for possible implementation in the next 3 years.
- d. *Setting programmes and subprogrammes.* The correlation between measures and the list of eventual projects was the foundation for identifying programmes. Within programmes, projects were grouped into sub-programmes by implementing the following principles:
  - Conditionality
  - Complementarity and
  - Synergy
- e. *Programming.* The lack of necessary information on regional financial and implementation capacities diminished the importance of programming that is normal practice for EU pre-accession and Structural Funds. Therefore Partnership and Working Group identified a one year implementation plan using the following principles:
  - priority
  - logic sequences
  - quick and visible impact

*Milestone V.*

- *some 50 projects identified (implementation in next 3 years)*
- *plan for implementation for 2005*

**Conclusions**

It is quite evident that European standards in regional planning could not be directly applied to transition countries while development barriers and unclear political and institutional perspectives still persist. Nevertheless, know-how and best practice has been transferred to broad groups of regional stakeholders and experts. The most important output of the strategy building process has been achieved: regional and local ownership of the content of the Strategy Document, the strengthening of capacities of partners' groups and their accountability and responsibility for implementation.

## 4. THE SITUATION IN THE REGION

### Introduction

An EU-funded pilot project for Regional Development in Bosnia and Herzegovina, MEDA (Mostar Economic Development Agency), operated at the local level in Mostar before EU RED launched the process of bringing together some of the regional stakeholders throughout the Herzegovina region under the aegis of REDAH (Regional Economic Development Association of Herzegovina). An outline Socio-Economic Audit (SEA) was produced in the frame of the MEDA project, which gathered the statistical data available at the time. Unfortunately, the sources of information available to that project were restricted and the figures presented are no longer representative in light of the increased level of engagement in the regional process.

The partial SEA data and the grass-roots knowledge of the region available in the Partnership and Working Groups set up in the Herzegovina Region served as the basis for developing the EU RED / REDAH supplement "Indicators, Trends and SWOT elements" which was presented in April 2004. The document presents the basic indicators and trends with estimates of the opportunities and limiting factors for economic development in the Herzegovina region. These in turn served as the basis for the development of the Regional Economic Development Strategy.

REDAH will present a complete, up-to-date, Socio-Economic Analysis of the Region in the coming months and this will become an integral part of a revised regional strategy but it is not available for this document. The brief description of the region included herein is not intended as a summary SEA but rather as a support for readers who are not familiar with the region. All interested parties are urged to consult the full SEA when it becomes available.

### 1. Bosnia and Herzegovina – B&H

Bosnia and Herzegovina is one of the central countries in the Balkans, located between 42°26' and 45°15' of the north latitude and 15°45' and 19°41' of the east longitude. To the north, west and southwest it is bordered by Croatia (931 km) and to the east by Serbia and Montenegro (606 km; Serbia - 357 km, Montenegro - 249 km). It emerges to the Adriatic coast in a narrow zone of indented coast 23 km long. The State has been endured border changes over the millennia. With negligible differences, the borders with Croatia were stabilized at the current place by the agreement in Sremski Karlovci (26<sup>th</sup> of January 1699) and with Serbia and Montenegro by the Berlin Congress (13<sup>th</sup> of July 1878). The narrow zone of Sutrina, Igalo and Prevlaka was relinquished to Montenegro and Croatia after World War II. Bosnia and Herzegovina covers a surface area of 51.129 km<sup>2</sup>. According to the last census in 1991 there was 4.4 million of population while 3.9 million of population was registered in the middle of 2003 (according to an IMF estimate; no census has been performed since the war). The population density is 75.5 inhabitants per km<sup>2</sup>. The census of 1991 registered the presence of 40 ethnic groups. Nine of them count for more than 3000 persons (members of all former Yugoslav Republics, Roma, Albanians, Ukrainians). The most numerous registered ethnic groups were Bosniaks (1.9 million), Serbs (1.4 million) and Croats (760.000).

B&H has a long history that stretches back to the major civilisations of the ancient world. The culture of its people has developed from a broad cross-section of influences: from Islam, Eastern and Western Christianity as well as Judaism. These different civilisation influences justify Bosnia and Herzegovina's claim that it is the country that connects East and West Europe.

**Picture 1: Map of the central Balkans**



The geological structure was formed during Palaeozoic, Mesozoic and Cainozoic times. Tectonic movements caused the formation of relief with the dominating Dinaric Mountains sloping towards the Adriatic Sea on the south-western side and towards Pannonia on the north and south-east side. Looking at its configuration this is a predominantly mountainous country. Approximately 60% of the surface lies more than 500 meters above sea-level whilst only 8% lies below 150 meters. The Dinaric Mountains Massif stretches along the middle of the territory that makes the relief of the country very heterogeneous. The country is geographically divided into four regions. North Bosnia comprises plains and slightly sloped ground with a moderate continental climate whilst Middle Bosnia comprises mainly hilly fields with a continental climate. The high karsts region comprises hilly and mountainous fields with a mountain climate. Low Herzegovina comprises a southern plain and slightly hilly fields with heights below 500 meters above the sea-level with a sub Mediterranean climate.



The Dinaric Massif and the vegetation makes the country one of the wettest in Europe (average 1250 mm per year). It also determines direction of water streams. The rivers of B&H to the north belong to the Dunav (Black Sea) catchment while those to the south belong to the Adriatic catchment.

Over recent years, the land characteristics were the main cause of the bad traffic connections in the northern and southern parts of the country. The main traffic corridor transverses north-south stretching along the middle of the country and connecting the north-Bosnian industrial basin with the European traffic roads at the north and with navigable roads at the south through the Ploče port (Croatia). The average speed of trains is below 60 km/h, and only about 40 km of European-standard roads has been built in the country since the war. Traffic is one of the biggest development bottlenecks in the country.

Before the war economic development of the country was determined by the planned method of the former political system. In that system B&H was the main supplier of raw products and energy and, based on this, the processing industry was built up in the last two decades. As such B&H was a less developed area in former Yugoslavia with production volume per capita below the world average by about 15%. Nevertheless, its industry was very highly export-orientated and it had positive net exports by exporting 2/3 of its production with 65% of it going to highly-developed European countries.

After the war economic development is troubled by numerous internal and external difficulties. Although International Community assistance was absolutely and relatively high, and is still ongoing (although with a lower intensity), the production volume in 2003 is only 40% of the pre-war level, employment is lower by 45% and unemployment is higher by 50%. In addition to this, the social needs of the population highly exceed the tax revenue capacities. One of the biggest problems in this situation is still the revitalisation of the economy as well as the introduction of new product lines into the country (which could be achieved by the foreign direct investments).

## **2. Administrative-national structure of B&H**

The Dayton Peace Agreement (agreed in Dayton on 25<sup>th</sup> November 1995 and signed in Paris on 14<sup>th</sup> December 1995) is the basis of the administrative-national structure of B&H. All documents setting out the organization and functioning of B&H are based on this Peace Agreement. B&H constitutes two parts-two entities:

- *The Federation of Bosnia and Herzegovina (FB&H) with 51.08% of state territory, where 63.32% of inhabitants of B&H live*
- *The Republic of Srpska (RS) which has 48.92% of state territory, where 38.68% of B&H inhabitants live.*

A separate administrative unit – Brčko District under the direct sovereignty of Bosnia and Herzegovina - was formed by later agreements at the beginning of 2002.

FB&H consists of ten organizational units (cantons) in which the local units of self-management are organized in groups (municipalities) while the RS is organized through municipalities.

The B&H State Parliament is the legislative power and has two houses: Representatives and House of People while the executive authority is organized through the functions of the Council of Ministers with a small number of key activities (6 ministries).

The following questions are also under the jurisdiction of the state institutions of Bosnia and Herzegovina:<sup>1</sup>

1. international affairs,
2. international-commercial affairs,
3. tariff policy,
4. monetary policy,
5. financing of the institutions and international obligations of Bosnia and Herzegovina,
6. policy and the regulation of the immigration, refugees and asylum questions,
7. carrying out of the international and inter-entities criminal law regulations including the relations with the Interpol,
8. establishment and functioning of common and international communication means,
9. regulation of inter-entities transport,
10. control of the air traffic.

Entities' legislative powers (both Federation and RS) are ensured through bicameral Parliaments made up of Representatives and House of People while executive power is exercised by the Governments of the entities with authority in most policy fields except those agreed for the level of B&H /governmental authority/, so that they are obliged for the functions of the system and living regulations.

Each canton in the FB&H has its own Assembly which consists of municipal representatives from its own structure (legislative power) and the Government (executive power).

The complex and complicated governmental structure in B&H could hardly be supported by more prosperous economies than the Bosnian and Herzegovinian one. The complexity is best illustrated by the fact that the structure of executive power is organized in 124 ministries (governmental, entities and cantonal) so that in B&H an employee in the public administration serves 500 citizens while the European average is 1:2000. In such a complex structure there are many functional problems of which problems of jurisdiction and communication among the numerous organizational units are the most obvious.

Solving these and similar problems is of crucial importance in the process of B&H integration into the European Union (hereinafter EU).

Therefore, the complex and bulky apparatus of public administration in B&H after Dayton and the resultant problems, as well as the efforts that the country exerts to ensure European integration, are the main drivers of reform of the public administration in the accordance with standards in EU countries.

Besides the reform of the public administrative sector, the economic aspect of the approach to the EU is of key importance. However, nine years after Dayton, the BiH economy is still in an unenviable position. The high rate of unemployment of 40,3% in 2002 (statistics of FB&H), the enormous foreign trade deficit, as well as the coverage

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<sup>1</sup> Constitution of BiH



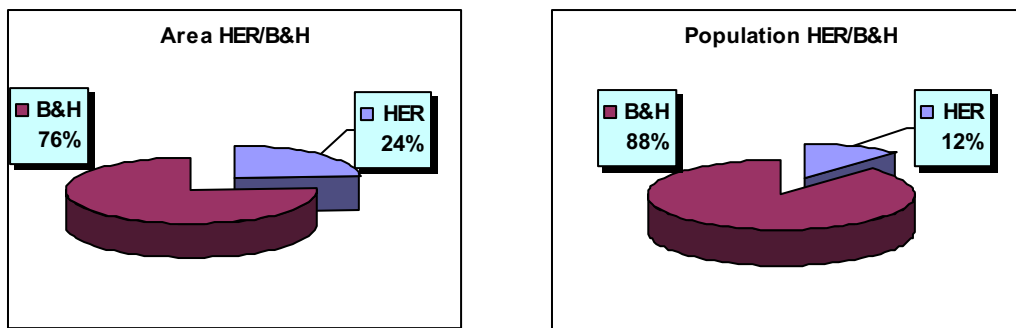
of import with export of only 27% (in 2002 according to FB&H statistics), the low level of foreign investments, the unfinished process of the privatization, the huge presence of grey economy and the lack of a single economic area are only some indicators of a very difficult economic situation in Bosnia and Herzegovina.

The building of a single economic space through the harmonization of the legislative system on the governmental level and its coordination with European standards presents one of the greatest challenges for B&H on its way to having full membership rights in the EU. All the available local forces, with the assistance and help of the International Community, that have been trying to change the «ethnic» approach into a democratic one, have been subordinated to that goal along with the market-oriented organized and modern system of values practiced in EU countries. At the heart of that goal, as one of the fundamental standards of the EU structural funds, is the concept of regional planning and managing the country's development.

#### 4. Herzegovina Region

The Herzegovina region is an economically well integrated region located at the south and southwest of the Bosnia and Herzegovina. It covers 12.276 km<sup>2</sup>, or 24% of the B&H territory, while the number of inhabitants has been estimated at 452.000, i.e. 12% of the total B&H population (Graph 1). The biggest economic centre in the region is Mostar (with 105.000 of inhabitants) which is located in the geographic centre of the region. Other significant economic centres are Trebinje, Konjic, Jablanica, Livno and Široki Brijeg.

Graph 1: Area and population indicators of the Herzegovina region in relation to B&H



The region has basic economic infrastructure with a well-located airport in Mostar and easy access to the Croatian port of Ploče. A picturesque railroad Ploče-Mostar-Sarajevo connects the region to the European network but its modernization is urged due to its unacceptable low transport speed. The road network is relatively dense but until now not even one kilometre of modern European road has been constructed in the region. Due to this, transport costs are very high. The Herzegovina region touches the Adriatic Sea at the coastal municipality of Neum for about 20 km of indented coast. There are three different universities in the region, two in Mostar and one faculty in Trebinje which administratively belongs to the University Srpsko Sarajevo.

This region has always represented the unity of diversity - from its climate which is both Mediterranean and continental, and the culture of different epochs, to the existence of different religions and different ethnic groups. And it is that symbiosis of different cultures, languages and customs which have existed on these territories for centuries that give Herzegovina region its special charm.

Different nations and/or conquerors that have left traces of their short or long stay here include the Huns, Avars, Romans, Illyrians, Venetians, Goths, Turks, Austro-Hungarians, Germans and Italians.

Archaeological localities show that the region was inhabited from early times. Such localities prove the existence of settlements in the Stone Age and Iron Age (Vukodol-Mostar), pre-Roman and Roman civilizations (Gabela and Hutovo - ports); Mogorjelo-Čapljina (Roman fortification); Željuša near Mostar- Roman town; Daors-Stolac – Roman settlement. The Christian basilica in Mostar dates from ancient times. Bogomilian necropolis and cemeteries proliferate and the most of them are in Radimlja near Stolac. Fortified towns include Blagaj, Stolac, Počitelj and date from the Middle Ages (pre-Turkish time). Buildings from the Turkish period can be found in Mostar, Stolac, Čitluk, Ljubuški, etc.<sup>2</sup>

The forms of settlement are the result of historical changes, different influences and styles. The Eastern (influence of Turkey) and Western style of construction create a specific 'look' of unique urban forms. The old parts of cities developed from smaller settlements formed along the rivers, at the crossroads or the border parts of karsts fields. The villages are scattered. Nowadays, the villages/settlements are usually constructed along traffic routes.

The population belongs to the Dinaric Ethnic Group and three nationalities have been differentiated: Croats, Serbs and Bosniaks. Difficult living conditions and numerous wars caused population migrations. The last war caused severe demographic changes with long-lasting consequences.

The trade-mark of the Herzegovina region is the Neretva river which creates a beautiful valley and a natural bond of the mountainous north and Mediterranean south. It not only has hydrographical but also energetic potential. Along its course runs the main road and a railroad from the north towards the south.

Even though the inhabitants of this region over time have engaged in different forms of agricultural production, the specificity of the entire region was tobacco and grape vines. The climate is good for planting Mediterranean crops (citrus fruits, figs, pomegranates, peaches, cherries, apricots, quince, kiwi etc.), early-season vegetables, horticultural plants and flowers. In the mountainous region, the most common fruits are apples, pears and plums. Medical herbs in this area are of good quality with a high proportion of ethereal oils. Honey is also known to be of good quality.

Cattle breeding is the typical activity for the mountainous region although it is reduced nowadays. The rivers and lakes are good for the development of fisheries and recreation as well as fishponds and fish cages.

Herzegovina is rich in bauxite, granite as well as lignite and brown coal from which a light industry has developed in the last few decades as well as the aluminium industry. Textile, chemical and food industry have been also developed.

Tourism has started to develop in the region lately due to the favourable geo-political location, numerous natural beauties, the rich cultural inheritance, traffic connections

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<sup>2</sup> Monographs Herzegovina, PKK 1998

to Bosnia and Dalmatia and the proximity to three international airports (Sarajevo, Split, Dubrovnik). Its capacities are still undeveloped but it has numerous potentials: Mostar, Neum, Popovo polje, Vjetrenica, Mogorjelo, Hutovo blato, Međugorje, Počitelj, Stolac, river Trebižat with waterfalls at Kravice, Ramsko, Blidinjsko, Boračko and Buško lakes, beautiful mountains and rivers, and also many museums, monasteries, churches, mosques, synagogue and bridges, Humačka slab and cultural values that ensure the perspective for the development of this economic activity.

The strengths of the Herzegovina region lie in its proximity to the sea, its beautiful scenery, its easy access to commercial harbours and the future construction of a European highway. This region has the best that nature can give: clean water, a mild climate, beautiful sights, fertile rocky fields, mystical and unexplored caves and numerous monuments from the ages ago. This region, besides its natural beauty and cultural sights, has other numerous advantages which can ensure Herzegovina a prospective European future. From the early beginning Herzegovina's trump-card was and still is the diligence and abilities of its inhabitants.

The present diversity of cultures, tradition and available resources make the comparative advantages of the region and support the idea that this region has many realistic development opportunities if properly and economically used.

#### 4. Administrative structure and population of the Herzegovina region

Administratively, the Herzegovina region comprises 22 municipalities. Sixteen of these are in the Federation of B&H, spread over three cantons: Herzegovina-Neretva canton, West Herzegovina canton and part of Herzeg-Bosnia canton. The remaining six municipalities are in the Republic of Srpska.

**Picture 2. Map of the Herzegovina region**



Picture 3. Administrative structure of the Herzegovina region<sup>3</sup>

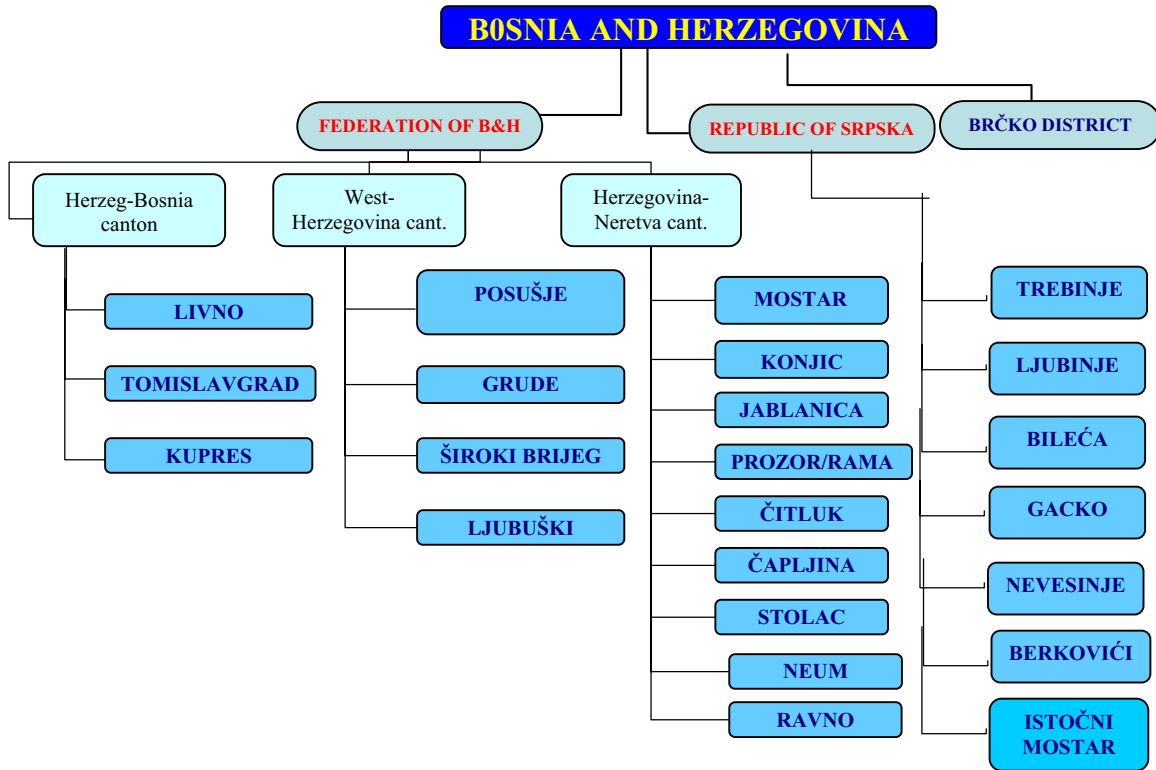


Table 1: ESTIMATE OF THE POPULATION IN THE REGION, 31/12/2002

Sources: 1. Statistical data on economical and other changes, 3/2003,  
Statistical institute FBiH, Sarajevo  
2. For RS municipalities – data given by municipalities

Municipality	Entity	Canton	Area (km <sup>2</sup> )	Number of present population			Pop. per km <sup>2</sup>	Age structure (%)			
				Total	Aged 0-14	Aged 15-64		Aged 65+	0-14	15-64	65+
Berkovići <sup>1)</sup>	RS		270	4000			14,8				
Bileća	RS		633	14591			23,1				
Čapljina	FBiH	HNK	256	19414	3908	13566	1940	75,8	20,1%	69,9%	10,0%
Čitluk	FBiH	HNK	181	16370	3425	11077	1868	90,4	20,9%	67,7%	11,4%
Gacko	RS		736	11500				15,6			
Grude	FBiH	ZHK	221	13361	2897	8543	1921	60,5	21,7%	63,9%	14,4%
Jablanica	FBiH	HNK	301	13047	2435	8730	1882	43,3	18,7%	66,9%	14,4%
Konjic <sup>2)</sup>	FBiH	HNK	1300	29908	5278	21149	3481	23,0	17,6%	70,7%	11,6%
Kupres <sup>5)</sup>	FBiH	HBK	622	3012	608	1895	509	4,8	20,2%	62,9%	16,9%
Livno	FBiH	HBK	994	32505	4853	24576	3076	32,7	14,9%	75,6%	9,5%
Ljubinje	RS		326	5000				15,3			
Ljubuški	FBiH	ZHK	293	22099	4682	14801	2616	75,4	21,2%	67,0%	11,8%
Mostar <sup>4)</sup>	FBiH	HNK	1109	105357	18417	73038	13902	95,0	17,5%	69,3%	13,2%
Neum	FBiH	HNK	225	4795	765	3274	756	21,3	16,0%	68,3%	15,8%
Nevesinje <sup>4)</sup>	RS		1040	18280	3350	9365	5565	17,6	18,3%	51,2%	30,4%
Posušje	FBiH	ZHK	461	16084	3700	10835	1549	34,9	23,0%	67,4%	9,6%
Prozor	FBiH	HNK	477	17221	2741	12085	2395	36,1	15,9%	70,2%	13,9%
Ravno <sup>3)</sup>	FBiH	HNK	440	1866	21	1248	597	4,2	1,1%	66,9%	32,0%
Stolac <sup>1)</sup>	FBiH	HNK	271	9881	1292	7178	1411	36,5	13,1%	72,6%	14,3%
Široki Brijeg	FBiH	ZHK	388	29852	5736	20868	3248	76,9	19,2%	69,9%	10,9%
Tomislavgrad	FBiH	HBK	967	27754	3898	20005	3851	28,7	14,0%	72,1%	13,9%
Trebinje <sup>3)</sup>	RS		765	36000				47,1			
HNK			4560	217859	38282	151345	28232	47,8	17,6%	69,5%	13,0%
ZHK			1363	81396	17015	55047	9334	59,7	20,9%	67,6%	11,5%
HBK			2583	63271	9359	46476	7436	24,5	14,8%	73,5%	11,8%
Municipalities in RS			3770	74780				19,8			
<b>REDAH, total</b>			<b>12276</b>	<b>451897</b>				<b>36,8</b>			

Remarks: <sup>1)</sup> Municipality Stolac divided on Stolac (271 km<sup>2</sup>) and Berkovići (270 km<sup>2</sup>).

<sup>2)</sup> Municipality Konjic enlarged for the area of Ljuta (app. 111 km<sup>2</sup>) from the municipality Kalinovik.

<sup>3)</sup> Municipality Ravno originated by detaching from municipality Trebinje (app. 440 km<sup>2</sup>).

<sup>4)</sup> Added municipality Istočni Mostar (originated by detaching from municipality Mostar, app. 118 km<sup>2</sup>).

<sup>5)</sup> Municipality Kupres did not belong to Herzegovina region before the war.

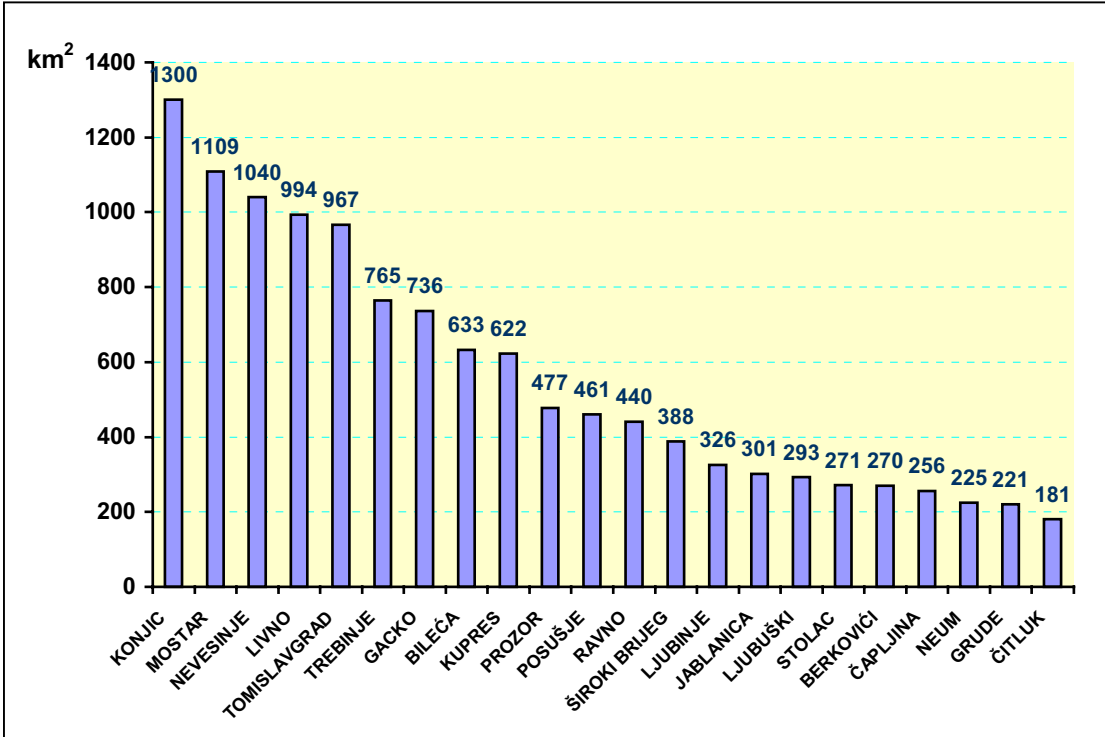
HNK – Herzegovina-Neretva Canton

ZHK – West-Herzegovina Canton

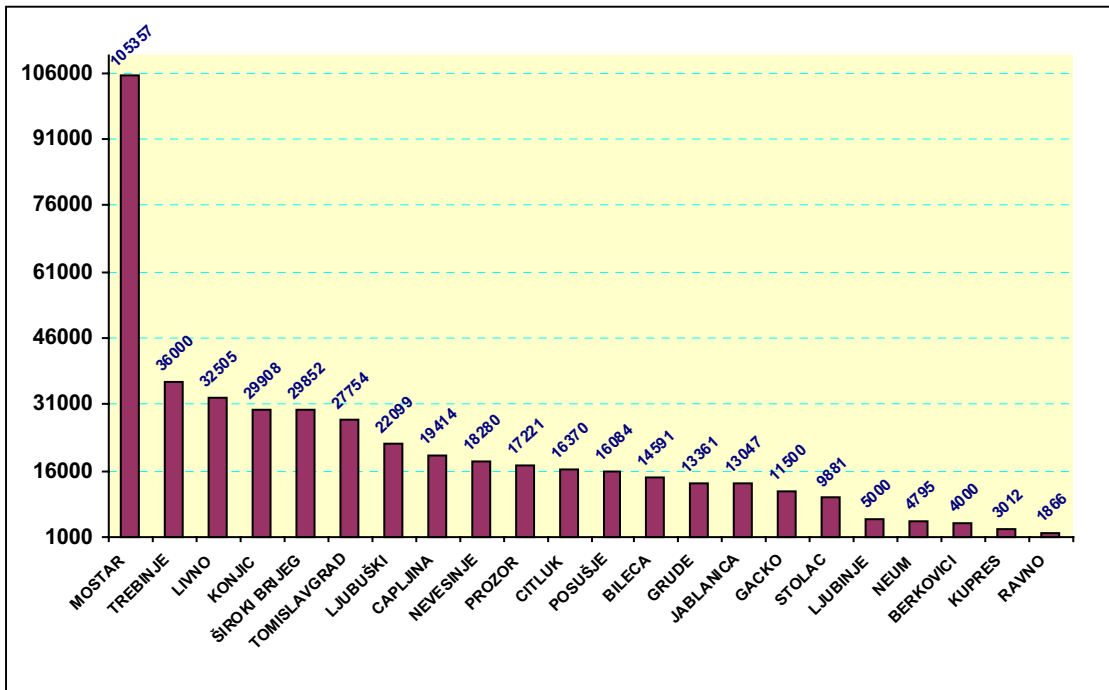
HBK – Herzeg-Bosnia Canton

An approximate picture about the sizes of the municipalities as well as their population is given in the following two graphs based on data presented in the table.

Graph 2: Comparative sizes of municipalities in the Herzegovina region



Graph 3: Comparative population numbers in municipalities of the Herzegovina region



## 5. Geography, Topography and Climate

The Herzegovina region covers about 12.276 km<sup>2</sup>. It lies on the southern slopes of the Dinaric Mountains and today it is inhabited by approximately 452.000 people. It borders with Bosnia at the north side, with Serbia and Montenegro at the east and with the Republic of Croatia (i.e. Dalmatia) on the west side. At the coastal part of the border with the Republic of Croatia it has an exit to the Adriatic Sea in the Neum-Klek bay with the 23.5 km of indented coast.

The economic centre of the region is Mostar, located in the centre of the region, at a distance of 130 km from Sarajevo, 180 km from Dubrovnik, 160 km from Split, 430 km from Zagreb and 530 km from Belgrade.

The strengths of this area lie in its proximity to the sea, its beautiful scenery, its easy access to commercial harbours and the future construction of a European highway. Unfortunately the mountainous relief prevents more direct connection to the coast and the continental part of the country and the devastation of surfaces, due to lack of urban planning and land use regulations, poses a huge problem. However, this position could be resolved by the construction of modern roads and by upgrading urban planning practices and land use regulations. Huge investment would be required for this but the unwillingness of the authorities to improve regulations at municipal level, and the lack of co-operation with other municipalities in the region and with other regions, proves to be a drawback.

### 5.1. Relief Characteristics

Herzegovina relief is made up of Mesozoic, Triassic and Jurassic lime-stone. Its appearance presents a spacious lime-stone plateau that rises step-like towards the highest mountains of the inner part of the Dinaric Mountains. The area below 500 mnm is known as low or coastal Herzegovina while the area above this contour is known as high or mountainous Herzegovina.

The valley of the river Neretva together with oasis of the karsts fields, funnel-shaped forms, depressions, hills and hillocks with numerous forms of bleak karsts are present in the relief of low Herzegovina. High mountains, deep river valleys and spacious karsts fields dominate in high Herzegovina. In the glacial period, erosion of rivers and karsts created a conglomerate of different meso-micro forms in the karsts area.

The geo-morphologic and karsts character of most of the region determines the development of the special «cast structure» of the economy. Its orientation towards the sea is a special bonus but the elevations are obstacles to the development of traffic infrastructure. A number of karsts fields prevent the development of agricultural production. A high level of investment is needed in this area.

Mountains of Herzegovina with height above 1000 m/above sea-level are shown in Table 1.

Table 1: Mountains of the Herzegovina region

Herzegovina	Mountains > 1000 m
<b>Part in FBiH</b>	
Herzegovina-Neretva canton	<i>Bitovnja (1744 m), Prenj (2103 m), Čvrsnica (2228 m), Visočica (1974 m), Čabulja (1780 m), Velež (Brusina 1897 m)</i>
West-Herzegovina canton	<i>Zavelim (1347 m), Oštrec (1304 m), Čvrsnica (2226 m), Čabulja (1561 m), Mratnjača (1227 m), Vranić (1117 m)</i>
Herzeg-Bosnia canton	<i>Dinara (1831 m), Gnjat (1805 m), Troglav (1913 m), Vagank (1173 m), Konj (1849 m), Vijenac (1656 m), Lunjevača (1707 m), Šator (1673 m), Čemernica (1631 m), Golija (1890 m), Vitorog (1907 m), Ljubuša (1797 m), Vran (2074 m)</i>
<b>Part in RS</b>	
	<i>Striževica 1050 (Berkovići); Baba 1733 (Bileća); Volujak 2336, Bjelašnica 1867, Živalj 1696, Kapić 1644, Mjedena Glava 1602, Javor 1553 (Gacko); Velež 1968, Crvanj 1921 (Nevesinje), Orjen 1894 (Trebinje)</i>

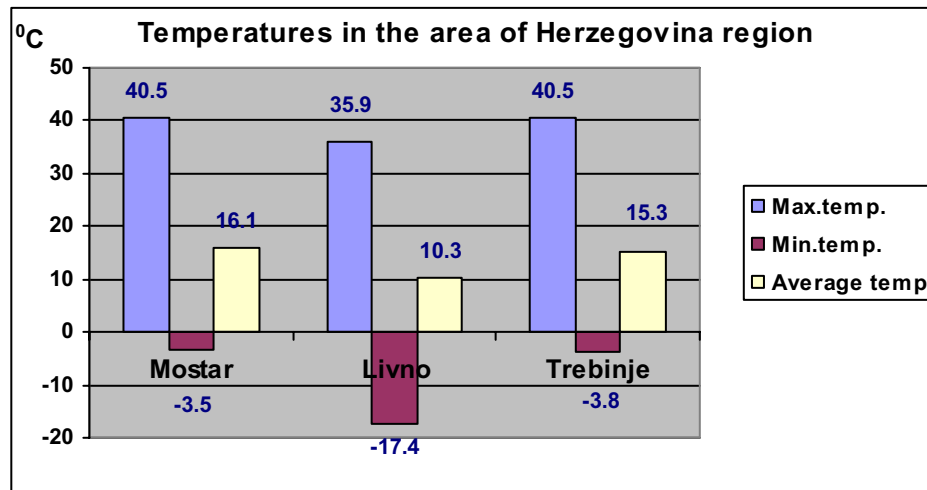
## 5.2. Climate

Herzegovina has a heterogeneous climate. Low Herzegovina has a modified Mediterranean Adriatic climate with an average annual temperature above 10°C. It is characterized by the predominance of sun light, low relative humidity and cloudiness, intensified air circulation, rains during winters and warm and long summers. Snow and frost are rarities in low Herzegovina. Such weather conditions are favourable for cultivation of different Mediterranean crops (such as grape vines, tobacco, figs, early-season vegetables, pomegranates, etc.) which makes Herzegovina very known in the wider area. The climate in high Herzegovina is colder. It is characterized by long winters and short, warm summers. High Herzegovinian mountains have a sub-alpine climate whilst significant Mediterranean influences are noticed in the valley of the cantered upper stream of Neretva. Mountainous Herzegovina has approximately 1800 mm of precipitation annually much of it falling as snow the depth of which can be significant and which can last until the mid summer.

The soil, climate characteristics and bio-energy potential provide a suitable base for food production (agricultural activities) although the summers can be very hot and dry and droughts occur. Opportunities arise for the use of sun and wind energy and water offers many possibilities.



Graph 4. Temperatures in the region registered in 2003



## 6. Natural Resources

### 6.1. Waters

Hydrographically, Herzegovina is a very specific area in the Europe and the world. Due to the extremely denuded area, the limestone composition of the ground and human behaviour, different phenomenon of the superficial and underground hydrography have been created in this area. There are numerous sinking rivers, underground streams, karsts springs, estavelles and other hydrographical phenomena of the denuded karsts. Only the Neretva river and its tributaries resisted karstification.

All important rivers of the Herzegovina region as well as natural and artificial lakes are shown in the Table 2.

**Table 2. Water streams in the region**

Herzegovina	Rivers	Lakes	
		Natural	Artificial
<b>Part in FBiH</b>	<i>Neretva and its tributaries: Ljuta, Rama, Drežanjka, Jasenica, Buna, Bregava, Trebižat, Krupa, Bistrica, Žabljak, Sturba</i>	<i>Boračko, Blidinje, Hutovo</i>	<i>Grabovačko, Salakovac, Šćitско, Jablaničko, Svitava, Buško blato</i>
<b>Part in RS</b>	<i>Trebišnjica and its tributaries: Maušnica and Zalomka</i>	<i>No</i>	<i>Gorica, Klinje, Vrba, Bilečko, Alagovac</i>

Superficial and underground water streams abound. This stable resource represents long-term development support.

There is an average of 1500 mm of precipitation annually or 50% above the average in the country. Due to this precipitation rate and the soil composition, the soil is 4.4 times richer than the average in BiH and 6.6 times richer than the world's average measured in potential market yields. This is the highest development potential and development strength of the region for the generation of energy and the production of food, as well as household and industry supply even during the winter.

From the ecological point of view, waters in the region are clean in the upper streams of the rivers. The waters are "hard" due to dissolved limestone. In spite of the abundance of water the region is known as a "dry and thirsty" area. The main reason for that is the uneven precipitation rate during the year. In the autumn and spring rains are significantly abundant and cause floods in almost all karsts fields. This limits intensified use of the fields in regard to the available investment funds for hydro-reclamations of the land that have been insufficient in recent years. The first intensified land-reclamations were done in 1830 – 1832 in the valley of the river Trebižat. During the Austrian-Hungarian Monarchy the reservoir Klinje near Gacko has been constructed and land-reclamation of Gatačko field was performed. After that partial land-reclamations of Popovo and other fields were carried out but the system was never fully developed. All previously constructed water supply systems of agricultural fields are mainly devastated or abandoned nowadays.

The characteristics of the land limit industrial development to ecologically clean sectors. The unexplored underground streams and the lack of a cadastre of underground streams is a problem as is the lack of regulation on water protection and quality of waste waters emanating from industry and households.

## **6.2. Land and forests**

Agricultural land covers about 660.000 ha of the area in the Herzegovina region. There is approximately 171.000 ha (or 25.9% of total surface) covered by cultivatable land, 485.000 ha (or 73.3%) of pasture-ground and 3.700 ha (0.4%) of reed, pond and fish-pond.<sup>4</sup>

The composition of the cultivatable land is as follows: plough-land (95.000 ha), meadow (69.000 ha), orchard (2.700 ha) and vineyard (5.000 ha). The structure of land usage is much more unfavourable than in the rest of the B&H. It is being deteriorated at the expense of more productive crops and in the same time cultivatable land is being reduced at a rate of about 3.000 ha annually. The good thing is the proportionally larger share of orchards and vineyards. Private holdings which dominate in the ownership structure of land are very fragmented. The average size of holding (in all crops and classes) does not exceed 5 ha and holdings are scattered in an average of 10 plots that are several kilometres distant from each other. Moreover, agrarian overpopulation exists because there is an average of 110 inhabitants living on each 100 ha of cultivable land.

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<sup>4</sup> Data relates to 1980 roughly. Source: Vlado Smoljan, Chapters from the economic history of Herzegovina, IV edition, Chamber of commerce Herzeg-Bosnia, Mostar 1999. Data about land structure of the municipality Kupres and part of former municipality Kalinovik that is merged to municipality Konjic in about 733 km<sup>2</sup> of area are not available.

Disposable land could be used more intensively. It is estimated that it is possible to irrigate about 75.000 ha or 44% of the cultivable land and it represents the biggest development possibility.

Soil in Herzegovina is of limestone, fluvioglacial and alluvial origin. Rare oases of flysh are found in certain areas. Meadows, red soil and humus-silicate soil dominates in the mountainous parts.

The land is a stable, long-term resource. It is permanently available for use and with cultivation and irrigation systems there is a possibility for high yields. In this area, however, there is a decrease in the plantation of cultivable land and a lot of the land has been left to degrade. The bare mountainous terrain offers little productive possibilities and seasonal floods create havoc. The situation could be improved by regulations on the use of land, agrarian minimum, provision of social security support for agricultural households and regulations on heritage.

Forests cover about 500.000 ha of the region's land (according to the 1979 register) excluding previously mentioned parts of the region. Of of this amount 72% is state property while the remaining 28% is private property. High forests located in the mid Neretva, Nevesinje-Gacko and Konjic wood-area cover only  $\frac{1}{4}$ , i.e. 108.000 ha whilst lower and degraded forests cover the remaining  $\frac{3}{4}$ , i.e. 397.000 ha (dispersed in almost all municipalities of the region). There is no reliable data about total wood mass, annual growth and wood cutting. What is important for forestry and wood processing is the fact that wood cutting must not exceed annual wood growth. This is not receiving enough attention after the war.

Wood cutting since the war exceeds annual growth which tends to degrade the woods. The resources could be regenerated, thus increasing the quality and quantity of wood and the environment. This would require a long period of investment and care although forests could be exploited within a year of growth. Replanting trees on abandoned and degraded surfaces would be opportune. Awareness needs to be raised on the importance of wood for ecological and climatic balance and the stability of the area. At present there is inadequate regulation on the use of woods.

Vegetation is rich and numerous. The low Herzegovina has evergreen Mediterranean plants, deciduous underwoods and rare woods on the higher hillocks and hills. There are different types of deciduous and coniferous forests in mountainous Herzegovina as well as many grasslands.

Fauna is also very rich in Herzegovina. Partridges are known in this area and the mountainous part is rich with chamois, bears, roes, grouses and other endemic animal species.

### **6.3. Minerals and ores**

There are considerable reserves of brown coal, magnetite and bauxite (metal ores), as well as limestone, gypsum, dolomites, pirofilitite and decorative stone (non-metal and building materials).

The following table shows the review of raw material (minerals) potential of the region according to the present explored situation.

Minerals	Location	Reserves		Exploitation	Trend
		Quantity	Quality		
Coal	Mostar	23 mln. t	Medium	Stopped	Low chances for renewing production
	Bijelo polje, Mostar	69 mln.t.	Medium	Not done	As previous one
	Kongora, Duvno	206 mln. t.	Low calorie (energetic coal)	Not done	Depending on construction of TPP
	Čelebić, Livanjsko polje, Livno	100 mln.t.	Low calorie	Not done	
	Prolog, Livno	250 mln.t.	Low calorie	Not done	
	Gacko	289 mln.t.	Low calorie	Going on	Depending on duration of TPP Gacko
Bauxite	Dispersed beds on the area of 150*10 km.	40 mln.t.	Average	Stopped	Significantly depends on market conditions
Magnetite	Tovarnica, Jablanica	7 mln.t.	High value	Stopped	Depending on the potential buyer – Ironworks Zenica
Gypsum	Sovići, Jablanica	6,4 mln t.	Confirmed by laboratory experiments	Not done	Increased demand on external market
Dolomite	Podbor, Prozor/Rama	32,3 mln.t.	Confirmed by laboratory experiments	Only for local needs	Trend did not reflect possibilities because industrial processing failed to take place
Tuff	Livno	0,45 mln.t.	Confirmed for long time use in Cement works Split	Stopped	...
Pirofilitite	Parsovići, Konjic	15 mln.t.	Confirmed by laboratory and industrial experiments	In renewal phase	Long-time positive trend
Technical stone	Mineral extensively present; Stone-pits opened as needed	Practically unlimited	As needed	Stationary only near towns	Oscillatory, depending on investment volume
Gabbro	Jablanica	0,8 mln.m <sup>3</sup>	Explored, proved and accepted on the market	Renewed after the war	Long-term stable trend of high market demand
Limestone block	Several locations in Posušje and Bileća, Indications about other beds	1,2 mln.m <sup>3</sup>	Known and accepted on the market	Continuous	Moderate demand increase

Gravel stone and sandstone	Several locations; Manufacturing in Čapljina	60 m <sup>3</sup> /h of concrete and manufactures	Proved	Continuous	Oscillatory, depending on investment volume
Clay, for bricks	Berkovići	...	Confirmed by laboratory experiments	Not done	High demand for bricks and tile in the region; supplied through import

Table 3. Minerals potential in the region

A special and detailed analysis of possibilities to exploit minerals and ores in post-war conditions is necessary, especially in relation to concessions.

## 7. Infrastructure

City infrastructure of the Herzegovina region municipalities is far behind the rest of the country. The infrastructure network exists in some parts of municipalities and it is stretching and developing in line with the direction of urbanization (along traffic roads and in urban centres).

The situation in infrastructure differs throughout the region. The condition of infrastructure is better in the municipalities in FB&H than in the municipalities in RS. Among municipalities in the Federal part of the region, the city of Mostar has at its disposal the best established and developed infrastructure network while in the RS part this is true for Trebinje.

### 7.1. Traffic infrastructure

Herzegovina region is a crossroad of two basic communication directions of regional, national, bi-national (B&H-Republic of Croatia) and European importance. This determines its present and future position in this part of the Europe.

Both communication directions are of equal importance for the region. However, priority is given to the north-south direction. The planned Corridor 5-C (Baltic-Adriatic) will connect the sea with the continent and it is the final section of the important European communication direction. The second direction, the Ionic direction, follows the Adriatic coast and connects Europe and Near East through the Balkans.

*The following picture shows the map of the B&H with main road and rail routes.*

Picture 4. The main road and rail routes in B&H



Map No. 3729 Rev. 5 UNITED NATIONS  
June 2004

Department of Peacekeeping Operations  
Cartographic Section

### 7.1.1. Roads

The existing roads in the region stretch alongside the aforementioned communication lines. However, these roads are not even close to European standards. The extremely bad technical characteristics of the roads lead to high transport costs. This data implies the need to improve the road network by the construction of modern roads and by modernizing the existing ones.

As for the road structure in the region, the highest category roads in the region – main roads – are in the Herzegovina-Neretva Canton and in two municipalities in RS (Trebinje and Gacko). Other roads are of regional or local importance and they are used as alternatives to the main roads.

Almost all the roads in the region are asphalt (mass of gravel and tar). There are some tar macadam roads (local in character and not so significant) that connect some small settlements in the mountains.

The most important road, the M-17, goes along the river Neretva from Opuzen (the crossing point with the main Adriatic road in Croatia), Mostar, Sarajevo and along the river Bosna to the state border on the river Sava. It was designed in the 1950s along the old 'Austrian' road. It was constructed in the 1960s and modernised several times when possible. Although maintenance work is done regularly and road signs are good, the road is not adequate for the frequent traffic and driving capabilities of modern cars. Due to this, the road is 'slow'. For example, approximately 2.5 hours of driving is needed to travel the 130 km (Mostar-Sarajevo) because of the frequent settlements (there is only one by-pass road in Mostar). The average driving speed cannot be higher than 50km/h.

The second main road, the main Adriatic road, passes through the region at Neum, the only town in B&H on the Adriatic Coast (a length of 20 km). The third main road goes from north to the south, along the river Drina from Zvornik, Foča, Trebinje to Dubrovnik in Croatia.

The following should be borne in mind when discussing roads in the Herzegovina region:

1. There is 124 km of highway in the region (Ivan Sedlo-Mostar-Doljani). These roads are not even close to European standards however and this leads to isolation. The extremely bad technical characteristics of the roads lead to high transport costs. The resources allocated for maintenance are insufficient and there is a lack of planning for road maintenance and development. Difficult conditions exist for granting concessions and there is lack of cooperation with neighbouring countries to simultaneously develop a network of European roads in the Balkan area.
2. On the bright side though, the construction of European roads through BiH, which would link Brussels to Asia and the western coast of Greece, and especially the construction of Corridor 5C and its link to the Adriatic road, would be very advantageous.



### **7.1.2. Railway Line**

The only railway line in the region goes along the river Neretva and in its passage through the region is totally in the Herzegovina Neretva Canton. It was constructed as a narrow-gauge railway line at the end of the 19<sup>th</sup> and at the beginning of the 20<sup>th</sup> century during the Austrian period. It was modernised to a normal-gauge railway line in 1966 (to European standards). It is electrified all the way from Ploče to Sarajevo and is connected through Sarajevo and the cross point in Doboј to the European network of railway lines.

In addition to the main railway line (Gabela-Ivan, 177 km), there are 91 km of industrial railway lines without electrical installations.

This railway line was destroyed during the war. It has been reconstructed with the support of the International Community. The line satisfies all traffic standards, but it is not used as it was before the war. Its share in the total transport of the area has reduced from 17% to 1.5%, due to the post-war blockade on industry. It is only being used for the local transport of passengers. A few months ago, the international railway connection to Zagreb and Europe was reintroduced.

There are several local and one international train going from the station in Mostar every day. Through the Sarajevo railway station it connects to the west (over Zagreb) and to the east (at Belgrade). Transport of goods by railway is practically non-existent. Only the Alumina plant from Mostar transports its products and raw materials from the terminal in the port of Ploče.

Of greater importance for the western part of Herzegovina and B&H as a whole would be the construction of the long-planned Split – Sarajevo railway.

An added disadvantage to the total railway network is the average speed of the trains (below 50 km/h) which disqualifies it as a traffic alternative. Possible solutions to this problem by special regulation at state level need to be considered.

### **7.1.3. River and Sea Traffic**

There are no river ports and seaports in the HER because the existing depth of the river Neretva and the sea (in Neum) is not suitable for the construction of ports. The river Neretva is navigable from Metković up to the estuary in Ploče. Therefore, the only available port for the region is the river port in Metković. There are some pre-feasibility studies which show that the river Neretva could be navigable up to Čapljina. In this way B&H could have an additional river port, but this is far from realization. Anyhow this is valuable for further analysis.

The seaport in Ploče is strategically planned, equipped with good infrastructure and capacities, and therefore satisfies the needs of the surrounding area in proximity to Corridor 5-C and of the Herzegovina region as well. Its status is determined by the international agreement between B&H and Republic of Croatia.

The eastern part of the region (the part in the RS) is oriented towards the port in Dubrovnik (Croatia) and Herceg Novi (Serbia and Montenegro) because they are closer.



#### **7.1.4. Air Traffic**

The only airport in the Herzegovina region is located in the Mostar valley, i.e. in the settlement Ortiješ, 6 km from the city of Mostar, along the main road M-17. It is owned by the city of Mostar, is under the jurisdiction of the Mostar authorities and it is registered for international air traffic.

The airport facilities (infrastructure and the airport building) have been reconstructed by the International Community. After procurement of the equipment it lacks, the airport will be used to full capacity. Assuming favourable weather and other favourable conditions, it is certain that the Mostar airport, if managed properly, can become one of the most important airports in the wider area. Primarily it can be used for the transport of tourists coming to Međugorje, as well as nearby Dalmatia or it can be used as an alternative to Sarajevo airport during winter.

There is only one regular flight to Zagreb (Croatia Airlines) from Mostar airport but Mostar has been globally connected through the airports in Sarajevo, Dubrovnik and Split (with a drive of app. 2.5 hours) and Tivat (Montenegro). In 2002, there were 424 flights from Mostar airport which is half the number of flights before the war. In the same year 10318 passengers were registered (one third of the pre-war figure). This is only 23,99% of the total passengers flying in B&H.

### **7.2. Water Supply and Wastes Waters**

#### **7.2.1. Water Supply**

The organised water supply network covers users in the main centres of the municipalities and some bigger settlements. The other parts of the municipalities use alternative water sources i.e. local springs or tanks.

The water supply system in the city of Mostar is the most developed one in the area and has the longest tradition (the first water supply system in this area was constructed at the end of the 19<sup>th</sup> century during Austrian times). Still this water supply system is not sufficient for the needs of the population. The 'higher city zones' do not have a good water supply, especially during summer. This problem will be solved by implementation of the credit from the World Bank. Upon implementation of the project, the water supply system in the city area of Mostar will be stable and adequate in capacity. Water supply for the rest of the municipality remains unsolved.

Solving the problem of the water supply system in the whole Herzegovina region is the next step. This project, called 'Herzegovina water supply ring', connects the existing improved systems into the network of a wider area (Herzegovina and Dalmatia). This strategic project is being partially realised and will subsequently lead to better coverage of the field. The project called 'Upper horizon' is an issue of discussion in the RS. Two views hold sway – one that supports it as a good solution for the water supply of RS and the other one that supports the thesis that taking water from Neretva to Trebišnjica could endanger a great number of springs (like Buna, Bunica and Bregava) and thereby cause bigger problems for the environment.

One drawback in the water supply system of the region is in the way the problem is approached. Water is in equal demand by the settlements, agriculture, power plants and industry, not only in the region but also downstream – in Dalmatia and on the

Montenegro coast at Herzeg-Novi. Water needs to arrive there unpolluted. Due to this it is of utmost importance to establish integral management of the catchments of Neretva, Trebišnjica and Cetina. It is necessary to develop a strategy for the multi-purpose usage of the water in the region.

### **7.2.2. Waste Waters**

The installed capacities for the evacuation and treatment of waste waters do not satisfy the needs of the population and the industrial capacities. Sewage systems exist only in central zones of bigger settlements in the Herzegovina region municipalities. The population in other settlements use alternative solutions which endanger the environment (tanks, septic pits or direct connections to water streams).

Collectors for the treatment of waste waters are rare. They are only installed in the city treatment plant in Široki Brijeg, the Alumina plant and in Trebinje. Fortunately, industrial capacities were reduced after the war. Due to this, pollution from these sources is less than in the pre-war situation (pouring of alkali from the Alumina plant, pouring of chemicals from Chemical Institute or Textile Combine).

Maintenance works on the sewage system are minimal due to a constant lack of funds and the issue of interference. During heavy rain, the local roads in settlements are flooded and water causes traffic jams and damage to the roads. However, a bigger problem is that household connections to septic pits exist in all municipalities and household sewage is being directly poured into streams or on to the soil surface.

Special public companies have been established by municipalities for the maintenance and functioning of the water supply and sewage systems.

Waste water treatment is an issue that requires implementation of the «the polluter pays» principle. Technological solutions for waste disposal and treatment are known and it is possible to establish a cadastre and monitoring system. However, the legal system is not harmonized and is not functioning due to the lack of the political will to resolve the problem in a unified way. The level of awareness about the significance of this issue for the overall community needs to be raised.

### **7.3. Disposal of solid waste**

Each municipality has a public company engaged in the collection, transport and disposal of solid wastes. These companies are encountering many problems and their status is not resolved. The companies collect and dispose untreated solid waste in mainly unsuitable depots. There are as yet no private companies in this sphere although B&H regulations do allow that.

The situation in Mostar is very bad regarding the disposal of solid waste. There are two companies dealing with solid waste and only one depot reconstructed by EUAM (EU Administration in Mostar). The ownership of the depot is an issue of dispute. A policy of antagonism and division resulted in many 'wild' depots (mine pit, Rodoč, Jasenica, etc.), which pollute surrounding areas and endanger the environment. There is a World Bank project dealing with this issue. Mostar could become an example as the city which solves the issues of solid waste treatment in accordance with all environment protection standards, including the recycling of secondary raw

materials. The World Bank selected this project as a priority one which has regional importance. Upon its implementation, the region will get adequate treatment plants for solid waste and the possibility to develop certain companies which will use recycled material. Protection of the environment will be improved and the environmental balance preserved.

An additional problem is the disposal of medical waste as there is no incinerator plant and certain areas are polluted by chemicals.

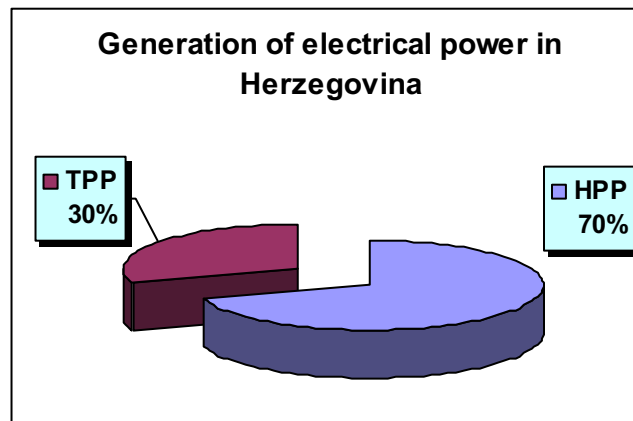
#### **7.4. Electric-Power System**

The rivers of the Herzegovina region have 50% of the hydro-potential in B&H.

There are five hydro power plants on the river Neretva and the river Rama while the additional plant (Svitava) in Čapljina is a recurrent one. There are three more plants on the river Trebišnjica. There is only one thermal plant located in Gacko which supports the stability of the power system in Herzegovina.

The average annual power production in 9 hydro power plants (HPP) amounts to 4.918 GWh and the average annual production in thermal power plant (TPP) Gacko amounts to 2153 GWh. This makes for a substantial share in this kind of energy production in B&H.

**Graph 5. Generation of electrical power in Herzegovina**



High-voltage and low-voltage transmission lines and transformer stations are being used for the distribution of electrical power. This network was reconstructed by International Community donations so nowadays it is functional and satisfies needs but it is still not up to pre-war capacity.

The high-voltage transmission line is an important part of the Balkan network, so further modernisation and development are expected.

The low-voltage (users) network in the region is satisfactory. There are no settlements without electric power. After being destroyed during the war, it was reconstructed and modernized with the support of International Community donations.

Two public companies are engaged in the distribution and production of electric power in the Federation part of the region ("Elektrodistribucija B&H" and "Elektroprivreda HZ HB"). The public company "Elektroprivreda RS" performs these tasks in the Republic Srpska. These companies are in the phase of transitional change, privatisation and fusion. Once completed, services and the price of electricity will be identical for all the population in the region and a further transformation process will be facilitated.

Upon privatisation of the public power companies, the power supply and development of the system will be better and the region will become more attractive.

Improvements and stabilization of the power system in the region and in all of B&H will be best achieved by the eventual construction of a thermal plant in Livno. Other alternative sources of energy, like solar cells or windmills, should also be used.

More than average opportunities for hydro-power generation and a strong potential for thermal energy are strengths in the Herzegovina region. Significant possibilities to use solar and wind energy should not be neglected. Available resources provide significant potential to increase power generation and adequate distribution could enable the export of energy to the areas outside the country borders.

### **7.5. Heating Energy**

The population in Herzegovina mainly uses electric power or coal/wood for heating. A small number of households have organised heating through heating plants or they use alternative sources (gas bottles or similar). Although generated power surplus occurs, problems with electric power supply are present and so power reduction is used in certain parts of the region.

It should be pointed out that solar energy is not used for heating even though the number of sunny days per annum amounts to approximately 230. Poverty, i.e. a low standard of living and poor purchasing power of the population are the main reasons for this.

Before the war, coal or oil heating plants existed in some parts of certain towns (most of them were constructed in Mostar). These plants were devastated during the war. Investing funds in their reconstruction is being considered.

### **7.6. Telecommunications**

The telecommunication system of Herzegovina region is divided into three systems of fixed (land-line) and mobile communication. There are three public companies engaged in telecommunications (HT Mostar, BH Telekom and Telekom RS). In the field of mobile communication, a considerable part of the region is also covered by ERONET (Bosnian Croats' operator).

The transition process in these companies is in progress. Land-line communication capacities are well developed and mobile communication has good signal coverage.

Each of the telecommunication systems provides services such as Internet, automatic devices, ISDN connection etc.

The land-line and mobile telecommunications service market in Herzegovina region are characterized by the following:

- physical spatial division of the market by entities and cantons
- monopoly of landline and mobile communications providers
- expensive cost of landline and mobile communications services
- unsatisfactory quality of the services offered.

The rapid development of telecommunications after the war has already surpassed the war losses, including the number of subscribers. Information technology remains very low (BiH is very low on the European scale with regards to Internet users) but availability to global information is satisfactory.

Because economic development is lagging behind, the development of modern communications is slow. There is a monopoly of service providers and there is still a lack of local awareness on trends, standards and possibilities in the development of communications in Europe and the rest of the world.

Telecommunications and information technology (hardware and software) could be developed based on the pre-war experience of the UNIS factories in Mostar (UNIS Electronic, UTA, Telecommunication equipment).

### **7.7. Industrial Infrastructure**

Industrial zones are located in the vicinity of each of the bigger towns in the Herzegovina region. This is done in accordance with urban planning.

A number of pre-war built premises and industrial zones with the necessary infrastructure lie unused after the war. These old industrial sites are in proportionally high-value locations and still have the infrastructure and plants. There are also new locations with invested resources (assets), production and employment. There is a lack of significant post-war investment and growing concern related to the development of new economic premises caused by a vacuum in the new economic system. There has been uneconomical use of space and more expensive building of industrial capacities due to the new demands for infrastructure.

Abandoned locations could be analysed and the remaining capital validated. They could be offered for sale. This would aid the urbanization of towns and the organisation of land use which would prove to be a convenience for investors, including concessionaires. It is useful to mention that a document on identification and categorization of entrepreneurial zones has been written and it could be useful in resolving this issue.

The problem lies in the unbalanced private and public interest, the insufficient interest of local and regional authorities to balance the situation and the lack of incentives for the rational use of sites and premises.

## 8. Education system in Herzegovina

The present education system is inherited from times past. Methods and programmes are inherited and subjected to certain modifications. The education system is composed of obligatory primary education and non-obligatory secondary education and university education. All educational institutions are publicly owned.

A high proportion of the population is being educated but education in general is disintegrated and under the control of ethnic parties.

A general modernisation of the educational system in line with EU standards is required. This is ongoing, but will take a long time. It would be possible to accelerate the process.

### 8.1. Primary Education

Primary education is obligatory for all children who are 7-15 years old. Education is organised in eight grades and the subjects of the education programme give basic knowledge to children. There are regular schools, special schools for disabled children and music schools.

The number of primary schools and pupils has decreased by 13% compared to the pre-war situation and the number of teachers increased by about 6%. There are limited financial resources to modernize these schools however.

Three different education programmes (in Croatian, Bosnian and Serb language) are used in primary schools. Transformation in line with European principles is necessary and would have ongoing advantages.

### 8.2. Secondary Education

The number of students in secondary education is similar to the pre-war number, comprising around 70% of the generation (increased from the pre-war 50%). The number of secondary schools has increased by 15% and the number of teachers has doubled. These schools are also public ones and in them the children are educated for specific professions. In addition to academic subjects, the children also have practical training, which is more or less theoretical. Laboratories are rare and usually badly equipped.

The quality of education is gradually changing due to the introduction of modulated plans and programmes.

There are regular secondary schools (with different courses) lasting 3 or 4 years, specialised schools for disabled children as well as religious schools.

Schools are divided on an ethnic basis. It has been suggested that the modular system could be developed further and school plans and programmes could be integrated.

The reforms are aimed at education of young people with emphasis on practical knowledge. The selection of professions should be based on the needs of companies that exist in the region with a clear strategy setting out the professions that increase employment opportunities for the young population on the labour market of this region.

### **8.3. University Education**

There is an increased number of university educational institutions in the Herzegovina region:

- Two universities in Mostar,
- Faculties in Trebinje (organizational part of the University of East Sarajevo).

The number of university students is 50% higher than before the war and number of professors and assistants is also increased from the pre-war level (by 25%). University education covers 25% of the generation (increased from the 10% pre-war figure). An extended education is available because of the low employment opportunities upon completion of education.

The educational system is quite rigid and the unnecessary parallelism in certain institutes of higher education (two universities offering the same courses) makes education more expensive.

The possibility for improvement lies with the implementation of the Bologna declaration, and in the harmonization of the spectrum of education on offer in line with the current and future needs of the economy in the community. This can only happen if there is a willingness to change.

### **8.4. Training centres and other educational infrastructure**

Education organized outside of the classroom is a new concept for the population in this region. There are courses solely for learning foreign languages or computer skills as supplementary knowledge. These courses are sometimes organised by companies.

A system of adult education needs to be organized in which the subjects could be adapted to technological changes in the economy. As yet no educational institutes exist for public sector training and public administration, especially involving management in those sectors.

## **9. Traditional sectors of economic activity of the region**

The economic structure of the region is diverse. Before briefly describing it, it is necessary to mention the limitations which considerably distort the picture.

Without engaging in difficult terminology related to economy, business, private sector etc., the following text will differentiate the area's total activity in the market and public sectors. The market sector covers most activities that charge money for products and services regardless of their former registered ownership (i.e the state) whilst the public sector includes services that are paid for by taxes (through the budget) or contributions.

This differentiation will not be sufficient to complete the picture of traditional sectors in Herzegovina since much data is missing. This is sometimes due to the system schemes and sometimes due to incomplete statistic coverage of the activities. The main drawbacks are as follows:



1. Data on collected taxes and their distribution through the activities has been considered as confidential and therefore not published. Due to this it is not possible to get data on basic SNA categories (gross domestic product), tax burdening, etc.
2. Agriculture in the private sector was never statistically measured in the same way as other market activities so there is no reliable data on agriculture, its domestic product or number of employees. The number of people employed in agriculture is hidden under the number of persons «actively engaged in agriculture» which was the only category measured statistically in the census. The number of persons actually employed is normally overestimated but it is not possible to determine what the percentage is.
3. The general picture of the absolute and relative development of certain areas is distorted due to missing data on agricultural activity which is either measured by the employment (unemployment) rate or by domestic product per capita.
4. Data on land surfaces, their scope and use (neatly kept in a municipality cadastre) is not presented separately in the statistical publications for each municipality so it is not possible to reliably determine the consequences of land policy either. Analogously this also relates to forests which were excluded from private ownership soon after the end of World War II and transferred to the state, becoming public property later without compensation.
5. The actual number of persons employed in the market activities of public property (declared as state property after the war) is also overestimated because the law did not allow for adjusting the number of employed persons to the market needs of the company. Data on formal employment is neatly and statistically registered but, in several expert documents, analysis of used capacities shows that the real number of employed persons reached only half of the pre-war number.

These drawbacks significantly limit insight into the importance of certain activities in the total economy not only in the Herzegovina region but in B&H as a whole. Due to this tables 4, 5 and 6 show the available data for municipalities in the Herzegovina economic region:

1. The number of employed persons in municipalities in 1989 (Table 4). Only the market economy of public property is covered.
2. The domestic product of the public sector in municipalities, 1989 (Table 5). Data is presented in millions of German marks (DEM/BAM) and can be taken as being in fixed prices because at that time the exchange rate of the domestic currency was stable in relation to the German mark (1DEM=7YUD). This makes data comparable to the post-war situation, although it is incomplete.
3. The main indicators of development of the municipalities in 1991 are shown on two tables. Table 6.1. shows raw data while table 6.2. show derived indicators on absolute and relative development of municipalities. Absolute development is expressed by the employment rate of the total population and by the domestic product per capita. For relative development it is posited that the regional development rate is 100 and then rates for each municipalities

are calculated accordingly. Indicators are justifiably distorted in accordance to the aforementioned explanations and they changed a lot during the war so their use is rather debatable. Nevertheless it is not possible to get other, more precise, data without special and detailed research.

The Herzegovinian economy has been developing since World War II with systematic neglect of the economic potential in the agrarian sector of private property (in the rural areas) and strong development of the processing industry in public property (in towns). In this way the overall structure has been changed in favour of the processing industry and tertiary activities as well as there having been a movement from rural areas to towns. With such development new sectors (aluminium industry, metal-processing, textile and military industry) have been built in the traditional activities (agriculture, handicraft, trade). They were gathered in industrial conglomerates and clusters. The structure of the market sector was as follows:

1. The mining and processing industry made up 57.8% of the domestic product of the region and had 47% of the total number of formally employed persons. Production of bauxite, coal, stone for concrete and asphalt, decorative stone as well as clay and tuff exploitation that was later abandoned, dominated the mining industry. The processing sector produced aluminium, metal constructions, products of different scope in the metal-processing industry, tool industry, textile, furniture, aircrafts and the electronic industry. In addition to agricultural production, these activities were the main pillar of development and foreign trade in which there was a positive trade balance. Leading economic entities were: Aluminium plant, Aircraft and Metal-processing industry «Soko» (all situated in Mostar), Igman Konjic, UNIS Mostar, Tool industry Trebinje, Textile industry «Đuro Salaj» Mostar, Furniture industries in Mostar and Konjic, Granite industry Jablanica, Carpet factory Bileća etc.

A special place in this activity belongs to the electric energy generation in power plants built on Neretva, Trebišnjica and Cetina. This system was built up on 8 hydro power plants and one coal mine, meaning that 9 power plants were built on three water streams and used approximately 60% of the region's water potential. The neighbouring Republic of Croatia also used water from this area in the power plants Plat (near Dubrovnik) and Orlovac (on Cetina river). Energy generation had surpassed energy consumption so the region exported the surplus.

2. Agricultural production and fishery were rated the second most important activity in the region, although formal employment in this sector did not support this statement. Concentrated in the agricultural complex «Hepok» (later Agri-business Complex Herzegovina) and Tobacco factory Mostar, the region was an important exporter of specific local products (fruits, grapes, vine, flowers, tobacco and its products). Individual production of early-season vegetables and fruits was largely done by marketing products in Dalmatia to the south and Bosnia to the north.
3. Trade was placed in third place according to its domestic product and employment. It made up approximately 11.1% of domestic product and employed 10.8% of formally employed persons.

4. Due to high investment, the construction industry was the activity with an approximate 10-12% share in the economic activity of the region. In the first decades of its development it relied on investments in the region whilst in the last two decades it employed about 1/3 of its capacities outside the region, B&H and former Yugoslavia.
  
5. Railway and regional roads were used for traffic in the region. The Sarajevo Railway company managed railway traffic that used the only existing rail route in the region (Ploče-Sarajevo) while there were few dominating companies in road transport dealing with passengers and goods transport. Transport companies employed about 6.2% of total number of employed persons and had the same share in domestic production.
  
6. Other activities shared less than 5% of employment and domestic product. Other activities comprise: forestry (forests preservation and exploitation), water resource management (water preservation and water protection), catering, handicraft and communal services. At the end of period examined, the status of market activity has been extended to technical and business services, publishing, and health and social care after the law had enabled the establishment of private companies in these activities. Banking was still treated as a non-market activity so it is not included in this data.

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**Table 4: NUMBER OF EMPLOYED PERSONS PER MUNICIPALITIES IN 1989**

Municipality	Total	Public sector	Economy total	Industry & mining	Agricult. & fishery	Forestry	Water resource manag.	Construction industry	Traffic	Trade	Catering	Handicrafts
Čapljina	6740	830	5910	3128	523	0	160	177	598	823	261	11
Čitluk	2935	361	2574	1691	58	0	0	215	74	280	249	
Jablanica	3151	355	2796	1319	17	40	0	606	162	226	184	23
Konjic	10684	1085	9599	6019	65	301	298	851	527	655	369	18
Mostar	42720	6170	36550	17508	856	94	0	3708	3030	5730	1540	142
Neum	931	148	783	60	37	0	0	40	17	92	422	1
Prozor	2063	414	1649	854	18	88	0	211	152	230	76	
Stolac	4186	562	3624	2616	46	0	0	265	174	277	143	6
<b>HNK/ŽHN</b>	<b>73410</b>	<b>9925</b>	<b>63485</b>	<b>33195</b>	<b>1620</b>	<b>523</b>	<b>458</b>	<b>6073</b>	<b>4734</b>	<b>8313</b>	<b>3244</b>	<b>204</b>
Grude	2020	385	1635	989	2	0	0	247	67	243	47	
Ljubuški	3694	598	3096	1721	21	0	64	307	233	620	97	
Posušje	2567	429	2138	1670	32	26	0	11	27	293	28	
Široki Brijeg	4482	631	3851	2552	32	0	29	495	212	447	76	
<b>ZHK/ŽZH</b>	<b>12763</b>	<b>2043</b>	<b>10720</b>	<b>6932</b>	<b>87</b>	<b>26</b>	<b>93</b>	<b>1060</b>	<b>539</b>	<b>1603</b>	<b>248</b>	
Livno	5185	271	4914	2226	111	0	0	697	877	598	270	11
Kupres	2864	1206	1658	681	173	353	0	62	130	159	79	
Tomislavgrad	3029	728	2301	929	136	29	0	167	251	577	93	1
<b>HBK/ŽHB</b>	<b>11078</b>	<b>2205</b>	<b>8873</b>	<b>3836</b>	<b>420</b>	<b>382</b>	<b>0</b>	<b>926</b>	<b>1258</b>	<b>1334</b>	<b>442</b>	<b>13</b>
Bileća	4041	385	3656	2770	3	29	0	327	132	265	124	
Gacko	3339	331	3008	1401	75	70	0	160	221	233	299	45
Ljubinje	1316	128	1188	796	112	0	0	69	41	116	28	
Nevesinje	2622	391	2231	1476	183	103	0	53	81	164	57	
Trebinje	11582	1317	10265	6059	203	46	36	1660	420	911	348	10
<b>Municipalities in RS</b>	<b>22900</b>	<b>2552</b>	<b>20348</b>	<b>12502</b>	<b>576</b>	<b>248</b>	<b>36</b>	<b>2269</b>	<b>895</b>	<b>1689</b>	<b>856</b>	<b>56</b>
<b>Region, app.</b>	<b>120151</b>	<b>16725</b>	<b>103426</b>	<b>56465</b>	<b>2703</b>	<b>1179</b>	<b>587</b>	<b>10328</b>	<b>7426</b>	<b>12939</b>	<b>4790</b>	<b>273</b>
<b>Percentages</b>	<b>100.0%</b>	<b>13.9%</b>	<b>86.1%</b>	<b>47.0%</b>	<b>2.2%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>8.6%</b>	<b>6.2%</b>	<b>10.8%</b>	<b>4.0%</b>	<b>2.3%</b>

Source: RZS BiH: Domestic product, national income and basic means in SR BiH 1989 (Statistical bulletin 215/91) Sarajevo

Remark: Data do not include employment in the agriculture of private property

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**Table 5: DOMESTIC PRODUCT IN 1989 (mln DEM/BAM<sup>1</sup>) - P u b l i c s e c t o r**

Municipality	Total	Industry & mining	Agricult. & fishery	Fore- stry	Water resource manag.	Constru- tion industry	Tra- ffic	Trade	Cate- ring	Hand- icraft	Communal activities
Čapljina	31,49	17,64	5,29	0,00	0,46	1,01	2,30	2,97	0,89	0,67	0,20
Čitluk	15,64	8,23	1,29	0,00	0,00	1,76	0,80	1,64	1,61	0,30	0,00
Jablanica	14,83	8,67	0,59	0,11	0,00	2,21	0,44	0,84	0,64	1,30	0,00
Konjic	33,07	18,67	3,01	1,16	0,91	2,31	1,90	2,31	0,86	0,79	0,31
Mostar	208,71	129,24	6,99	0,26	0,00	10,94	13,10	26,51	7,90	6,50	2,34
Neum	3,39	0,39	0,49	0,00	0,00	0,27	0,10	0,53	1,29	0,14	0,17
Prozor	8,97	5,73	0,87	0,26	0,00	0,67	0,56	0,71	0,10	0,03	0,03
Stolac	12,57	6,44	3,37	0,00	0,00	0,74	0,51	1,01	0,24	0,16	0,06
<b>HNK/ŽHN</b>	<b>328,67</b>	<b>195,01</b>	<b>21,89</b>	<b>1,79</b>	<b>1,37</b>	<b>19,93</b>	<b>19,71</b>	<b>36,54</b>	<b>13,53</b>	<b>9,89</b>	<b>3,1</b>
Grude	8,36	2,66	1,39	0,00	0,00	1,74	0,80	1,13	0,34	0,13	0,16
Ljubuški	13,16	5,59	2,44	0,00	0,17	1,19	1,17	2,03	0,34	0,17	0,04
Posušje	10,97	6,50	1,47	0,03	0,00	0,49	0,23	2,01	0,14	0,06	0,00
Široki Brijeg	15,53	6,74	1,94	0,00	0,04	2,84	1,00	2,41	0,34	0,19	0,00
<b>ZHK/ŽZH</b>	<b>48,01</b>	<b>21,49</b>	<b>7,24</b>	<b>0,03</b>	<b>0,21</b>	<b>6,26</b>	<b>3,20</b>	<b>7,59</b>	<b>1,17</b>	<b>0,54</b>	<b>0,2</b>
Kupres	6,14	1,94	1,14	1,27	0,00	0,21	0,66	0,70	0,14	0,03	0,04
Livno	24,17	8,01	2,93	0,00	0,00	3,49	5,09	3,09	1,00	0,53	0,00
Tomislavgrad	12,59	5,27	1,14	0,11	0,00	1,63	0,99	2,37	0,51	0,11	0,00
<b>HBK/ŽHB, part</b>	<b>327,97</b>	<b>15,23</b>	<b>5,21</b>	<b>1,39</b>	<b>0,00</b>	<b>5,33</b>	<b>6,73</b>	<b>6,16</b>	<b>1,66</b>	<b>0,67</b>	<b>0,0</b>
Nevesinje	9,93	5,43	2,41	0,49	0,00	0,17	0,21	0,64	0,13	0,01	0,06
Gacko	25,53	18,34	1,84	0,34	0,00	0,54	0,74	1,27	0,74	1,54	0,10
Bileća	15,97	12,41	1,06	0,09	0,00	0,53	0,50	1,14	0,17	0,06	0,00
Ljubinje	4,24	2,24	0,91	0,00	0,00	0,24	0,16	0,54	0,07	0,01	0,03
Trebinje	45,97	30,87	2,37	0,10	0,06	4,11	1,16	3,79	0,74	1,03	0,34
<b>Municipalities in RS</b>	<b>743,84</b>	<b>69,30</b>	<b>8,60</b>	<b>1,01</b>	<b>0,06</b>	<b>5,60</b>	<b>2,77</b>	<b>7,39</b>	<b>1,86</b>	<b>2,66</b>	<b>0,5</b>
<b>Region, app.</b>	<b>521,23</b>	<b>301,03</b>	<b>42,94</b>	<b>4,21</b>	<b>1,64</b>	<b>37,11</b>	<b>32,41</b>	<b>57,67</b>	<b>18,21</b>	<b>13,76</b>	<b>3,89</b>
<b>Percentages</b>	<b>100,0%</b>	<b>57,75%</b>	<b>8,24%</b>	<b>0,81%</b>	<b>0,32%</b>	<b>7,12%</b>	<b>6,22%</b>	<b>11,06%</b>	<b>3,49%</b>	<b>2,64%</b>	<b>0,75%</b>

Source: RZS BiH: Domestic product, national income and basic means in SR BiH 1989 (Statistical bulletin 215/91) Sarajevo

Remark: Data do not include domestic product in the private sector, including agriculture.

<sup>1</sup>converted, exchange rate 7YUD=1DE

Table 6.1: BASIC INDICATORS PER MUNICIPALITIES IN 1991

Municipality	Area km <sup>2</sup>	Population	Number of employed persons in 1991			Domestic pr. (million DEM <sup>1</sup> )
			in economy	in public sector	Total	
Čapljina	256	27882	4940	830	5770	124,39
Čitluk	181	15083	2140	361	2501	84,29
Jablanica	301	12691	2243	355	2598	52,59
Konjic	1089	43878	8741	1085	9826	135,69
Mostar	1227	126628	32282	6170	38452	797,66
Neum	225	4325	835	148	983	24,74
Prozor	477	19760	1637	414	2051	41,84
Stolac	541	18681	3361	562	3923	69,40
<b>HNK/ŽHN</b>	<b>4297</b>	<b>268928</b>	<b>56179</b>	<b>9925</b>	<b>66104</b>	<b>1330,59</b>
Grude	221	16358	1087	385	1472	34,26
Ljubuški	293	28340	2702	598	3300	69,03
Posušje	372	17134	1769	429	2198	37,03
Široki Brijeg	388	27160	2818	631	3449	45,69
<b>ZHK/ŽZH</b>	<b>1274</b>	<b>88992</b>	<b>8376</b>	<b>2043</b>	<b>10419</b>	<b>186,00</b>
Kupres	622	9618	1336	271	1607	24,77
Livno	994	40600	4461	1206	5667	100,06
Tomislavgrad	967	30009	1948	728	2676	52,51
<b>HBK/ŽHB</b>	<b>2583</b>	<b>80227</b>	<b>7745</b>	<b>2205</b>	<b>9950</b>	<b>177,34</b>
Bileća	633	13284	3306	385	3691	49,51
Gacko	736	10788	2928	331	3259	99,74
Ljubinje	326	4172	1062	128	1190	19,44
Nevesinje	922	14448	2087	391	2478	41,36
Trebinje	1205	30996	9671	1317	10988	170,29
<b>MUNICIPALITIES IN RS</b>	<b>3822</b>	<b>73688</b>	<b>19054</b>	<b>2552</b>	<b>21606</b>	<b>380,34</b>
<b>REGION, APPROX.</b>	<b>11976</b>	<b>511835</b>	<b>91354</b>	<b>16725</b>	<b>108079</b>	<b>2074,27</b>

Sources: RZS BiH: Statistical year-book R BiH 1992, Data per municipalities, Sarajevo 1992  
Data on number of population collected by municipalities at the end of 2003

Remarks: Data on number of employed persons and domestic product relates only to the public property sector

<sup>1</sup>)converted, exchange rate 7YUD=1DEM

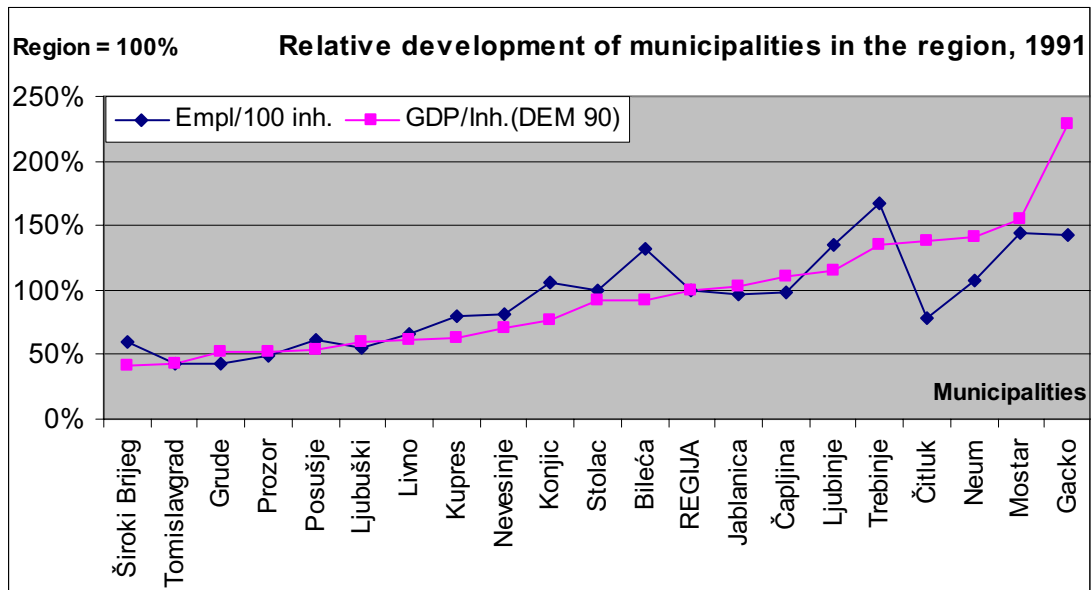
Table 6.2: INDICATORS OF DEVELOPMENT PER MUNICIPALITIES

Municipality	Absolute level of development		Relative level of development (Region=100)	
	Empl/ 100 inh.	GDP/ Inh.(DEM)	Empl/ 100 inh.	GDP/ Inh.(DEM 90)
Čapljina	20,7	4461	98,0%	110,1%
Čitluk	16,6	5588	78,5%	137,9%
Jablanica	20,5	4144	96,9%	102,2%
Konjic	22,4	3092	106,1%	76,3%
Mostar	30,4	6299	143,8%	155,4%
Neum	22,7	5721	107,6%	141,2%
Prozor	10,4	2118	49,2%	52,3%
Stolac	21,0	3715	99,5%	91,7%
<b>HNK/ŽHN</b>	<b>24,6</b>	<b>4948</b>	<b>116,4%</b>	<b>122,1%</b>
Grude	9,0	2094	42,6%	51,7%
Ljubuški	11,6	2436	55,1%	60,1%
Posušje	12,8	2161	60,8%	53,3%
Široki Brijeg	12,7	1682	60,1%	41,5%
<b>ZHK/ŽZH</b>	<b>11,7</b>	<b>2090</b>	<b>55,4%</b>	<b>51,6%</b>
Kupres	16,7	2576	79,1%	63,6%
Livno	14,0	2464	66,1%	60,8%
Tomislavgrad	8,9	1750	42,2%	43,2%
<b>HBK/ŽHB</b>	<b>12,4</b>	<b>2211</b>	<b>58,7%</b>	<b>54,5%</b>
Bileća	27,8	3727	131,6%	92,0%
Gacko	30,2	9246	143,1%	228,1%
Ljubinje	28,5	4660	135,1%	115,0%
Nevesinje	17,2	2862	81,2%	70,6%
Trebinje	35,4	5494	167,9%	135,6%
<b>MUNICIPALITIES IN RS</b>	<b>29,3</b>	<b>5162</b>	<b>138,9%</b>	<b>127,4%</b>
<b>REGION, APPROX.</b>	<b>21,1</b>	<b>4053</b>	<b>100,0%</b>	<b>100,0%</b>

The data presented in the previous tables gives a rough insight into the relative development of municipalities (in relation to the regional average), as presented in the following graph.<sup>5</sup>

<sup>5</sup> Municipalities Ravno and Istočni Mostar are not included in the graph due to lack of data





## 10. Human resources and labour market

The labour market in the region, as in the whole state, is unfavourably placed. Basic economic capacities in the central part of the region were destroyed in the war and post-war revitalization did not happen in most of this area. By additional capital injection in the western part of the region during and after the war, this area has been more developed than before the war and more developed than the state average. Nevertheless, this development could not make up the pre-war employment level even in this area nor could it significantly influence the general employment and unemployment situation in the region.

Data on population, employment and unemployment as well as corresponding rates for municipalities and the region are given in Table 7. It is noticeable that number of registered employed persons in the region has been reduced from 108.100 to 82.400 persons (i.e. reduced for 25.600 persons) in the period 1991-end of 2002. In the last year of examined period, registered employment rate of the «working contingent» amounted to 26.7% and unemployment - 14.7%. Unemployment rate measured by International Labour Organisation criterion (hereinafter ILO unemployment) is significantly bigger and amounts to 35.6%.<sup>6</sup> Regardless of the choice between these indicators, the data show major differences per municipalities. Employment rate of the «working contingent» varies from 11% (Prozor) to 20% (Bileća), unemployment rate varies from 8% (Neum) to 30% (Gacko), while ILO unemployment rate varies from 20% (Neum) to almost 55% (Prozor).

Compared to the B&H situation, the region is in a relatively more favourable position. The ILO unemployment rate in B&H surpasses 40% with an increasing trend (Table 8). Double unfavourable movements are occurring in B&H: employment shows a

<sup>6</sup> ILO indicator has unemployment in the numerator, and sum of employment and unemployment in the denominator. Criterion used in EU has unemployment in the numerator and population number in the working age in the denominator and it is lower than ILO indicator by definition.

reducing trend as the result of privatisation while unemployment constantly grows as a consequence of the lack of a development strategy. Total labour supply largely surpasses total demand and balance could be only achieved by influencing labour demand. The situation is difficult for almost all age groups and qualifications and the average period of job seeking is about three years. This trend is present in the region too. The fact that the situation in the region is a little bit more favourable presents only a nuance in the overall picture.

The labour market in the region is burdened by numerous problems. In such conditions the informal market (so-called «grey economy») is rather developed. It is evident that many employees are not registered. There are many reasons for that but some of them include:

- Autocratic behaviour of many employers
- High taxes and contributions per employee
- Poor functioning of state administration that does not penalise work in the black market
- Formal acceptance of the provisions of the Law on labour
- Absence of unions for employees
- Wrong interpretation of the term “entrepreneurship”
- Legislation regulations which are not adequate and stimulating, etc.

Figures prove the existence of the black market, but there are no up-to-date records and the need for the proper treatment of this issue is emphasized. The status of some categories of workers is not correctly defined; e.g. local employees of international organisations, employees who work in foreign countries, representative branches of foreign companies, employees who work in unregistered companies, employees on waiting lists. The primary task of all relevant authorities is to increase discipline in this segment of public life in order to get a more realistic situation of the labour market.

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**Table 7: Rank-list : employment and unemployment in REDAH municipalities, 2002**

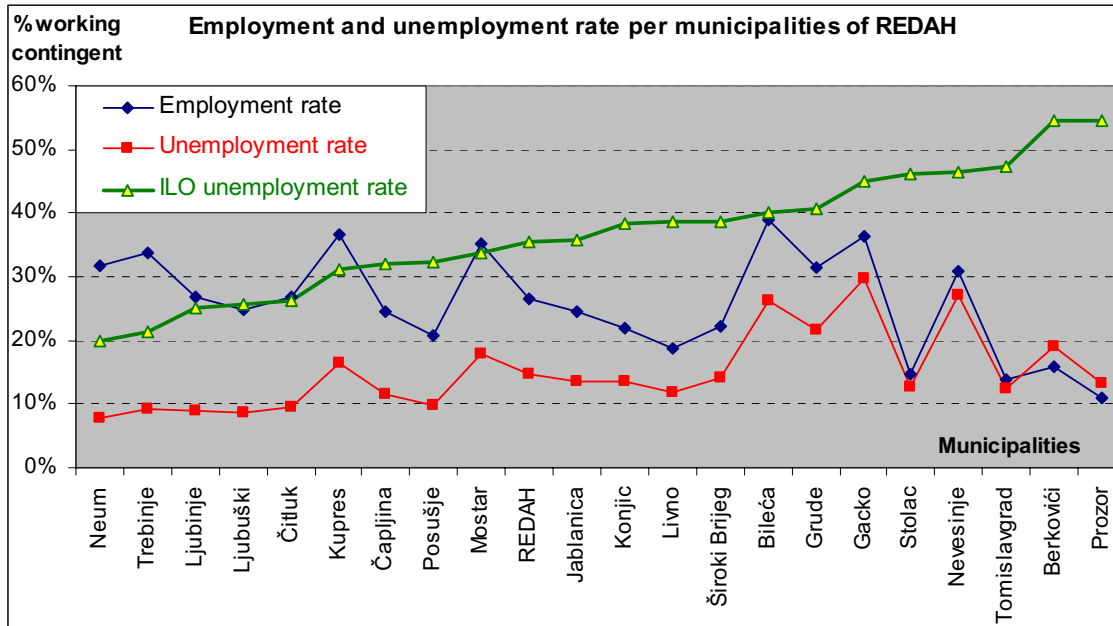
Sources: 1. For municipalities in FBiH: Statistic institute FBiH, Statistical data on economic and other motions, 3/2003, Sarajevo  
2. For employment and unemployment in FBiH: Statistic institute FBiH: Statistical data on economic and other motions in FBiH  
3. For municipalities in RS: Data from municipalities, received upon request

Municipalities	Population		Registered		Particip. in working contingent		ILO unemployment rate
	Total	Working contingent	number of employed <sup>3)</sup> <sub>4)</sub>	number of unemployed <sup>3)</sup> <sub>4)</sub>	registered employed per.	registered unemployed pers.	
Neum <sup>5)</sup>	4795	3274	1038	257	31,70%	7,85%	19,85%
Trebinje <sup>2)</sup>	36000	25200	8504	2321	33,75%	9,21%	21,44%
Ljubinje <sup>2)</sup>	5000	3350	900	300	26,87%	8,96%	25,00%
Ljubuški <sup>5)</sup>	22099	14801	3681	1273	24,87%	8,60%	25,70%
Čitluk <sup>5)</sup>	16370	11077	2965	1061	26,77%	9,58%	26,35%
Kupres <sup>5)</sup>	3012	1895	693	312	36,57%	16,46%	31,04%
Čapljina <sup>5)</sup>	19414	13566	3330	1574	24,55%	11,60%	32,10%
Posušje <sup>5)</sup>	16084	10835	2241	1071	20,68%	9,88%	32,34%
Mostar <sup>5)</sup>	105357	73038	25804	13113	35,33%	17,95%	33,69%
<b>REDAH</b>	<b>451897</b>	<b>309150.8</b>	<b>82441</b>	<b>45488</b>	<b>26,67%</b>	<b>14,71%</b>	<b>35,56%</b>
Jablanica <sup>5)</sup>	13047	8730	2135	1185	24,46%	13,57%	35,69%
Konjic <sup>5)</sup>	29908	21149	4652	2882	22,00%	13,63%	38,25%
Livno <sup>5)</sup>	32505	24576	4604	2906	18,73%	11,82%	38,70%
Široki Brijeg <sup>5)</sup>	29852	20868	4637	2938	22,22%	14,08%	38,79%
Bileća <sup>2)</sup>	14591	8463	3300	2215	38,99%	26,17%	40,16%
Grude <sup>5)</sup>	13361	8543	2678	1839	31,35%	21,53%	40,71%
Gacko	11500	7705	2800	2300	36,34%	29,85%	45,10%
Stolac <sup>5)</sup>	9881	7178	1065	915	14,84%	12,75%	46,21%
Nevesinje <sup>1)</sup>	18280	9365	2898	2527	30,95%	26,98%	46,58%
Tomislavgrad <sup>5)</sup>	27754	20005	2776	2488	13,88%	12,44%	47,26%
Berkovići <sup>2)</sup>	4000	2200	350	418	15,91%	19,00%	54,43%
Prozor <sup>5)</sup>	17221	12085	1333	1593	11,03%	13,18%	54,44%
Ravno <sup>5), 6)</sup>	1866	1248	57	...	4,57%	...	...

<sup>1)</sup> Municipality Istočni Mostar included; <sup>2)</sup> Number of population in working contingent – estimate; <sup>3)</sup> Data on registered employed municipalities of RS received from municipal sources; <sup>4)</sup> Number of employed and unemployed persons in Gacko and Ljubinje did not send data; <sup>5)</sup> Data on number of employed and unemployed persons in municipalities of FBiH relates to the end of April

Remarks: Ravno unknown

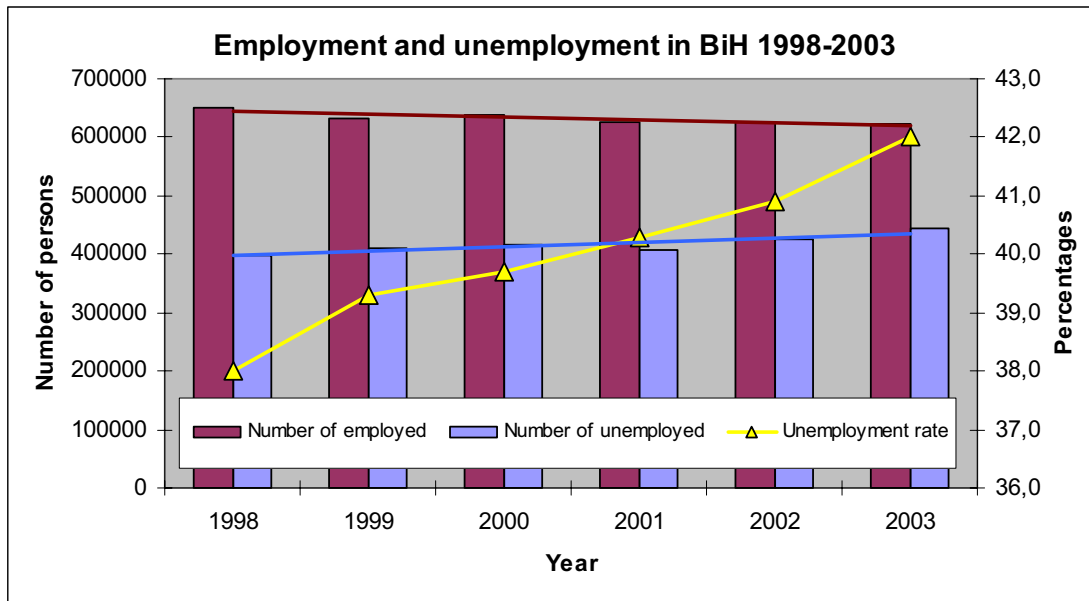
The relative level of development of the municipalities in 2002, measured by the employment and unemployment rate of the working contingent as well as by ILO criterion, is given in the following graph. It should be borne in mind that it relates to registered employment and unemployment and that data on the population number is taken from the municipalities (as previously mentioned).



**Table 8: Registered number of employed and unemployed persons in BiH**

Source: Central bank BiH: Bulletin 4/2003, Table 09, Sarajevo

Year	Month	Number of employed			Number of unemployed			Unemployment rate		
		FBiH	RS	BiH	FBiH	RS	BiH	FBiH	RS	BiH
1998	12	407047	244267	651314	256487	142009	398496	38,7	36,8	38,0
1999	12	410104	220786	630890	261793	147497	409290	39,0	40,0	39,3
2000	12	411305	227748	639053	261773	153264	415037	38,9	40,2	39,7
2001	12	405689	219954	625643	269004	137949	406953	39,9	38,5	40,3
2002	12	390201	234713	624914	290715	134990	425705	42,7	36,5	40,9
2003	12	387294	234685	621979	304830	138111	442941	44,0	37,0	42,0



## CONCLUSION

The Herzegovina region is located in the south and southwest of Bosnia and Herzegovina. It is an economically well integrated region comprised of 22 municipalities. The biggest economic centre of the region is Mostar while other significant economic centres are Trebinje, Konjic, Jablanica, Livno and Široki Brijeg.

Advantages of this area lie in its proximity to the sea, its beautiful scenery, its easy access to commercial harbours and the future construction of a European highway.

The Herzegovina region enjoys a relatively stable climate enabling long-term planning and use of resources.

Water is a crucial natural resource for the future of this region. This is the highest development potential and development strength of the region in terms of food production, energy generation and household and industrial water supply.

Development of the agricultural/industrial sector is based on the fertile land, the number of sunny days, the controlled use of water and the unspoilt environment which provide opportunities for specific food processing for the needs of the regional population and more.

There are considerable reserves of minerals and ores but their geological, mining, chemical, technological and economic potentials have been insufficiently examined.

Traffic infrastructure is the weakest link in the development of the region. Corridor 5C is perhaps the most important medium-term investment which would contribute to better linkage of the region with the rest of world.

A favourable geo-political position, a well-located airport in Mostar, 20 km of indented coast, a railroad which connects the region to the European network, represent only some of the advantages enjoyed by this region.

Energy potential makes this region one of the richest per capita regions in Europe. Of the two resources - coal and water, priority should be given to hydro-energy. Solar and wind energy, with the necessary input of foreign knowledge and experience, should also be considered .

There are three different universities in the region. General modernisation of the educational system in line with European standards is required. The possibility for improvement also lies in harmonizing the spectrum of education offered to the current and future needs of the economy in the community.

The human and material resources in the Herzegovina region can contribute to its development. The people of the region, as a pillar of development, should be encouraged to be productive and business orientated. Every opportunity to use natural resources in an entrepreneurial and responsible manner should be developed and encouraged.

Economic revitalization in the region, as well as in B&H as a whole, is extremely important for the sustainable development and stability of the country and neighbouring areas.

## 5. THE SWOT ANALYSES

At the beginning of 2004, the SWOT analyses for Herzegovina region were undertaken by the working group specially formed for this purpose. The working group comprised representatives of REDAH, municipal representatives, professors from the 3 Universities and other partners from throughout the region, under the guidance of EURED experts.

During the first four months of 2004, a series of meetings, brain-storming sessions and workshops were held, whereby the working group was divided into 8 sub-groups, to examine the following eight specific sectors of crucial economic importance for Herzegovina region:

1. Industry
2. SME (small & medium enterprises)
3. Tourism
4. Agriculture/Forestry/Rural development
5. Education, adults training and human resources
6. Energy
7. Infrastructure and communications
8. Land-use planning and environmental protection

The working group focused on different aspects of development. Their work was not limited to diagnosing, identifying and analysis the current conditions in the region, but also included the objective of highlighting paths and opportunities for future development and emphasising obstacles to the overall development process.

As a result of the sectoral SWOT analyses, an integral SWOT analysis was produced, outlining the key factors of external and internal influence in the development of Herzegovina economic region.

### **Regional Inventories**

Herzegovina region is located in the south-eastern part of Bosnia and Herzegovina, with Mostar city as the main economic centre. The region has a relatively well developed basic economic infrastructure, including the favourably located airport in Mostar, easy access to the Croatian port of Ploče, scenic road and railroad links to Sarajevo, and possesses the only BiH seaboard in the coastal municipality of Neum. There are three different universities in the region, two in Mostar and one in Trebinje, with the latter's faculties linked to the University of Banja Luka.

Before the war, several large companies operated in the region and employed thousands of people, but currently only a few of these industries, working at reduced capacities, have proven to be competitive and sustainable.

Nowadays, there is a great focus on emerging generations of dynamic small and medium-sized enterprises, in many cases combined with the agricultural sector, based



on small-scale production. The post-war development of SMEs has been facilitated by a range of donor-supported initiatives.

It is important to mention the energy sector, which is based on a regional network of hydro-electric power plants, mainly along the Neretva and Trebišnjica rivers.

The extent of foreign investment in the region remains limited, but is still encouraging as it has significantly contributed to improving the region's employment rate and economy. In addition to foreign investments in Ledo Čitluk, Lasta Čapljina, Norfish Mostar, Nerfil Mostar and Uniline Grude, it should be noted that Carnex Company from Serbia and Montenegro invested in Republika Srpska, with a shareholding poultry plant located in Ljubinje. Some of these companies are now exporting, which underscores the need for more rapid privatization, which has not yet been completed. Considerable industrial and economic potential remains frozen in the delayed privatization process, which is severely jeopardising regional economic progress and restricting further employment and new SME opportunities.

The main pillars of the regional economy are reflected in the regional strengths, which remain:

- **Strong geo-strategic location** - Herzegovina is an intersection of the two main communication routes of regional, national and international importance, which determines its present and future position in this part of Europe. It is adjacent to growing markets and its geographical position ensures good links with coastal and continental market destinations, which provide the conditions for fast and cheap transportation.
- **Wide range of natural resources** coupled with **tradition in various sectors** provides comparative advantages for the development of agri-complexes, as well as high potentials for the development of tourism.
- **Energy generation** – Energy generation is at a satisfactory level which is proven by the fact that the region currently exports energy to neighbouring countries;
- **Possibilities for multi-sectoral development** are based on the variety which characterises the region, ranging from a Mediterranean to a mountain climate, a variety of industrial potentials, mineral resources, tradition in various types of agriculture production, etc.
- **Increasing rate of SMEs** and strong entrepreneurial spirit represent one of the most vital segments of the economy in Herzegovina region. The available workforce at competitive rates and various natural resources represent a crucial and promising force for many development directions, including SMEs.
- **Ecological variety** and the clean regional environment are characteristics that make Herzegovina a pleasant, healthy location, suitable for the development of eco-agriculture, eco-tourism, eco-power generation, etc.

### **Regional problems**

The problems facing the economical development of Herzegovina region are as follows:

**Obsolete processes and technologies** in the existing production capacities and, strongly connected to this, outdated organization and weak management. Inadequate education and lack of scientific research initiatives hinder the creation of new

technologies and new products. All of this results in weak market competitiveness, insufficient usage of the natural resources available in the region, a small number of functional industrial capacities and a high percentage of unemployment among the workforce available/trained to work in industry.

***Disorganised entrepreneurs*** due to various reasons, such as: lack of institutional support to SMEs; unfavourable credit lines and high interest rates for investment capital; poor results in the privatization process. The majority of the existing SMEs in Herzegovina region are based on trade and the provision of various services, with only 5 percent of a manufacturing character. This is partly due to the lack of large industries to which SMEs can link, (which would in turn lead to their mutual interlinking) and partly to the lack of institutional support for the manufacturing sector at all levels of BiH society.

***Insufficient utilization of key regional capacities.*** Many important indicators emphasize the high potentials for the development of agricultural production in Herzegovina region. The problems causing this sector to remain underdeveloped when compared to the available capacities in the region include: extensive war damages; outdated technologies and inadequate training on agri-practices; overly small and disconnected farm holdings. The unnecessary and non-justifiable import of agricultural products added to improperly regulated customs fees have reduced the already limited internal market. All of this lessens the chances for the development of agriculture and rural development in general.

In the region, tourism deserves special attention and provides a variety of opportunities. However, there are a number of weaknesses that must be removed or, at least, reduced: inadequate and insufficient tourism infrastructure/capacities; poor promotion and marketing activities; lack of adequately trained personnel. The negative image BiH acquired due to the war, furthered by the well known fact of the existence of mine fields in many tourist and eco areas, as well as the lack of incentives for tourism investments, are among the main problems faced in this sector.

The substantial energy resources available in Herzegovina are insufficiently utilised for the following reasons: obsolete technologies; division into three distribution systems along ethnic lines; weak management of the distribution of power; unfavourable qualifications and age structure of the workforce; high cost of construction of new facilities. The lack of integral and planned water management, which is a key natural resource in the region, reduces the possibilities of multiple development directions. Insufficient geological, mining, chemical, technological and economic research prevent the systematic and planned usage of available mineral resources.

Due to the generally weak technical quality of regional roads and railroads, scarce public or private funding for infrastructure projects and the low level of linkages to international transport routes, Herzegovina's regional traffic infrastructure remains underdeveloped. The lack of an overall, integrated, policy for spatial management, coupled with low levels of physical planning, not only related to infrastructure but also to other areas of spatial management, undermine any future prospects of systematic infrastructure development.

**The education system does not correspond to modern requirements.** The poor economic and social education, with old-fashioned equipment and out-dated school programmes, are preventing people from getting a more varied and higher quality

education. This is particularly reflected in the lack of vocational training and undeveloped adult education schemes. The current traditional education system for children and youngsters is conducted in a disorganized manner, resulting in a high concentration of some specific educational profiles and a lack of other, much-needed, profiles.

At the same time, and often interrelated with the above mentioned problems, it can be said that the **opportunities** for the development of Herzegovina region are numerous and varied.

- Better usage of natural resources, revitalization of the existing manufacturing capacities, usage and implementation of the manufacturing cluster model (SMEs clustered around industrial centres) provide a realistic chance to boost economic development and reduce unemployment.
- The existing and future production capacities should be geared to be export-oriented, with particular attention given to those sectors that have high market potentials. This provides the opportunity to introduce substitution programme, to counter imported goods and services.
- Primarily due to its geo-strategic position, Herzegovina has established economic cooperation with other regions, internally and abroad. By exploiting the opportunity of further strengthening economic relations with neighbouring and other regions, the possibility to increase domestic and foreign investment is becoming realistic.
- The existing workforce is large, young and cheap. It is easily adaptable and deployable.
- Awareness has been raised at all levels of BiH society on the need to introduce and support innovations and the application of new technologies, including informatics technologies, in all spheres of the economic development process, notably amongst business oriented actors.

All of the above, together with the announced reforms to the education system, provide opportunities for Herzegovina region to become a part of the modern European economic community.

Due to their external character, **threats** to regional development are difficult to control, some of them remain uncontrollable in the current circumstances. This primarily refers to threats that cross regional boundaries and/or are related to legal or administrative obstacles that are not the domain of regional stakeholders, such as: slow adoption and application of stimulating laws and regulations; lack of economic development support institutions; weak support for economic development from the state; insufficient awareness on the need for integral management of the region; delayed reforms to the of outdated education system, all of which slow down the process of EU integration.

However, through a careful planning process and the identification and utilization of strong potentials available in the region, the negative effects of some threats can be diminished or abolished, as seen in the following examples:

- The unfair competition of imported goods and products to the local market can be reduced through the introduction of substitution programmes to counter imported goods and services, through support to those sectors which have proven market potentials (particularly those which are export oriented) and through taking maximum advantage of the favourable location in the vicinity of growing markets (Accessibility, low logistics costs, etc.)
- The growing price of industrial inputs can be kept under control by mobilizing the available workforce which is experienced in industrial production and offers competitive rates, by activating the optimal usage of natural and mineral resources and by including available energy potentials.
- The negative effects of the lack of incentives to attract foreign and local investment can be reduced through the promotion of regional potentials and capacities by establishing stronger economic cooperation with other regions within and outside BiH.
- The conditions for the development of production entrepreneurship could be created, and the number of manufacturing (production) SMEs could be increased, by using the tradition in various industries and by introducing cluster manufacturing models, particularly export oriented ones.
- The ongoing land pollution should be prevented by promoting and strengthening commitment to environmental protection, in accordance with international conventions. The application of new ecologically friendly technologies in production, and optimal usage of the existing natural resources, would enable the development of a wide range of ecologically clean production processes.

In light of the above, but particularly taking into consideration its advantages and considerable unutilised potentials, Herzegovina region has the opportunity to achieve a well-balanced regional economic mix. Its strategic priorities must be in those areas which create additional employment; accelerate the privatization process of the remaining industries which are declining during its duration; attract further foreign investments; introduce a higher education system that meets the needs of the future economy; operate in a sustainable and efficient way; maximise infrastructure capacities. This will enable the region to cope with the competitive pressures that future EU membership will place on it.

## 6. CHALLENGES IN THE REGION

The description of the region demonstrates that it has a number of positive attributes that can attract investors but ways and means have to be found to utilise these assets to their full advantage. The description also demonstrates that there are many obstacles that have to be overcome if the regional economy is to be strengthened for the benefit of citizens and businesses.

The SWOT analyses allowed the identification of the comparative advantages of the region and also the strategic orientations that need to be followed if the potential of the region is to be unlocked. The comparative advantages that the strategy for Herzegovina Region seeks to build upon are:

- Its geo-strategic location;
- Its potential for multi-sectorial development of an export-oriented economy which is open for foreign investments, as well as for the development and improvement of its infrastructure capacities linking with the European infrastructure network;
- Its potential for the development of human resources, development and application of informatics and telecommunication technologies, as well as the development, introduction and use of innovative and new technologies;
- Its potential for the development of ecological and key touristic sectors and for developing year-round tourism.

Taking these factors into account, and against the backdrop of the SEA and SWOT analyses, the challenge for Herzegovina region is to utilize a variety of potentials spread throughout the region in a concerted manner. The majority of the region has a Mediterranean climate, the advantages of which create pre-conditions for the production and export of specific agricultural products, which are in high demand in European markets, as well as for the development of a number of tourism sectors.

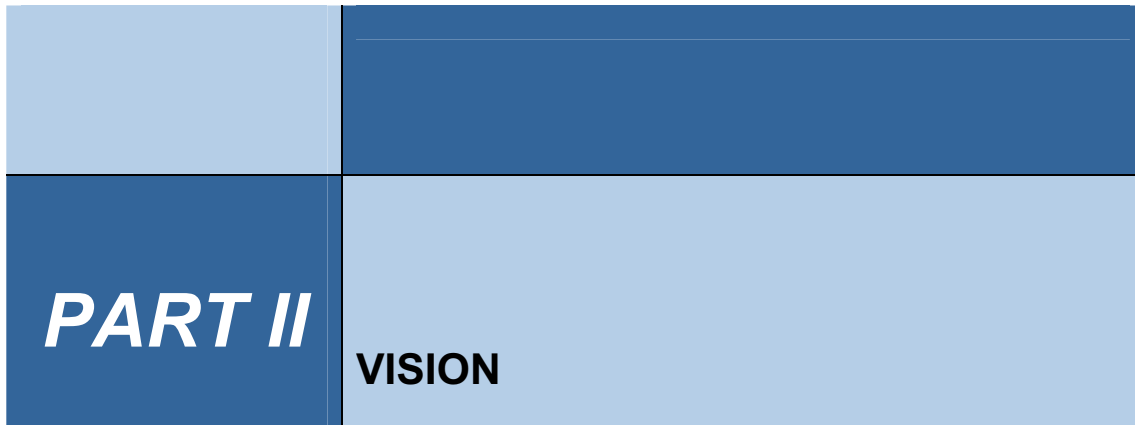
The mild climate and good geo-strategic position provide the possibilities for the usage of Mostar airport, which should be used as an alternative for Sarajevo airport during winter time, as well as for summer tourism for tourists and pilgrims coming to BiH, and for tourists coming to the parts of the Croatian coast which are closer to Mostar than to airports in Croatia. Areas with natural beauties, cultural heritage and the mountainous parts of the region provide possibilities for the development of winter, adventure, rural and cultural tourism.

Another challenge for Herzegovina region would be to spread entrepreneurial spirit - which is very strongly present in its western parts - throughout the region by putting a stronger accent on support to the development of production SMEs.

Optimal usage of large water potentials and research on, as well as later usage of, mineral resources would largely contribute to the economic development of the region.

Human resources development should be achieved primarily through the introduction of complementary education, targeting the professions in demand on the labour market, and through the introduction of permanent education on new technologies.

This summary assessment of the comparative advantages and strategic orientations represents the consensus views of the stakeholders involved. They point the way towards the steps necessary to remove the barriers to economic growth and development. To find the solutions to the identified problems it is necessary to set goals, establish priorities and identify measures and priorities which will collectively help address the challenges facing the Herzegovina Region.



## VISION

Based on the analysis of the existing situation and the agreed development potentials, the Development Strategy sets out to provide a foundation for the sustainable socio-economic development of the region over the next 20 years. It is based on a vision that is shared by all the stakeholders that worked on and contributed to the strategic plan.

### **Vision Statement for the Herzegovina Region**

Herzegovina is a developed economic region within the European Union, with enhanced human resources, preserved natural beauties and cultural heritage, that make it pleasant for living, investing and visiting.

The vision foresees Herzegovina as the region with well developed partnership relations with neighbouring regions within Bosnia and Herzegovina and outside of it, with a well educated labour force and a satisfactory level of employment; which is attractive for domestic and foreign investments, primarily because of the developed human and economical resources, the strong entrepreneurship spirit and flexible business practices.



Thanks to its excellent geo-strategical location and the existence of a rich cultural heritage and natural beauty spots in an ecologically healthy environment, and with modern infrastructure, informatics and telecommunications technologies, Herzegovina will have an enhanced reputation as an area that is pleasant for living, visiting, working and doing business.

The Vision of the region is based on the achievement of the followings values (assumptions):

- the sectors of agriculture, tourism, energy and industry are interconnected with modern export-oriented market demands;
- technological and innovative economy is developed;
- small and middle enterprises are developed;
- strong entrepreneurship spirit and business related flexibility is developed;
- education system developed and high employment rate achieved;
- human resources developed;
- models of production clusters applied;
- infrastructure developed and natural resources optimally used;
- informatics and telecommunications technologies developed;
- healthy environment protected, and ecologically sustainable development achieved;
- maximum opportunities of waters developed;
- natural beauties and cultural heritage protected/maintained;
- social consensus achieved through strong inter-sectoral cooperation of private, governmental and non-governmental sector;
- partnership relationship with neighbouring regions (and beyond) achieved.

### **Guiding principles for implementation**

The delivery of all the actions in the Strategy will be guided by the following key principles which are horizontal and apply to all regional strategies in BiH:

**Local ownership** – as far as possible, local stakeholders will be involved in drawing up and implementing economic re-generation plans and policies.

**Partnership** - the creation of strong partnerships involving public bodies, the private sector and local NGOs will be one of the objectives of REDAH which is the guardian of the Strategy. Partnerships will be developed at local level, at sub-regional and at higher level with Government agencies and representative bodies.

**Promoting Equality of Opportunity and Inclusion** – no groups should be excluded from the benefits of regional development, and all sections of the community should be encouraged to become involved in regional development. The Strategy should promote equality of opportunity within the priorities identified.

**Promoting Cultural and Traditional Values** – the benefits of cultural pluralism will be promoted through regional development activities.

**Reconciliation and Community Relations** - the Strategy does not ignore the effect of ethnic divisions, and, where appropriate, will try to tackle them within the context of wider social and economic development. The Strategy will also have due regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

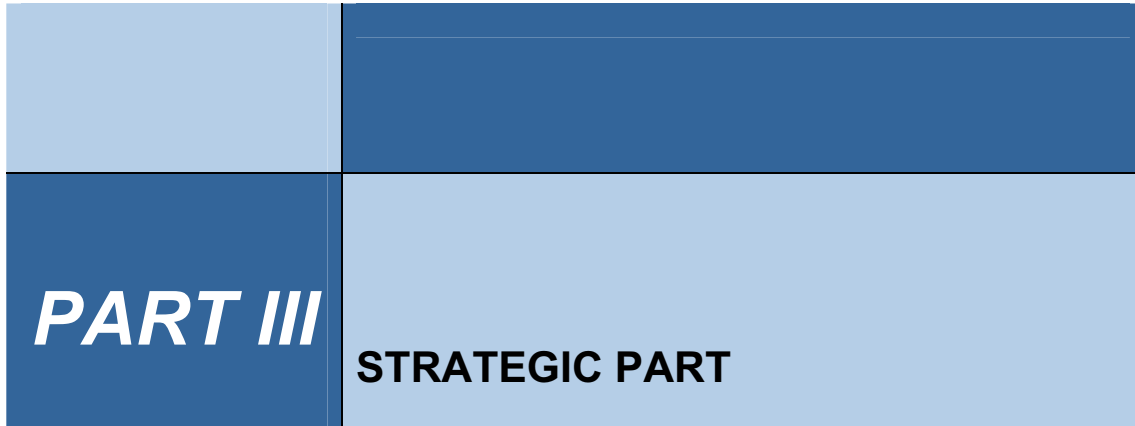
**Sustainability** - the Strategy will endeavour to put in place programmes and projects that will have lasting economic and social benefits.

**Quality** - the need for attaining the highest quality standards will be emphasised in all of the Strategy's activities.

**Integration and co-ordination** - the Strategy's activities will integrate with, and complement, the aims and objectives of other regional, national and European policies and programmes.

**Innovation** - developing and promoting new ways of tackling the needs of the region will be encouraged in all of the Strategy's activities.





## **INTRODUCTION**

The tradition of planning regional development in the world, and notably in Europe, began during the 1980s and has developed and evolved ever since. The concept and process of regional economic development has become, over time, a standard model adopted by many countries, including transitional ones, especially those which are in the process of becoming candidates or are in the pre-accession phase for European Union membership. This also refers to BiH, which is on that path.

The goal of preparing the development strategy for the Herzegovina economic region is tracing the path for the region's economic future through focused and balanced development.

The Strategy was done in a transparent manner, applying EU methodologies as described in Chapter 3, based on a strong partnership between the public and private sectors and civil society, and with the participation of all the important groups in decision making. The inter-disciplinary attendance and the support given by different actors was crucial for broadening horizons and knowledge, and for the synergy of additional effects of particular measures, since the very factors that condition those processes are the symbiosis of different goals and interests.

Deciding on the strategy's goals or objectives requires a selection process between various options, which should result in a description of the desired situation.

In this specific case, the strategic goals were determined through several phases:

1. Problem identification – recognition and diagnosis;
2. Understanding of the comparative advantages and strategic goals;
3. Definition of the socio-economic development vision for the Herzegovina region;
4. Selection of the economic development strategic goals of the Region up till 2007.

## STRATEGIC GOALS, PRIORITY OBJECTIVES AND MEASURES OF HERZEGOVINA REGION

Defining the strategic goals of the economic development of the Region was hindered by the fact that the strategy was done for the period up till 2007, which is an extremely short time frame for their respective fulfilment. In that sense, the strategic goals lean upon the vision, which was defined for a 20-year period.

The following table contains the four strategic goals determined for Herzegovina region and their respective priority objectives and measures.

### Objective Tree of Herzegovina Region

S.G.	Priority Objectives	Measures
Developed and sustainable economy	Agriculture development	Development of specific agricultural branches
		Development of agriculture infrastructure
		Organized inter-connection between agricultural producers and food manufacturers for the promotion of sales and increase of exports
	Tourism development	Tourism promotion
		Improvement of tourist capacities
		Developing interregional networks for tourism activities
	SME sector development	Developing business support infrastructure for SMEs
		Creating a favourable environment for the development of production oriented SMEs
	Developed optimal regional management system for natural resources	Establishment of the institutions for natural resources management
		Studies and analyses for state and optimal usage of natural resources
		Rational multi-purpose use of water resources

	Encouraging export activities	Improving the quality of goods according to EU standards Development of new products and increase in existing competitiveness Increased level of foreign investments
	Transport infrastructure development	Improvement of the regional roads infrastructure, air traffic and railway network
Institutional building for regional economic development and space planning (with documentation up-dated)	Developed institutional framework for regional economic development and interregional cooperation	Establishing a system for collection and exchange of information at regional level Capacity building for developing networks between private, NGO and public sectors
	Establishing adequate institutional framework for increasing the standard of living	Strengthening the institutional framework for consumer protection
	Achieved interactive connections between urban and space planning institutions	Strengthen the capacities for urban and space-planning
		Providing informatics and technology support for creating uniform spatial and urban documentation
Developed human resources and good employment rate achieved	Efficient labour market developed	Giving support to employment and self-employment Harmonizing the educational and training structures and systems with the labour market needs
		Developing education and complementary training
	Developing IT, innovation, TT and R&D educational capacities	Introducing IT and distance learning models
		Permanent education for the development, transfer and application of innovation and new technologies
		Supporting the development of young talent
Preserved environment	Building institutional capacity for environmental planning and monitoring	Building institutional capacity for environmental planning and monitoring Establishment of a system of ecological education
		Improving the quality of the environment

The Strategic Goals for the Herzegovina region are as follows:

1. **Developed and sustainable economy**
2. **Developing institutional capacity for regional economic development and space planning (with documentation up-dated)**
3. **Developed human resources and good employment rate achieved**
4. **Preserved environment**

### **Strategic goal 1: Developed and sustainable economy**

**Situation:** The levels of production and employment are about 40 % of those from the pre-war period with significantly changed structures of production: energy, trade, mechanical engineering industry and tool production are predominant, together with tourism in two enclaves. With the exception of aluminium, the balance of circulation with surrounding areas is very unfavourable. A considerable number of micro and small firms have a very short life due to the lack of technical and material support for their development. The real rate of unemployment is nearly 40% which it is somewhat more favourable than the country average.

In agricultural production, for which there are significant physical resources and comparative advantages, the requisite processing capacities for producing final products and means of placing these products on the domestic and export markets are non-existent or inactive. In addition, smallholdings predominate in the agricultural economy which is limited by outdated legal rules which hinder systematic production for the market and which make no minimum social security provisions for agricultural producers. There are also no institutions providing technical assistance to rural producers such as networks of collective farms, agricultural and veterinary services, market information centres, insurance systems, financial support, or crop and harvest information systems.

When it comes to the energy production, for which the region has at its disposal comparatively great resources, the exploitation of already installed capacity is more favourable when compared with the average in the State due primarily to foreign donations which enabled the rehabilitation of basic hydro-energy capacities in the region. The effects of this activity on regional development are nevertheless rather modest because the system is capital intensive (and therefore has poor employment possibilities), centralized (there is no reinvestment in the region) and it limits the exploitation of waters for alternative purposes.

Capacities in the processing industry, mainly built up before the war, also represented the backbone on which the services sector was dependent. They were taken into State ownership without any compensation before the war and during the war they were significantly devastated. The lack of financial means for post-war rehabilitation of production facilities, as well as the slow and inadequate method of privatisation, had the effect that the process of disinvestments in the region is in progress in the full force.

The terrain configuration in the region does not offer great development possibilities for railways, and the comparatively small area does not offer stronger development potential for water and air traffic, so the region is dependent in great measure on the development of road traffic. Although the network of these lines of communication is rather dense in principle, their quality and the speed of traffic on them is far from meeting the region's needs, because in this territory there is not a single metre of European-quality road. In addition to this, the planned Corridor 5C, whose construction is expected to begin in the near future, does not offer any better prospects for exploitation of the region's resources even though it passes through the middle of the region. Partial improvement of the roads' quality shall come with the construction of the Adriatic-Ionic Highway (if it includes the territory of lower Herzegovina). But the real opening of this region and its connection with the rest of Europe is very dependent on considering new corridors within the country in the light of the European future of Bosnia and Herzegovina. Within the whole territory of BiH, Herzegovina covers over one-fifth of the space, and considering traffic infrastructure from the aspect of necessary investments, it is in the least favourable position of all the regions in the country. Other elements of economic infrastructure are not critical.

There is a serious disadvantage in the business infrastructure, too. Local and regional informatics lines between so-called large firms on one side and small and medium-size firms on the other side are very poorly developed. Also, networks of cooperation between small and medium-sized firms in the region are not developed, and non-government organizations (NGOs) providing technical support for micro, small and medium-sized businesses are still only in their infancy. There is insufficient institutional support to firms in the start-up phase in the form of financial and tax incentives, nor is there any satisfactory information about investment possibilities in the region. It was mentioned earlier that the situation in this respect is especially unfavourable in rural areas.

The strengths of this region lie into its proximity to the sea and its beautiful scenery with ease of access. This resulted in development of the tourism industry, especially for summer holidays (Neum), religious tourism (Medugorje) and winter sports (Kupres). The high concentration of cultural and historic monuments and sites, combined with the rich traditions of diverse religions (Muslim and Christian) represent multiple opportunities for tourism development. The reduction of economic activities in the last decade, combined with the lack of investment in this sector and the decreasing quality of roads resulted in the depreciation of accommodation and catering facilities and reduced limit for the touristic support services. The offers are not coordinated and the capacity to develop promotional strategies/materials is poor too.

**Scenario:** This consists in exploiting development possibilities in the following fields:

1. *Agriculture, forestry and rural development.* The emphasis is on the exploitation of comparative advantages, building systematic support for rural development, and building the corresponding systematic (legal) frame for market business and social security of the rural population.
2. *Processing industry and energetic.* The emphasis is on impeding the process of disinvestments in the processing industry through completing the process of privatisation and additional investment in those sectors, which have real conditions for survival on the market. With regard to energy, the problem of



- exploiting waters (hydro-energy), coal (pollution, recultivation of space) and alternative sources of energy (wind and sun, waste energy) must be solved systematically.
3. *Development of micro, small and medium-sized entrepreneurship.* The emphasis is on building a system of legal, technical and financial support for micro (family), small and medium-size entrepreneurship with the aim of facilitating their establishment in the market.
  4. *Improvement of economic and business infrastructure.* In the economic structure, a concerted effort should be made to develop road traffic by constructing European highways. Apart from the known and planned corridors it is essential to explore the possibilities of and justification for new, shortest connections to Bruxelles on one hand, and Greece and Turkey on the other. Since projects of this type are long-term ones, it might only be possible in the time period covered by this strategy to make preliminary explorations, firstly in a conference on possible new corridors and then by a feasibility study. Depending on the results, an interstate agreement of the Balkan countries could be considered later. In the first stage the national and local roads and railway infrastructure will be developed in order to ensure accessibility in the area and an increase in mobility of goods and persons. For business infrastructure it is possible to work intensively on the development of a network of centres for technical, technological, informatics, financial and other supports for existing and start-up micro, small and medium-sized businesses.
  5. *Tourism development and protection of the natural, cultural and historic heritage.* The existing enclaves on tourism already recognized in the region should be up-graded (accommodation, catering and recreation facilities) and networking between tourist objectives should be encouraged in order to increase economic results of this sector.

This strategic objective can be achieved through a wide scope of different measures, which need to be coordinated in a coherent way, i.e. each measure is a piece of the big picture.

In order to achieve this strategic objective and resolve the identified problems, the following steps need to be undertaken:

- Development of agriculture through adequate agricultural infrastructure, support and focusing on specific agricultural branches in food processing industry;
- Tourism development by supporting the improvement of tourist capacities and promoting tourism with the support of interregional tourist networks;
- Developing the processing industry with an emphasis on strengthening the SME sector with appropriate technical and institutional support: business incubators, etc;
- Establish a competitive business climate, building up the whole business infrastructure: financial sector, efficient administration, favourable taxation system, funds developed, service business sector, etc;
- Encourage entrepreneurship development in the productive sector and developing appropriate framework of support for the export activities;

- Slowing the process of degradation of agricultural and forest soil and forestry by establishing institutions for re-cultivation of agricultural and deserted mining and industrial areas;
- Analyze the situation of the all natural resources in the whole region and evaluation of the possibility to develop the multi-purpose use of water resources.

**Expected results:**

- Developed agriculture and rural area based on food processing industry and strong interconnections between agricultural producers, food producers and the markets;
- Tourism developed and promoted in an integrated manner;
- Developed SME sector;
- Fully established competitive business climate and business infrastructure;
- Full picture of existing natural resources and solutions proposed for the planned exploitation in a systematic way.

**General indicators of the objective's realization:**

- Gross/net employment created or safeguarded yearly (number and % of total jobs);
- Increased in turnover of firms that received financial support after 3 years;
- Increase in value added generated after 3 years;
- Number of regional enterprises involved declaring positive restructuring/privatisation/spin-off after 3 years;
- Number of assisted firms purchasing patents, licenses or involved in collaborative projects yearly;
- Increase of production of assisted farms (to/year) after one year.

Priority objectives are derived from the strategic goal in a way to prioritise actions, which should be undertaken in a timeframe of seven years. From that point of view all priority objectives are unavoidable steps in the process of realization of the strategic objective. Each priority objective is focused on the group of interconnected problems, so it is very important to coordinate the process of realization of all priority objectives. Obtaining all priority objectives is a "sine qua non" condition in reaching the strategic goal.

Particularly, this strategic goal is a pivotal one, because of the fact that this objective on the one hand will generate business and stimulate the economy of the region, and on the other hand it will contribute to the assessment of the region's natural resources and geo-strategic position and will create bases for increasing the level and quality of employment.

For the achievement of this strategic goal, the following sets of **priority objectives** have been identified:

- **Agriculture development;**
- **Tourism development;**
- **SME sector development;**
- **Developed optimal regional management system for natural resources;**
- **Encouraging export activities;**
- **Transport infrastructure development.**

## **1.1. Priority Objective: Agriculture development**

**Introductory remark:** The title of the priority objective reflects a development area of the utmost priority, but - from the view of development - it is not all-embracing. Primary agriculture production (farming, fruit growing and cattle breeding) takes place mainly on private properties, in rural areas mainly, and soil exploitation implies both forest soil and its fruits (including the forests themselves). Consequently, all three areas will be considered as a whole in the text that follows.

**Situation:** This region, in the agricultural sense, represents<sup>7</sup> diverse natural surroundings in which different soil components and very different soil usage values are present. Its common characteristics include the abundance of sunshine and water, the tradition in production and the readiness of people to continue pursuing agricultural production. In the natural and environmental senses, the southern and middle parts of the region, with long sunny summers and previously regulated and future (potential) hydro-melioration, present extraordinary agricultural possibilities. Over three decades of pre-war development in this sector, traditional Mediterranean production in social and private ownership was integrated vertically into Hepok, later APRO «Herzegovina», and within them very high productive effects were reached. The northern parts of the region (basically mountainous and mountain-highland) with classical production are identical to those in the continental part of BiH, characteristic for the fact that they were constantly under-utilised. Production on private agricultural farms here fell behind between 2,6 and 10,2 times the rates in Western Europe. The war almost totally destroyed the livestock population so that production of food from animal origin is being started from scratch.

After the war, the picture has drastically changed. The production structure, except in that part which was privatised and taken over by entrepreneurs, is far from satisfactory. Also, there are numerous gaps in vertical relationships due to the production capacities of Hepok being destroyed in the war and finished off by privatisation. Isolated examples of processing capacities mainly rely on privatisation and state firms' ownership.

Another important characteristic is the permanent loss of agricultural land, which was already intensive before the war (construction of new settlements, communication systems, hydro-accumulation etc), and which continued after the war with abandonment of villages, unlicensed construction, creation of uncontrolled waste dumps, abandonment of mined areas etc. Uncontrolled woodcutting in forests (in the northern parts of the region) brings the threat of soil erosion and bare terrain. Hydro-economic activity has basically been abolished, so that water streams and torrents are not regulated. The history of forest devastation is repeated here and is spreading northwards.

A main characteristic of agriculture in the whole country is the duality of land ownership. In the former system the right of private property ownership was limited while land in state (public) ownership was not limited at all. This duality caused enlargement of agricultural properties in the state (public) sector and segmentation of those in private sector. This legal approach enabled the development of social agricultural companies

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<sup>7</sup> Estimation of the state is in great accordance with the state in the Herzegovina - Neretva Canton. The Development Scenario has been taken over from there. (see: "Agriculture Development Strategy for HNC, 2004-2010", Mostar 2004).

and their transformation into huge market operators (including Hepok) on one hand, while shackling the development of private businesses into viable market operators. Along with the system of inheritance, which naturally leads to the further division of properties, this influenced the move towards the abandonment of villages and migration to towns. Thus war-ravaged rural areas do not succeed in reconstructing either their population or their production. For a variety of reasons not dealt with here, a significant number of settlements have less human resources at their disposal today than before the war and some of them will soon be deleted from the map of settlements because of the hard survival conditions.

**Scenario:** Agriculture, and with it a developed agrarian complex, are the most complex economic activities in the sense of both development and population survival within the region. The success of that development depends on factors that are to be found in the area as well as on the arrangement of the system on the state level. There are four key areas, which must be determined in order to support population survival in rural conditions:

1. Change of ownership and social security regulations which concern the agricultural population. An agricultural farm should be treated by law as a specific firm. When disposing of the ownership of a minimal property capable of production, there should be a scheme to support rural production. If the farm is not of a minimal size, it should be subject to special (social) support, of the amount that it lacks to survive in given conditions. In this case, the budget burden will be significantly lower than in the case where the whole household is socially dependent. Maximum land areas as a measure should be abolished and enlargement of properties should be encouraged. There are good experiences about this in developed market economies and, with appropriate adjustment, could be applied in BiH.
2. Promoting concepts of multi-designated water usage. The abundance of water in the region enables its multiple usage, but it is necessary to design a corresponding strategy for its use. The priority here would be use for agricultural purposes, then for the population needs and, finally, for energy purposes. In many parts of the region it is possible to construct multi-designated accumulation sites, where water would be held temporarily, used, and after purification, would be available for downstream users. It is estimated that irrigation of nearly 1/3 of agricultural land could be done in this way. In some areas it will be necessary to construct water pumping systems for lifting water to certain levels (e.g. Podvezje, Dubrave), as well as accumulation containers regulated by concession rights for water usage and for the construction of regional water pipes.
3. Urbanization of rural settlements and establishing institutions for rural development support. Many rural settlements lack good communication lines, water pipes, sewage systems and telecommunications. The development of the rural area need to take into account the improvement of the transport infrastructure which will ensure good connections with urban settlements and possible markets. This issue will be addressed under the Priority Objective 1.6. Support to rural development should affirm cooperative farming, build a system of insurance against agricultural damages, develop a network of financial institutions for rural development support, install GIS centres for crop and plantation information, develop a system of market prices information, purchasers

- of agricultural and forest products, and, finally, but not least important, connections with institutions for product mapping and advisory services. This is of huge importance given that Herzegovina is the region which, by common consent, could be a huge organic food producer.
4. Rehabilitation of existing processing capacities which can meet modern marketing conditions and the development of new ones. Individual production cannot be successful if agricultural surpluses will not be processed. There is no need for special elaboration here but municipalities in the region can do much to stimulate investments. In fact, municipalities should develop services for investment marketing which would take responsibility for attracting investments and proposing job creation schemes to competent bodies.
  5. Development of qualified human resources for agriculture. Ensuring conditions for those that are living in the rural area to graduate complementary forms of education will provide them with adequate skills and knowledge for efficient farming and business private initiatives. Thus the risk for migration to urban areas and abandoned of the villages will be reduced. This will be linked with the objectives of the Strategic Goal 3 which will prepare the background for an integrated management system for human resources.

**Expected results:** Changes predicted in this scenario are essential, but they cannot be realized as a whole in a short period of time.

Systematic solutions shown in point 1 will be undertaken by ensuring that consensus is reached about the necessity of making a legal framework concerning rural areas and social security for all citizens on the state level. A regional conference should be organized on the ways and means of arranging a system of ownership and social security for the rural population. The key actors in the region responsible in the rural area would be invited to take part of the process of design and approval of the regional strategy for rural development.

A strategy for the multiple use of water will be the result of the implementation of Measure 1.4.3. Municipal studies for the same purpose might flow from this, requiring an additional year or two, which would be outside the period covered by the regional strategy.

Within a period of three years it is possible to devise pilot projects as a support to rural development in 3 to 5 locations, and within the same period of time to propose urban solutions and corresponding feasibility studies for them, which should address the question of financing the whole process. As a result dissemination of experience would be made possible, as well as expansion of the process of urbanizing rural settlements in the region. The results here should be: 3 to 5 centres for rural development established and urban documentation made.

The rehabilitation and construction of new processing capacities is a parallel and complementary process, which can be stimulated by completing privatisation on the one hand, and investment marketing by municipalities on the other. The results should be activated, market-justified processing capacities and construction of a certain number of new ones.

**Results:**

- Regional strategy for rural development designed and agreed at regional level;
- Agriculture becomes one of the leading industries in the region;
- Improved quality and diversification of agricultural production;
- Improved technical and managerial skills of self-employed farmers;
- Improved infrastructure for agricultural production;
- Improved food processing industry;
- Increase of employment and self-employment;
- Decrease in import of food products.

**Indicators:**

- Value added in assisted farms after one year;
- Number of different agricultural clusters;
- Number of food processing enterprises;
- Gross/net employment created or safeguarded after 3 years (number and % of total jobs);
- Number of enterprises installed in the rural area;

In order to achieve this priority objective the following measures should be undertaken:

- ***Development of specific agricultural branches;***
- ***Development of agriculture infrastructure;***
- ***Organized inter-connection between agricultural producers and food manufacturers for the promotion of sales and increase of exports.***

**1.1.1. Measure: Development of specific agricultural branches**

**Situation:** All the analyses made and the production results show that the region of Herzegovina has very favourable natural and economic resources and great possibilities for the development of agriculture – mainly for traditional agriculture crops and specific agriculture branches. The warm climate, plenty of sunny days, fertile soil, inexhaustible quantities of quality water for irrigation, and the available human resources enable production of vegetables, fruit, grapes and flowers of exceptional quality, both in winter and in the early spring season, those periods when the demand for these products is most marked and when it is possible to get the best prices. Research shows that these products are competitive on the European market because of low production and transport costs compared with those which come to the European market from remote destinations with equally favourable natural conditions (Israel, Kenya, South Africa, Central America etc). Production of these crops, which was well developed before the war, is today (both in volume and as technological solutions), at a low level, well below that which is realistically possible. Moreover, the existing potential makes possible the development of other specific products such as aromatic and medicinal herbs, organic products, specific rural products, etc.



**Scenario:** The PRSP places the main emphasis on the economic development of the sector, implying activation of natural and human resources, opening possibilities for reducing rural poverty.

Above all, it is necessary to establish the basic postulates for the intensive development of an agrarian economy which are: legal regulations, standards and technical institutions (demanded by the international market), good land management, harmonized use of natural resources, financial resources for agriculture reconstruction and development, as well as the adequate distribution of agricultural priorities to the individual areas of the region (link with Measure 1.5.2). Private initiatives should be encouraged to develop networks and clusters in order to increase rapidly the economic performances and to make use of the advisory services in a coordinated manner. Therefore it is necessary to:

- Establishing a Centre for introduction of new sort types of products in agriculture and forestry;
- An Inventory of the Vineyards of Herzegovina;
- Improvement of wine growing and wine production in Herzegovina;
- Development of a clusters for the production of organic products;
- Development of a cluster for beekeeping and the production and manufacturing of bee-related products;
- Connect SMEs with farms of similar production orientation (floriculture, medicinal aromatic spice herbs, seeds, etc);
- Establish networks of mini farms on: fish culture, ponds for trout, oysters, mushrooms breeders, vine grapes producers, table grape producers, dairy products, fruits (berries, peaches, kiwis, figs, pomegranates, plums, apricots, cherries, apples, pears, quinces, almonds, walnuts, hazels, nectarines), snail, etc;
- Net of mini and micro fruit-vineyard nurseries;
- Initiate experimental farm for tobacco producers;
- Establish clusters for production of poultry meat and free range eggs;
- Establish hothouse and selective centres for fruit and vegetables growing;

**Expected results:**

- Improving quality and diversity of agricultural production;
- Improving employment and self employment in the rural area;
- Increasing capacity of food processing industry;
- Decreasing the level of imported food products.

**Indicators:**

- % Of qualified companies for producing organic products;
- Survival rate of the newly created clusters after 18 months;
- Increase additional cultivated area (structure and % from total);
- Increase in number of self-employed people in agriculture (% by total and structure men/women);
- Additional capacity of supported farms (to/year).

### 1.1.2. Measure: Development of agriculture infrastructure

**Situation:** Agriculture offers great development opportunities for the Herzegovina region. In the pre-war period, it participated, to a considerable degree, in the overall economy of the region. In that period the agricultural infrastructure was very well developed, in both scientific and research terms and also in technical and technological terms. The war destroyed most of the regional infrastructure, especially where it was intensive in the River Neretva valley. Today, there are three educational institutions (two faculties and a secondary school) and one for science and research (Agronomy Institute), which, due to very low investment in education, scientific and research work, struggle merely to survive. Most of the technical and technological infrastructure is destroyed.

**Scenario:**

- Establishment of funds for the reconstruction of the agricultural infrastructure;
- Construction of modern laboratories, research technology transfer centres;
- Establishment of new centres for training in agriculture;
- Construction of markets;
- Construction of reception and packaging centres;
- Construction of coolers.

Projects that are envisaged to be implemented in the following 7 years are:

- Centre for agriculture and rural development;
- Establishment of a regional guarantee fund for agriculture and forestry;
- Development of the wholesale system in horticulture;
- Creation of regional agriculture map;
- Service centre for Herzegovina ecological agricultural products;
- Centre for technology transfer in primary agriculture production;
- Mobile advisory centre for farmers;
- Service centre for SMEs and mini farms of floricultural orientation;
- Study on possibilities for development of cooperatives;
- Construction of the network of irrigation systems in the region;
- Service centre for cattle breeding;
- Service centre for beekeeping.

**Expected results:**

- Developed business support services in the rural area;
- Capacity for quality control, certification and analysis developed;
- Increased capacity in reception and storage;
- Increased level of agricultural products sales;
- Up-graded skills and knowledge level of employees in the agricultural sector.

**Indicators:**

- Total storage capacity built;
- % Of qualified companies for producing organic products;
- Increase of the number of self-employed people in agriculture (% by total and structure men/women);
- Increased turnover in the assisted farms.



### 1.1.3. Measure: Organized inter-connection between agricultural producers and food manufacturers for the promotion of sales and increase of exports

**Situation:** Reviewing the existing picture on networking of the regional market and domestic producers leads to the conclusion that the situation is unfavourable. Herzegovina region, apart from producing primary agriculture products which are consumed fresh, also has food manufacturing capacities. It is possible to increase that production greatly so that it becomes a support for agricultural farmers. Agriculture production is represented at a considerable level but it is not well organized and connected with the market. That segment functions as a grey zone whose bearers are dealers. The reasons for this are multiple and they are most harmful for the market and producers. Between these two levels of offer and demand, a third factor interposed which with its monopoly mediation makes products considerably more expensive, and which keeps the producers in a position where they cannot develop.

Connections between agriculture producers and food manufacturers are mainly based on the production and processing of milk, the production of wine, and, to a lesser extent, on manufacturing of corn. Also, cooperation between agricultural producers is bad, both in production planning and on types of produce, and in the placement of products on markets. It is obvious that good trade chains need cooperation among the producers themselves, as well as between producers and food manufacturers. Joint performance, not only in export but also in the domestic market, reduces costs, and substantially increases other advantages. There will be no progress or development in agriculture until such connections are realized. At the moment joint performance is very bad.

**Scenario:** It is necessary to develop modern and efficient ways of connecting the production sector with the market. Since Mostar, as the centre of the region, has the greatest potential, it will be most acceptable as a place for organizing and establishing new wholesale trade centres and other institutions, or centres which will be a link between the market and the production sector. Considerable results under the measure can be achieved by realization of the following projects:

- Development of a cluster for the manufacture of agriculture products;
- Development of clusters for gathering and processing aromatic and medicinal plants, as well as forest fruits in Herzegovina;
- Development of clusters in the production and manufacture of milk, milk processing, and dairy products;
- Building a network of coolers for fruit and vegetables;
- Construction of a flower market in Mostar;
- Construction of a fruit and vegetables market in Čapljina;
- Establishment of network of green houses for Livno cheese production;
- Clusters for meat and meat products;
- Network of producers of canned and dried fruit and vegetables;
- Establishment of a network for SMEs and mini farms for vegetable growing;
- Establishment of vine roads in the region;
- Promotion of agricultural programmes of the region;
- Organisation of fair for presentation and sale of domestic products.

**Expected results:**

- Increased production for the needs of manufacturing industry;
- Diversification of the food industry products, with the sign “made in sunny Herzegovina”;
- Increase of exports;
- Substitution of imports;
- Increased investment;
- Development of tertiary stage products.

**Indicators:**

- Number of new research and transfer technology facilities opened;
- Increase number of self-employed people in agriculture (% by total and structure men/women);
- Increased turnover in the assisted farms;

**1.2. Priority Objective: Tourism development**

**Situation:** The region, after the war and the destruction of the economy, has no industrial processing capacities which would serve as a strong support for tourism development. In tourism at present there is the Neum enclave, basically a summer tourism destination, and Medjugorje, an all year round destination of religious pilgrimage with an average visitor stay of 4 to 5 days. It also has a several locations which could be counted as winter tourism destinations with domestic and foreign tourists, mostly from Dalmatia, staying 2 to 3 days (weekend).

What could be of interest to tourists are natural and cultural heritage sites, suitable for picnics, sport and recreation and, partly, rural tourism. The main attraction is their diversity. Natural heritage is offered in caves, canyons, visits to natural lakes and the unique panoramic sights, sports (kayaking, rafting, and scuba diving, mountaineering and alpine activities, paragliding, hunting, and fishing) and leisure activities. Apart from visiting the heritage sites, cultural heritage offers numerous traditional manifestations of all three ethnic communities, where traditional locally produced food could be served and overnight stays in specific surroundings could be available. Such ideas are suitable for tourists staying one or two days, and they demand excellent organization, promotion, mutual connections, and advertising in summer tourist destinations so that the number of visits could be brought up to levels which would transform regional tourism into an industry.

There is also the opportunity (north - south) of transit tourism, which basically relies on roadside restaurant services for short stops in pleasant surroundings. The next precondition for lasting tourism is that the region is clean with (1) a preserved environment and (2) organic food production based on good quality traditional recipes.

**Scenario:** Environment preservation and organic food production are elaborated in the special strategic axes Strategic Goal 4 and Priority objective 1.1. Here, emphasis will be

put on tourist attractions. In the long-term, the region will be completely open for tourism when the European highways and new corridors are going to be constructed in it (link also with Priority Objective 1.6). Within 5 to 7 years it is possible to determine areas which under utilise their attractions, to build an information system on tourist attractions, to develop touristic infrastructure, to form a network of institutions for development support, to develop a system of education which deals with services and stimulates investments. Tourist attractions, which are important for both the region and the state, are possible to protect by special regulations. This is essential.

**Expected results:**

- Touristic areas in the region demined;
- Information system on contents, locations, events calendar, main tourist suppliers and services available;
- Concessionary schemes in place for using approved tourist locations;
- Restoration of tourist attractions which were destroyed in the war;
- System of education in tourism developed;
- Network of tourism institutions organized;
- Objects of special value protected by corresponding regulations.

**Indicators:**

- Number of de-mined buildings, de-mined areas and the de-mining costs;
- Increased number of visitors yearly (%) and overnight stays
- % of beds created or improved
- % conferences linked with local economic activities;
- % trainees successfully completing the course
- Existence of information system on touristic events;
- Number of approved concessions;
- Existence of regulations on sites of special value.

In order to achieve this priority objective the following measures should be undertaken:

- **Tourism promotion;**
- **Improvement of tourist capacities;**
- **Developing interregional networks for tourism activities.**

### 1.2.1 Measure: Tourism promotion

**Situation:** Herzegovina's potential for tourism is extraordinary, but it has not been sufficiently exploited, because there are no concrete tourist products, nor is the relevant tourist promotion developed. The Adriatic coast and its hinterland offer great possibilities for summer tourism, rural tourism, photo-safari, canoe-safari, rafting, visits to lakes and national parks in Herzegovina, as well as visits to cultural and religious destinations. Also, there are great possibilities for winter tourism in the area of Blidinje, Kupres, Livno, Gacko, Nevesinje, Trebinje. At the moment, only 10% of these resources are used and tourist promotion activities should stimulate greater exploitation from a tourist, ecological and financial aspect. There is no appropriately developed tourist infrastructure (tourist centres, promotional centres, hotels, restaurants, etc). It is necessary to unify,

standardize, and categorize the offer in order to improve the approach to the market, especially by intensive promotion through different channels.

In the next three years it is unrealistic to expect any quick changes because the annual state budget in B&H is small, and the percentage set aside for tourism and ecology is minimal, but if the interest of the private sector is increased, better results could be expected. Organized tourist attractions require safe roads to travel on, and safe and demarcated passages in rural areas (link with M 1.6.1), elaborated information and cable infrastructure, healthy drinking water (link with M 4.2.3), protection of personal valuables and property, the application of modern means of communication and an established system of internet centres for tickets, accommodation, and reservations.

**Scenario:** In the next few years it is necessary to invest greater efforts into producing quality promotional material, in considering better offers to tourists, and in achieving added value for tourists. This can be achieved by the realization of the following projects:

- Identification and marking of wine routes in Herzegovina;
- Development of an IT system on tourist attraction of the region and their promotion;
- Organization of a centre for homemade articles and of permanent and mobile sale exhibitions;
- Making promotional tourist materials for the region;
- Marking tourist destinations in the region and making a map;
- Creation of web-site about the regional tourist attractions;
- Organization of fairs for promoting local dishes;
- Making promotional materials for rural tourism;
- Elaboration of a strategy for tourism in the region;
- Seasonal tours for tourists, promoting and selling agriculture products and homemade products.

**Expected results:**

- Establishment of tourism as one of the leading industries in the region;
- Better approach to the market, promoting the whole region as a unique tourist entity;
- Increased number of tourists;
- Genuine historic heritage and natural complexes protected.

**Indicators:**

- Tourism contribution to GDP (%) and changes in its structure;
- % Of beds created or improved;
- Satisfaction rate of clients (men/women in %).

### 1.2.2. Measure: Improvement of tourist capacities

**Situation:** The current state of the tourist capacity is worse today than it was before the war, because many tourist capacities were destroyed, and new ones, apart from those in the private sector, were not built. Although a considerable number of tourist attractions were constructed at the end of the war, especially hotels and restaurants, nevertheless the majority of accommodation is in pre-war hotels where privatisation is incomplete.

Those areas are: bathing places, resort centres, hotels, motels, pensions, tourist travel agencies, baths and development of areas of health tourism, museums, congress centres, sports recreation centres, capacities in rural and eco-tourism. Privately owned attractions are in most cases very small.

It should be said, however, that there is no database containing information on the availability of tourist capacities (types, ownership structure, number of beds in the region), nor are there central records, and there is no coordination, so tourist bureau simply do not work or, if they do, they are excluded from such activities. There is no concept of integrated development. No eco-projects have been undertaken for rural tourism development, and so absolutely nothing is known about the capacities which could be offered in that area.

**Scenario:** The scenario proposed for this measure is taking into account the institutional and legislative framework in the tourism sector.

The region has great potential for rural tourism based on the beautiful unspoilt environment and some uniqueness (food, architecture, customs, etc). There is a growing global demand for such kind of tourism, so this opportunity should be used in order to attract tourists.

Tourism based on outdoor sports (mountain climbing, rafting, hunting, fishing, swimming, etc) needs to be supported by appropriate capacities and services to stimulate the tourists to visit several objectives and to spend more time into the region.

The development of the transport infrastructure as well as of the economic activities will bring more visitors into the region who will see potential places for meetings, training and conferences (business tourism). This type of tourism could ensure the normal functioning of tourist capacities, which are usually seasonal.

In order to achieve some positive results in this area, it is necessary to do the following:

- A relevant database must be established, as well as an information centre at regional level on the availability of tourist capacities in the region and from where changes on offer can be coordinated;
- Establish tourist offices, register demands, and then make suggestions for relevant changes of capacity;
- Establish an integrated development concept in this area;
- Reconstruct devastated tourist buildings and try to finance them by a system of open bids, private capital or renting them for a longer period of time.

The projects that could contribute to realizations of these ideas are:

- Regional centre for tourism development;
- Making and elaboration of the strategy of tourism development in the Herzegovina region;
- Designing and construction of objects for regional rehabilitation and recreational sport centre in Trebinje;
- Reconstruction of roads leading to nature parks;
- Making study on touristic potentialities of the region;
- Regional centre for preserving trades from becoming deserted and autochthonous (native) production;

- Establishment of centres for eco-tourism;
- Establishment of funds for stimulating tourism development;
- Network of Centres for rare sorts of game breeders;
- Revitalization of hunting areas in the region;
- Improving of capacities for adventure tourism on water;
- Construction of areas for swimming sports;
- Promotion of foreign investments into tourist capacities;
- Promotion of equestrian and horse riding sports in the region.

**Expected result:**

- Development of tourism as an industry.

**Indicators:**

- Number of beds created or improved;
- Number of hotels developed/up-graded;
- Number of attractions created/improved;
- Number of tourism business established (men/women owners).

**1.2.3. Measure: Developing interregional networks for tourism activities**

**Situation:** Neighbouring regions of Herzegovina are strongly oriented towards tourism. For example, the tourist economy of Croatia substantially improves their GDP. Even when the season is not very good, from a tourist aspect it eliminates a lot of demands on the state budget. Bearing in mind that rivers, the sea, the air, and the environment in general have no borders, it would be logical to expect mutual connection for the tenable development of both tourism and the whole economy in general. In the pre-war period the whole of Yugoslavia was connected through tourism, there were no borders, and that is something that should be striven for again. All tourist activities should be connected through already existing Job Centres in the surroundings, and such cooperation should be supported both institutionally and legally.

**Scenario:** Through the establishment of monitoring of polluters of air, sea and waters, predispositions for cooperation in other areas would also be created, especially in the field of tourism. The natural beauty of Herzegovina and its cultural treasures must be made available to guests in the surrounding regions and also to foreign guests, and this should be enabled by establishing cooperation between tourist workers, and positive legal acts of all in the surrounding regions. Of course, the key role in this process will be the establishment of cooperation between tourist workers of the region. The astonishing beauty of the Vjetrenica cave must be available to everyone, as should all similar tourist attractions. This measure has a strong link with the measures developed under Strategic Goal 4 Preserved Environment, as the PRSP implies the development of the tourist industry based on solid preservation and conservation of the environment.

This should be realized by the following projects:

- Establishment of a Regional Information centre for connecting tourist offers in the surrounding areas;

- Study on joint investments in tourism which are deficient both in Croatia and Montenegro;
- Study on the education of tourist personnel in institutions in the Republic of Croatia;
- Study on joint investments into health tourism.

**Expected results:**

- Increased number of tourists from Croatia and Montenegro to Herzegovina, as well as guests from Europe;
- Increased number of overnight stays;
- Development of the health tourism.

**Indicators:**

- Number of signed contracts on cooperation for bringing tourists to Herzegovina;
- Number of signed contracts on joint investments for eco-system and roads structure;
- Investment value in tourist and health facilities in Herzegovina.

**1.3. Priority Objective: SME sector development**

**Approach:** A developed economy consists of many small firms and a few big companies, which form the backbone, cover most important activities, realize profit and re-invest, whereas small firms employ plenty of labour force and carry out their business on the principle of a satisfactory profit. If there is no backbone, the economy is not capable of surviving. The backbone may also be made up of small firms, which grow up sufficiently rapidly to be able to take over the role of development bearer, but that process is - as a rule – a very slow one. The enhancement of the business environment and stimulation of entrepreneurship are important prerequisites for private sector growth and PRSP insists on developing a single economic space to attract foreign investors and for approximation to the European Union economic standards. Development of a healthy SME sector will contribute to the limitation and decrease of the grey economy negative effects.

Being present in all productive sectors, SMEs represent the link to the economic cycle that gives value to the natural resources and industrial infrastructure, enhancing the development of human resources to satisfy the labour market needs.

**Situation:** The national strategy for development of the SME sector has been approved in July 2003 and new regulatory laws are ensuring the constant support of the state to encourage this sector in BiH. Among the newly created bodies, an increased number of NGOs have a direct orientation to the business advisory services to support the SMEs. Besides these, new opportunities are offered at national level that address this sector too: creating preconditions for improvement of the financial supply (relaxing fiscal policy, system for subventions, lowering the level of business risk influencing the cutting of



interest rates, etc) and creating and binding branch associations on the levels which are outside of the region.

The pre-war economy in the country, and in this region, had big economic systems at its disposal which, in some cases, represented conglomerates, and in rarer cases clusters which were specialized in a given activity. It lacked vital small economic businesses, adaptable to quick market changes. During the war those systems were destroyed financially, and in the post-war privatisation they are in danger of disappearing. A good thing is that the Mission of the World Bank group in Bosnia and Herzegovina has finally offered them a solution, which should at least partly rehabilitate the rare ones remaining. Certain, though modest, effects could possibly be expected in the region as well.

Development emphasis after the war, with the odd exception, was put on micro, small and medium-sized entrepreneurships. Micro and small businesses are predominant in trade and services, but are very poorly developed in production, and it will take time for some of them to grow up into stable enterprises and development carriers. A system of technical, financial and informational support which would make their stability in the market easier has not been built here. A few business incubators are at the initial stage of stabilization, and they basically live on rent, so their influence on small and medium-sized enterprise development is very limited. Financial institutions very rarely offer acceptable loans at affordable rates, and an information system which could connect them better with the market is not developed.

Interactivity between small and middle-sized firms on one side and big companies on the other lacks economic clusters (vertically organized systems). A rare example of such a system is in the production and processing of aluminium, where mining was completely cut off. There are some elements of clusters in the production of wine and brandy, but the system is rather weak and fragile because it does not have strong advertising or export.

Although in terms of profit they do not represent an attractive form of entrepreneurship (the advantage of big companies), micro (family), small and medium sized firms are mostly labour intensive and they facilitate a comparatively high rate of employment. They are, at the same time, rather fragile economically because a great many of them disappear within only one year. Although, looking at them individually, they need comparatively small investments, there are so many of them and each time one closes it means disinvestments which in turn produces quite high social damage. That is why it is necessary, inter alia, to create an adequate economic and business environment and a system of support for their establishment, growth and development.

The above-mentioned firms exist in most economic activities and they represent a component and play their inevitable part. In agriculture, these are usually family farms, and in industry, trade, tourism and services they may be established as trade shops, services or firms. Because of their great diversity they are often overlooked when measures of economic policy are drawn – these are focused on solving the problems of large-scale companies. This complicates drawing common themes as to the problems that they are faced with, as well as in formulating solutions for improving their situation. On the other hand, their special treatment - compared to big companies - may lead to neglect of the activities they perform.



The first concept - considering micro and small enterprises and the activities they perform - was accepted in the approach to this category of entrepreneurship. That is why in this strategy the problems of this type of entrepreneurship were elaborated in more priority aims. In Priority objective 1.1 (Agriculture development) the state of micro-business in rural areas was described; in Priority objective 1.2 (Tourism development) almost all activity is in small business;

**Scenario:** The process of creating an economic structure of the region, based on the strength of interregional business connections, will be rather long. What can possibly be done in a comparatively short period of time consists of three parallel activities:

1. Creating a system of technical, financial and information support for small and middle-sized entrepreneurs. Regarding technical support, it is necessary to create, apart from incubators, a network of technical (technology) parks which could give all elements of technical support to companies being set up. These would also be connected with research organizations, which would help in the development of corresponding technologies. The development of SMEs is conditioned on existing appropriate entrepreneurship skills and knowledge which can be provided through the educational system or vocational training (link with Strategic Goal 3). The business environment is complemented also by the advisory companies and structures which cover segments like: business management, supplies procurement, marketing, standardisation, labelling, etc. As for financial support, schemes must be found which would relieve companies of tax duties, and which would also reduce interest rates for the credit necessary to finance development while they carry out their business under the wings of incubators or technical parks. In the area of informatics it is necessary to introduce usage of IT on a large scale and form a network of related and/or complementary companies around technology parks or business associations which would package services or products, and gather information on the possibilities of their placement in their own or other regions.
2. Stimulate with the support of municipalities and regional development bodies the creation of specific clusters in the regional economy. A start could be made by a study that would answer the question of competitive (not comparative) advantages of the region, and the possibilities and manner of creating clusters. An answer on sufficient subjects in particular industrial activities and the manner of establishment would emerge from this study, as elements of initial support to the development of clusters. The results of the study should be made available to the public, and also to potential investors.
3. Support for the rehabilitation of the remnants of large scale economic systems. The good route that the Mission of the World Bank Group took in Bosnia and Herzegovina is insufficient for the acceleration of development. The region also needs an informatic system on unused productive capacities available for direct (foreign) investments. The first possible step would be the creation of a database on available unused economic capacities and sites for foreign investments. Then it could be developed into an economic observatory for the region.
4. Training adequate personnel that will be involved in the management of the incubators and clusters, as well in giving technical and financial assistance to the companies developed in these structures. These issues will be addressed under Priority Objective 3.3.

**Expected results:**

- Five to ten incubation centres established in the region;
- Three to five technical parks established;
- Information network formed about supply and demand of jobs and products;
- Cooperation with business subjects in the region established;
- Establishment of specific clusters;
- Web site set up about unused economic capacities available for investments.

**Indicators:**

- Survival rate of new SMEs receiving financial support still in business after 18 months (%);
- Gross/net employment created or safeguarded after 3 years (number and % of total jobs);
- Increase in turnover of firms having received financial support after 3 years;
- Number of new processes/products introduced;
- Regional firms of which SMEs as a % of suppliers to assisted businesses after 3 years.

In order to achieve this priority objective the following measures should be undertaken:

- **Developing business support infrastructure for SMEs;**
- **Creating a favourable environment for the development of production oriented SMEs.**

**1.3.1. Measure: Developing business support infrastructure for SMEs**

**Situation:** The SME sector is not achieving its full potential. Most SMEs operate in the trade sector (wholesale and retail). Unfortunately, in the processing industry there are no appropriately developed SME activities. Successful SMEs require both a favourable business climate and adequate financial support. Because of the state of the business environment, it is much easier to operate in the trade sector than in the processing industry. Therefore, there is a huge disproportion between import and export.

There is no common regional business structure in the region, even an elementary one that could be of any economic importance or economic character. So SMEs and other potential business users have no chance to either offer or demand economically important information. This problem of business and economic communication is not only a regional problem but it occurs at all levels with other economic regions both inside and outside BiH. Currently, businesses are mostly left to fend for themselves, except in the case of information circulation carried out by Economy Chambers. However, that is far from being enough, because even sub-regional economy chambers are not connected nor are they organized to have regular updated information of importance for their members. In addition to this problem, there is also no other business infrastructure of an institutional character for the support and development of productive SMEs in the region.

**Scenario:** It is necessary to start immediately with the formation and establishment of the necessary business capacities which would open the door for comprehensive internal and external regional business cooperation, first of all by comprehensive circulation of and accessibility to business and economic information. It is necessary to start with the establishment of institutional regional centres to support and develop new and existing production SMEs, as well as to develop other segments of SMEs in the region which could be achieved by the establishment of a system of technical, financial and informatics support to SMEs. These centres should be established in the early phases of strategy implementation so that they could start to function with satisfactory capacities within two or three years at the most.

This could be achieved by implementation of the following projects:

- Establishment of a regional Centre for entrepreneurship development;
- Establishment of a cluster for production of medical teas and other drinks;
- Study on establishment of duty free zones;
- Centre for transfer of technologies in industrial food production;
- Centre for transfer of technologies in metal-processing sector;
- Cluster for stone processing;
- Cluster for wood processing;
- Clusters for producers of green houses and hothouses;
- Using of natural waste and organic raw materials for humus production;
- Establishment of clusters for juices (soft drinks) production;
- Technology Park for new technologies and products in Mostar.

**Expected results:**

- Business support infrastructure for SMEs developed;
- Increase in sales of quality certified products.

**Indicators:**

- Number of SMEs (men/women owners) receiving advisory services;
- Number of recipients of qualified certified products, after 3 years;
- Increase in turnover of the assisted firms after 18 months.

### 1.3.2 Measure: Creating a favourable environment for the development of production oriented SMEs

**Situation:** There is a completely unfavourable and negative environment in the region for the development of production SMEs. For many years production was treated within the population as a completely unprofitable activity, and such a mentality was created in an organized and systematic way so that the import of everything and anything, and not rarely of the worst and least acceptable quality, could be justified as the best approach. Such a tendency is still present but is in decline due to the growing understanding, even in the commerce sector, that purchasing power standards are very low among the majority of the population and that it can be improved only by reviving domestic production processes in the region.

On the other hand, production conditions on the financial market are most unfavourable, which creates an even more risky business environment. The availability of financing at favourable rates is a huge problem for SMEs and prevents their development. It is praiseworthy that the Federal Government earmarks certain very modest means for this purpose (published in the latest issue of the "Official Gazette of the Federation", no. 36) but that is the only positive example of that kind. Loss of work production habits due to non-functioning of the great industrial capacities and loss of markets as well as of licence rights are additional heavy blows to the production environment.

There are no regional or sub-regional institutions for the development of SMEs. Within University institutions in Mostar and Trebinje there are certain institutions, such as institutes, which neither have neither adequate financial support nor «clients» who require their services. Because of the underdeveloped SMEs production sector, and because of the non-existence of awareness about the necessity of investing for development, their capacity of operation is limited.

Also, the interest of young people to study at the technical and production orientation colleges has also weakened. Those who graduated at the production and construction oriented high schools can hardly get employment, and mechanical engineers, who are plentiful in the region, do not have adequate jobs, and the same can be said of other technical and production personnel in Herzegovina. Young educated people want to leave the region and try to make their life around the world because it is quite clear that service and commercial SMEs, which provide possibilities for creating greater numbers of jobs, are not attractive enough for them.

**Scenario:** Organized and synchronised activities of government, non-government and private sectors are necessary to create positive surroundings for the development of production SMEs in the region. The role of the media and the private business sector is of paramount importance.

The presence of large processing enterprises provides a tremendous opportunity for the establishment of an SME sector. Large enterprises are a driving economic force of regional development and could be at the same time the backbone of a particular cluster, which will embrace the SME sector as suppliers or contractors. This idea will be supported by the existing industrial infrastructure (economic buildings and warehouses) that could be easily turned on into adequate sites for new economic activities. In other words, it is economically logical that a certain number of activities from large enterprises should be outsourced to SMEs, in order to achieve synergies.

It is necessary to establish new institutions for the development of SMEs, especially those in production. It is also necessary to find, organize and mobilise relevant finances. It can be done through public and private partnerships, as well as through the non-government sector, and through the application of innovative measures by the State in favour of importers (placing deposits from importers into development funds according to an elaborate scale, percentages determined by category of product imported. If the imported product can be produced in BiH, then the amount of deposit should be 100 % of the imported goods value with a decreasing percentage in proportion to the possibility of product production in BiH. Importers could recover their deposits again after a fixed time period, and they could cover the risks of depositing the funds through guarantee schemes run in cooperation with the state and bank sector etc.). It is also necessary:

- To activate and motivate diasporas from the region living abroad;
- To establish and activate a development guarantee fund based on existing powerful regional energy potentials, through partial privatisation of the energy and telecommunication sectors. Profit gained from that state restructured system should be directed towards that fund and those means should be directed into the development of production SMEs and to the construction of capacities of industrial support for domestic production;
- To use EU funds intended for preparation and adaptation of transitional states for the integrating processes in the EU.

The measure will rely on adequate research and technology transfer capacities developed in the region (link with M 3.3.2 ) as well as on the favourable conditions for the business environment, (link with Priority Objective 1.5).

The entrepreneurial culture will be installed with adequate training programmes (link with M 3.1.1) that will offer the possibility of different social groups (young female graduates to start their new businesses.

It is possible to accelerate the process by realization of the following projects:

- Establishment of productive business and entrepreneurship zones for SMEs;
- Establishment of incubators of productive programmes for SMEs;
- Establishment of regional fund for support for SMEs development;
- Regional Council for Economy Development (with the aim, among others, to start a long-term campaign in order to promote the recovery of domestic production);
- Service centres for SMEs and mini farms for vegetable growing;
- Regional centre for industrial design;
- Network of producers of Herzegovina traditional furniture.

**Expected results:**

- Positive opinion created about production as a process and the only way which would, slowly but surely, take the region and its population out of the current economic recession and apathy;
- Regional institutional forms of support to production entrepreneurship established;
- Funds for support to production SMEs established;
- New jobs created in production;
- Stronger and bigger production capacities;
- New products and production programmes created;
- Increased amount of people ready to go into business on their own and;
- Improved level of knowledge about doing business.

**Indicators:**

- Number of newly established businesses;
- Number of entrepreneurs (men/women owners);
- Number of businesses established by young people;
- Incubated new jobs in proportion with investment and in proportion of about €2000 / one production job;
- 10 new products developed per year/3-member construction team - with an average price of about €20 000 / industrial production programme.

#### **1.4. Priority Objective: Developed optimal regional management system for natural resources**

**Situation:** Natural potentials suitable for exploitation - which undoubtedly exist - have been substantially changed after the war. Agricultural land is neglected in great measure and there is no reliable information on the amount of destruction. Limited forest resources are mercilessly being destroyed with unpredictable consequences for the land itself, as well as for the water regimes and the fragile environmental balance. Exploitation of bauxite has been abandoned, and non-metal resources have not been sufficiently explored yet, so that it is not possible to count reliably on their exploitation. Water resources, which represent a critical resource for the future, are used mostly in an ad hoc way. All this indicates the necessity for those resources to be recorded, registered and assessed, and then for their use to be justified.

On the other hand, the model for their management should be founded on market evaluation and the competitive advantages of the region. The market, however, was deformed to a great extent during the war, and after the war no mechanisms have been developed which would put the region (and the state) into an equal position in the marketing race with other in surrounding regions.

**Scenario:** For the needs of this analysis we can start from the supposition that, of the macro economic measures provided by the Medium Term Development Strategy (PRSP), together with the assistance of those working on closer integration to the European Union, they will be such to enable normal functioning of the market economy.

All municipalities should make surveys about raw materials reserves and, according to the surveys, make a plan of exploitation and responsible usage of resources, coordinating the activities with other relevant subjects.

After conducting surveys about natural resources, a strategy of using raw materials at regional level should be developed, related to other priority objectives (agriculture development – PO1.1, infrastructure –PO 1.6 or tourism – PO 1.2). All business activities related to adding value to raw materials should be stimulated and supported.

The strategy should be developed in a very responsible way especially for renewable natural resources. In other words, usage of natural resources in business activities must be controlled, taking care of the ecological aspects. The mining sector has to be restructured to ensure production security and upgraded technologies.

Beside this, it is also necessary to prepare feasibility studies related to the usage of some energy potential (water, coal, gas). Also, it is necessary to establish a regional institutional framework which could contribute to optimal management of those resources through coordination of the competent bodies and institutions.

***Expected results:***

- Reduction in energy costs;
- Increase in share of renewable energy sources compared to total energy supply;
- Appropriate level of energy produced in the region;



- Sustainable sources of energy;
- Quality of life in the community, from an ecological viewpoint.

**Indicators:**

- Value added generated by the new plants (Euro/year);
- Data base with all available natural resources;
- Appropriate plan – strategy of usage of resources;
- Increase of estimated number of users (using average coefficients of energy consumption).

In order to achieve this priority objective the following should be done:

- ***Establishment of the institutions for natural resources management;***
- ***Studies and analyses for state and optimal usage of natural resources;***
- ***Rational multi-purpose use of water resources.***

#### **1.4.1. Measure: Establishment of the institutions for natural resources management**

**Situation:** The lack of an institution for managing natural resources is a problem. There are local and sub-regional institutions for particular natural resources, as well as non-government bodies, which are directed or established with the aim of natural resources management. However, their work is partial and it is not networked, which is their main disadvantage. There is no centralised uniform database on natural resources and their current state. Also, there is no coordinated cooperation between competent institutions for particular resources (due to the two-entity and multi-cantonal competences), and this lack of coordinated and collective approach can cause great problems and can have long-term consequences.

**Scenario:** It is necessary to form a main centralised database on natural resources in the region. In the first year REDAH will take over the initiative for the establishment of an institutional framework for data processing and its collection in a single regional database. Institutional contacts made with relevant local government structures and university institutions in the state for natural resources management. The state of existing use of natural resources diagnosed, and analyses made.

**Projects:**

- Elaboration of strategy on exploiting the natural resources in the region;
- Establishment of regional agency for natural resources;
- Strengthening of the system for impeding illegal uses of natural resources.

**Expected result:**

- Improved quality of life in the community, from an ecological viewpoint.

**Indicators:**

- Data base with all available natural resources;
- Appropriate plan – strategy of usage of resources;
- Implemented mechanisms for natural resources management;
- EU standards and regulations of natural resources management established.

**1.4.2. Measure: Studies and analyses for state and optimal usage of natural resources**

**Situation:** There is no integral, regional, documentary and official analysis of the state of natural resources in the region, at least not one that has been made in the last 15 years. There are some very good quality works by eminent experts in this field, but those are, unfortunately, only partial actions. Also, there is neither network of this information nor any unity on explorations of particular areas. The starting point in this area could be research of mineral, metal and non-metal resources, which were conducted before the war by former state companies, which were engaged in exploitation of ore resources. Those researches presumably gave an abundance of data, as well as information on water, surface and underground regional resources.

Since mineral resources have been exploited in Herzegovina for decades, especially stone and bauxite ore, it is difficult to say if that exploitation was optimal or not. Exploitation was performed using the technological methods of the times. Looking at the devastated and unrehabilitated surfaces after surface mining, it can be said that it was not an optimal method of exploiting bauxite and stone as mineral resources. Such damage remains a problem even today.

In order that such experiences are not repeated in future, concessional exploitation should be accompanied with periodic control of the rehabilitation of surface mining sites or quarries, according to a pre-arranged plan, which would be accepted by all parties.

There is no regional geology map with all the content data and information on mineral resources reserves and on their categorization according to quality and to availability with regard to profitable exploitation.

**Scenario:** Steps should be taken to collect and process existing data and information on the state of natural resources. An institutional channel or a framework should be established for such data and information through which it would be available to relevant parties, both domestic and foreign, in the interests of substantial regional economic development. It is also necessary, depending on the available financial means, to create new documents and incorporate into them all relevant historical data and information garnered through geology researches and other measuring in the field. It is necessary to make pre-war and post-war analyses of resources.

This will be achieved, by realizing in the first 3 years the following projects:

- Study on the usage of regional mineral resources;
- Establishment of a fund for mining and geology researches;
- Making study on solar energy exploitation;



- Pilot project of building of small wind farms;
- Study on non-metal minerals in the region;
- Study on estimation of agriculture and soil pollution;
- Study on use of specific kinds of stone and making a geology map;
- Feasibility study for stone exploitation;
- Pilot projects for solar power plants;
- Studies on construction gas transport in the region;
- Feasibility study on exploitation and processing of clay;
- Feasibility studies on exploitation of semi-precious and precious stone.

**Expected results:**

- Complete information on the state of the natural resources available in the region
- Geological map of the region completed
- Sustainable sources of renewable energy identified
- Documentation prepared for investments in energy infrastructure

**Indicators:**

- Increase in share of renewable energy sources compared to total energy supply (%);
- % change of environmental impact in terms of increased or decreased pollution (CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub>, etc);
- Value added generated by the new plant (euro/year).

**1.4.3. Measure: Rational multi-purpose use of water resources**

**Situation:** Water resources in the region are huge. Some of them are used for multiple purposes, for example for production of electric energy in hydroelectric plants. In those accumulative lakes particular capacities for breeding fish have been installed. Apart from this, tourist and catering activities are also present on these waters, as well as sport fishing and so on. Even so, the following question remains open: are these water resources used rationally?

**Scenario:** It is necessary to make an adequate study incorporating into the current position as well as exploring possible ways of optimal multi-purpose exploitation of waters. All existing water resources in the region should be included in this study, and for those which are still not used for multiple purposes, possible models of exploitation and possible dynamic plans for such exploitation should be proposed.

The fastest and most efficient method to do this is by realization of the following projects:

- Regional centre for research on, protection and usage of waters;
- Study on water exploitation and protection;
- Establishment and development of centre for monitoring underground waters;
- A study of multiple purpose exploitation of waters in the region. The deadline for putting this plan in effect would be three years at the latest;
- Development of agency for water management (Neretva, Trebišnjica, Cetina);
- Analysis of conditions and aspects of protecting the drinking water;
- Establishment of clusters for natural water production;

- Study on protection of underground waters;
- Projects of integral plans and management with water resources;
- System of watchtowers for water quality.

**Expected results:**

- Increase in share of renewable energy sources compared to total energy supply;
- Appropriate level of energy produced in the region;
- Increase in energy exported (€000/year).

**Indicators:**

- Quantity of energy produced (in KW/MW) broken down by source of energy (% degree of network completion);
- Number of new plants assisted;
- Km of new/upgraded lines.

**1.5. Priority Objective: Encouraging export activities**

**Situation:** During the developmental period after World War II, the economy of Bosnia and Herzegovina was developed as an open market complementary to other parts of the former state. Foreign trade traffic for this region (including traffic with other republics of the then SFRY) reached  $\frac{3}{4}$  of gross national product, which made this region very dependent on imports on one side and to export-oriented regions on the other side. In addition to this, in the crisis years before the war the foreign trade balance (not counting the traffic within former SFRY) was positive.

The war destroyed economic connections, production after the war was not revived, and economic cooperation with the states, which emerged after SFRY fell apart, with the exception of Croatia and Slovenia, was drastically reduced. The foreign trade balance is very negative and it will not be possible to level it either in the short or in the medium term. Systematic measures that could cause this imbalance to be reduced are under the jurisdiction of both entities and the state, and recovery of the region will depend in great degree on them, as well as on the decrease of purchasing power in the region.

Apart from a few main exporters of ready-made products and semi-products in the region, it can be said that domestic production companies are poorly developed, or those that are developed and which possess good technology are very few in numbers. This is one of the main diseases of the Herzegovina economy if we look at the regional picture as a whole. In order for this situation to be improved, it is necessary to take concrete steps in synergy with the whole set of factors which can contribute to that improvement.

Beside domestic enterprises, it is necessary to attract green-field foreign direct investments in order to establish new industrial enterprises that will be an export base for investors. Therefore, it is necessary to support development of industrial zones both at regional and municipality level.

In order to establish a competitive business environment, it is necessary to follow and apply European Union standards for economic activities and regional development, so that the region should have almost the same business climate as any other region in the European Union.

**Scenario:** Under the precondition of developing adequate business infrastructure for SMEs (link with M. 1.3.1.) and business environment for SMEs (link with M 1.3.2) the incentives for stimulating the export oriented activities will be insured first of all by increasing the standard quality of the domestic products (ISO certification of the production process), using modern technologies (increasing accessibility to credits for investments in the productive process) and developing marketing capacities.

What it is possible to do on the level of the region, in order to improve its balance of payments position, is the rehabilitation of economic activity, improving the quality of goods according to EU standards, development of new products and increase in existing competitiveness and increasing the level of foreign investments. Essentially, the scenario for the imbalance reduction is defined in other priority objectives, especially from Priority Objective 3.

**Expected results:**

- Coordinated activities for support of export oriented enterprises;
- Positive trade balance;
- Improvements of export products structure.

**Indicators:**

- Number of business becoming new exporters
- Number of business exporting to new markets

In order to achieve this priority objective the following measures should be undertaken:

- Improving the quality of goods according to EU standards;
- Development of new products and increase in existing competitiveness;
- Increased level of foreign investments.

### 1.5.1. Measure: Improving the quality of goods according to EU standards

**Situation:** Very rigorous EU criteria in respect of all aspects of a given product represent barriers to exports to EU countries. Also, other countries which are not EU member states have demanding markets and control mechanisms for exported goods, which also represents both a disadvantage and a challenge for domestic producers. A product cannot come to the EU market without the CE sign, and producers must have certificates on quality and product safety according to ISO standards. A very small number of domestic firms have the necessary certifications whether in production or in services.

**Scenario:** For products for export to the EU market it is necessary to enlarge existing capacities in the region so that companies can get the necessary certification for ISO standards and the CE sign. It is necessary to provide additional education for both entrepreneurs and all employees in such companies so that they can meet the required

criteria with respect to safety and quality of production and products, or services provision.

This can be achieved by realization of the following projects:

- Establishment of regional agency for quality control;
- Control centre for agricultural products;
- Regional centre for standardization.

**Expected results:**

- Increased number of certified companies;
- Strengthened certified capacities in the region during the first year of activity;
- Increasing level of competitiveness of existing enterprises;
- Development of accompanying industrial services at EU standards;

**Indicators:**

- Number of ISO certified companies;
- Number of companies receiving advisory services;
- Number of projects receiving financial assistance;

**1.5.2. Measure: Development of new products and increase in existing competitiveness**

**Situation:** Considering that imports are five times higher than exports, and in the range of consumer goods that proportion is much higher, the realistic picture of imports as compared to exports is dangerous for the future standard of living for about 90% of the population in the region. In the financial report, the export of aluminium makes up 90% of the regional export structure. The existing production capacities in this region (apart from Aluminium Mostar and Machine Tools Factory Trebinje) are almost negligible in terms of export. There is a similar situation in production for the domestic market.

There are several factors that contribute to such a negative tendency. They are: Expensive production inputs, market unprotected by adequate customs measures, non-existence of corresponding control over the quality of imported goods, presence of plagiarism, lack of development in production companies, non-investment in the development of new products capable of market competition at home and abroad, non-investment in new technologies, non-possession of licence rights for quality products, non-existence of awareness, knowledge and skills necessary for the development of their own resources and for development of new products, absence of business communication between the import commerce sector and domestic production sector in the sense of business information exchange and common planning for presentation on both the domestic and foreign market.

**Scenario:** It is necessary to take institutional steps towards cooperation with the corresponding competent state authorities, private sector, social economy council, and non-government sector in order to establish mechanisms, which could lighten the grave consequences of loans with extremely high interest rates. Interest should be reduced to a level similar to that in developed European regions. Moreover, it is necessary to

educate the population and the business sector on methods and possibilities of maximizing the use of credit.

Concrete steps towards the realization of this measure are multiple and it is necessary to implement them at the same time so that all the necessary links of that chain of enabling SMEs to substitute production and export can lead to desirable results which are: improvement or gathering of knowledge and skills necessary for production improvement, introduction of new products, introduction and application of new technologies in production, improving already existing technology and its elevation to a higher technology level, start up of relevant co-operation with other economic regions and their productive SMEs, creation of their own development teams and production programmes, observance of modern tendencies in that field.

This can be achieved by implementing the following projects:

- Regional development guarantee fund;
- Establishment of regional technology centre;
- Study on possibilities of import substitution and export encouraging;
- Production cluster with the aim of substituting a part of import by export;
- Regional centre for industrial design;
- A regional guarantee fund for SMEs.

**Expected results:**

- Beginning of change in the financial market in favour of borrowers;
- Export penetration of domestic producers increased;
- Co-ordinated activities for support of export-oriented enterprises;
- Positive trade balance;
- Achieved consensus on the necessity of cooperation between import commerce sector and domestic production sector to substitute as much import as possible with domestic production;
- Possible measures taken by the state which stimulate and protect domestic production;
- Capacities of domestic production enlarged;
- Broadened scope of products for export.

**Indicators:**

- Number/volume of venture and seed capital funds receiving financial support;
- Number and volume of guarantee funds receiving financial support;
- Number of leasing operation schemes receiving financial support.

**1.5.3 Measure: Increased level of foreign investments**

**Situation:** Existing reliable and up-dated information as regarding conditions for company registering, incentives for investments, available green field and buildings, existent support system for enterprises (advocacy bureaus, banks, etc) are important and constitute big advantages for a strong FDI policy as well as the existence of good examples that are mediated to the public.

Without dwelling on the reasons, it is a fact that, regardless of the great number of donations, significant economic recovery of the country after the war did not occur. On the other hand, the scope of domestic savings is insufficient for faster initiation of economic activities. Also, under conditions in which business is carried out, the economy cannot endure the burden of high interest rates on loans. This equally holds true for the economy in the region. The only remaining financial source, which could enable additional faster recovery and development of the economy, is direct foreign investment. The economic surroundings, however, do not look favourable to potential investors so that this process is slow and of insufficient intensity. Some interest exists, however, and it should be encouraged.

There is no updated and completely organised data file about the potentials of the region.

**Scenario:** Investment conferences are necessary, but they are not sufficient for foreign investments to become more intensified. It is necessary to undertake activities at the municipalities level described in M 2.3.2 (Providing information and technology support for creating uniform spatial and urban planning), M 1.3.1 (Developing business support infrastructure for SMEs) and M 1.6.1 (Improvement of the regional roads infrastructure, air traffic and railway network).

The first step would be to make a data file and to enable input and circulation of all relevant information and data of possible interest for potential investors. After that, using advanced informatics technologies and other forms of promotion, target that information towards both the foreign and domestic business world. Then, make contact with institutions in the country and abroad which, by the very nature of their activities, can contribute to placement of business information for public access in the business world; and invent specific forms of promotion.

All this could be achieved by realization of the following projects:

- Development of a regional centre for assisting in application of EU standards;
- Development of a cluster for universal hand tools;
- Making analysis regarding the state of unused industrial and other capacities of the region;
- Establishment of regional Centre for investment marketing;
- Established regional informatics centre;
- Establishment of cross border trade zones;
- Regional training centre on standards for foreign markets;
- Promotion of foreign investments into the production of the region;
- Developing a centre for delivering services and providing information to investors.

**Expected results:**

- Conditions for promotion of the region created;
- Data file created and the manner of its updating organized;
- Web-page created with the aim of promoting the region for foreign investments;
- Promotion of foreign investments into the production of the region;
- Development of industrial zones;
- Easy access to all relevant information;
- Administrative barriers to establishing businesses, etc., removed.

**Indicators:**

- Number of advisory services provided;
- Number surface and structure of industrial zones developed;
- Gross/net employment created or safeguarded yearly(number and % of total jobs);
- Length of the process for establishing enterprises.

**1.6. Priority Objective: Transport infrastructure development**

**Introductory remark:** The development of the infrastructure involves good transport infrastructure (rail, roads, motorways, airports, ports, waterways, urban transport, multimodal transport as well as an intelligent transport system) but also telecommunication infrastructure, energy infrastructures, environmental infrastructure, planning and rehabilitation, social infrastructure and public health. This complex of structures ensures the basics for the development of every economic activity and social human activity.

Of all the above, the transport infrastructure is the one that ensures beyond the possibility to transfer/commute persons and goods, the possibility to ensure accessibility and interconnection between the economic sites and communities. The transport infrastructure is therefore an important factor for economic development.

Under the condition of development of the transport infrastructure, tourism is also one of the industries that gains from the number of people visiting new places, taking benefit from the natural beauties, historical and cultural richness of other regions (link with Priority Objective 1.2).

PRSP indicates that the roads in BiH are in extremely poor physical condition and the annual cost of maintaining the main and regional roads is about €40 million. There is a low safety level in road traffic and a clearly defined legislative framework at the level of BiH does not exist. Increased volume of traffic suggests the need for modernization of the existing road network, and safety on regional and local roads needs to be improved. The current state of rail infrastructure ensures that normal traffic is impossible without major investments.

Herzegovina has one airport in Mostar which was restored after the war, is registered for international air traffic and has being brought up to the levels prescribed for their categories under ICAO standards.

**Situation:** Regarding traffic, in principle there are conditions for all means of transport. In sea transportation, the region mostly relies on the Ploče port, which up to the war was the most important import-export port for the economy of B&H, and it was also one of the most important ports on the Adriatic coast. Certain possibilities for specific forms of sea transportation can also be found in Neum but that has not been systematically developed yet so that the role of this location in the transport area is practically



negligible. As for air traffic, there is an airport located in the centre of the region (Mostar), but its role in transport of goods and people is minimal. The main traffic routes in the region are railways and roads.

The only railway partly reconstructed after the war, goes north-south through the middle of the region, with an average speed of less than 50 km/h, considerably lagging behind average European speeds, but also behind local needs. Besides, profitability after the war is a moot point because it depends in great measure on the annual volumes of bulk and liquid cargoes or on the economic needs of the country, and a destroyed economy does not offer them not does it have any need for them. That need will increase as the process of privatization finishes and one part of the economy's potential is rehabilitated, but at least one decade will pass before the pre-war volumes of transport would be reached. Bearing in mind the average speed of movement, it is also not realistic to count on any considerable increase of the passenger transport traffic in the future.

The main transportation medium in the region is road traffic. After the action of constructing 1750 km of roads in B&H during the seventies of the last century, the region is relatively well covered by a road network, but its quality - as well as in the whole of the country - is far behind the needs, so that it can be said, from this standpoint, that the quality of these communication lines will be the greatest long-term obstacle to development in the region.

The most important traffic corridor extends along the middle of the region, in the north-south direction, and it is included into the European network as corridor 5C, in which Mostar emerges as the most important terminal in the region. It is planned for that terminal to be constructed in the next few years and it will be of use for both the general economy and for tourism of the region, but it does not solve the long run problems of regional development and best usage of the region's competitive advantages. The main disadvantages of this solution, looking from the regional development angle, are:

- a) East and west parts of the region are left out of the gravitational area of this communication line, and these parts naturally gravitate to and are economically complementary to the Adriatic area in whose catchment's area they are situated;
- b) There is a lack of quality crossroads (in the direction of east-west) which would reduce transportation of goods and people to a minimum, and which would additionally stimulate intra-regional and inter-regional cooperation along this route.

Road networks in the country, as well as in the region, are far behind similar ones in Europe, and it makes a bottleneck and a key obstacle for economic development as a whole. Besides, a time period of 100 to 150 years is necessary in order to bring the roads network in B&H to European levels by using exclusively internal inputs. However, when looking at it as a future part of Europe, the region, and indeed the whole country, can function economically as an integral part of Europe and not as an isolated or barely accessible island with high transport costs. Then it becomes obvious that the shortest line of communication with the London-Paris-Bruxelles triangle and the west coasts of Greece and Asia Minor, at least for cargo transport, necessarily leads through most closed (in the terms of traffic) areas of the Balkans (B&H, Montenegro, Sandzak, Kosovo, Albania and Macedonia). If it is accepted, however, that the synergy of its surroundings can be used for the development of this nerve centre, it becomes obvious

that we face the necessity of considering new traffic corridors. In fact, they should become the development basis of the west Balkan «new deal». In this context, traffic development in the region would be considerably easier and faster, and financial sources would be more available.

**Scenario:** Commerce also can be used for economic development, especially in the sector of micro, small and middle-sized firms. On the margins of the regional economy manifestations (fair in Mostar, presentations of bigger towns to other towns and regions...), it is possible to organize meetings (conferences, presentations,...) of trade with production sectors, during which sellers would inform potential investors about the demand for products that could be produced, packaged and placed in the local and other markets. The same can be done in the organization of the Economy Chamber. These presentations could result in investment projects (estimation of justifiableness), as well as in frame of agreements on production and placement of products (Link with Priority Objective 1.5 2).

Considering new road routes and traffic corridors is a permanent task of developed European countries. Since this proposal involves a project which includes more countries and interests, the procedure for its realization is considerably complex. It would imply:

- a) Organization of a Balkan conference on possible new development corridors. Expert organizations from the countries concerned should participate in it to make technical estimations regarding needs and to achieve agreement regarding making a feasibility study. The conference could be organized within a year from the date of deciding to hold it and upon ensuring the necessary financial means.
- b) Carrying out a feasibility study on possibilities for the most advantageous road development directions. Apart from estimates on the amount of investment, this study should also suggest contact points on the neighbouring countries borders, basic elements for contractual-technical construction conditions, financing and draft of inter-state agreements on construction. A consortium composed of chosen regional expert organizations should take part in its preparation under the guidance of an eminent project company from Europe. Making the feasibility study could take about two years after completing step a).
- c) Organization of a Balkan conference on the Corridor. This could consider issues on which the participants' states in its construction should agree on so that construction work could begin and finish within a corresponding period of time. A component of that memorandum of understanding should be the agreement on harmonization of legal rules on concessions, since it is supposed that some countries would not have internal financial resources at their disposal. Memorandum on concessions would be a subject of ratification by the corresponding bodies of the country concerned, after which conditions would be created for an international competition for contracting, and then for construction. In a good political atmosphere, the conference could be organized within the next year, upon completing step b).
- d) Contracting and construction. Description of these two activities is not done here. The feasibility study under the step b) should elaborate in more details the dynamics for realization of the whole project.
- e) Development of the road network in the region, integrating it the European system of communication and ensuring the maintenance system at superior levels of quality in order to satisfy the local and regional needs for economic development and mobility.

**Results:**

1. With regard to commerce, it is relatively easy to achieve development effects quickly, if the aforementioned activities are realized. Those effects will not be very high but they could certainly result in the production of a small number of new products, their placement through the regional commerce network, increase of gross domestic product and employment (link with Priority Objective 1.5).
2. If it is decided on a more quality solution to the problem of the roads network development, within the time period for which this strategy is being made, it will be possible to expect the regional conference to be held and, eventually, the agreement on feasibility study to be achieved, a project consortium to be formed, and, in the best case scenario, a draft of the feasibility study to be made. Other effects will depend on the results of the study.

Scenario for obtaining this priority objective is as follows:

- Supporting all activities related to corridor Vc and expansion of railway;
- Developed local roads infrastructure.

**Expected results:**

- Increased length of roads;
- Increased length of railways;
- Increased quality of roads and railways.

**Indicators:**

- Increase in flow of traffic flow vehicles/freight yearly (%);
- Increase in safety (number of traffic accidents yearly).

In order to achieve this priority objective the following measures should be undertaken:

- **Improvement of the regional roads infrastructure, air traffic and railway network**

**1.6.1. Measure: Improvement of the regional roads infrastructure, air traffic and railway network**

**Situation:** The existing state of road infrastructure in the region is very bad on two levels: a) construction - very old roads, and b) shortage of money necessary for their reconstruction and maintenance.

The airport in Mostar suffered war consequences which resulted not only in physical damages but also in the loss of international lines, which is an even greater problem than the physical consequences of war and the post-war status of the airport.

The railway network also still shows the consequences of war and the bad post-war state of the economy in the region. Because of very poor economic circulation in B&H and in the region, the level of usage is very low, which results in the inability to accumulate capital for future development. The results are outdated capacities and inability to follow technological achievements of safe rolling stock.

**Scenario:** It is essential to start planning by drawing up plan and performance documentation for the necessary reconstruction of parts of the regional roads. Their bad condition considerably lengthens travel times and endangers safety. After the necessary planning it will be necessary to start concrete reconstruction. As for the airport, it will be necessary to engage experts who will make a comprehensive scenario for air traffic revitalization.

Regarding the railways, it is necessary to make a multi-phase plan to update the rolling stock and enlarge capacities.

All this can be achieved by the realization of the following projects:

- Upgrading the capacities of Mostar airport;
- Organization of Balcan Conference on Corridors;
- Making study and project documentation for reconstruction of bottleneck on the roads in the region;
- Repair and improvement of railway capacities in the region;
- Reconstruction of parts of regional roads for faster economic development.

**Expected results:**

In the first year, documentation for reconstruction made and revised. In the second year, reconstruction begun in many places in the region; Livno - Mostar (about 25 km with three dangerous parts), Mostar - Trebinje (about 20 km in several points), Čitluk - Mostar (about 5 km in two parts), and Mostar - Konjic (about 25 km in several parts). In the third year, reconstruction of these parts of regional roads completed. In the second and third year of its work, the airport should have doubled the number of arrivals and departures of passenger planes. The railway has its first modern system for passenger traffic within the first three years.

**Indicators:**

- Increase in traffic flow of vehicles/freight (%/year);
- Increase in flow of passengers/freight (%/year) as level of usage of railway;
- Value added generated/year (%);
- Gross/net employment created or safeguarded yearly;
- Number of visits per year to assisted facilities.

**Strategic goal 2: Institutional building for regional economic development and space planning (with documentation up-dated)**

**Situation:** Three aspects of this goal are major: (1) structure of institutions for technical support to development, (2) establishing an adequate model for increasing the standard of living and (3) spatial and planning documentation which creates conditions for rational usage and management of space.

- (1) In the region, there is almost no structure which could support regional development, (the new REDAH agency excepted) nor there are established state funds designated for long-term systematic support of it.

- (2) Considerably more of a grey market is present now than before the war. It is estimated to be 40-70% of GDP, and 50% of registered number of the employed. Revenue from economic conditions and employment are an advantage but they avoid public obligations.
- (3) The traditional concept of space saving was basically abandoned soon after World War II when industrialization and economic development turned a considerable amount of fertile agricultural land to industrial purposes, and the application of inadequate technologies polluted it greatly. At the beginning of the seventies a more serious consideration started to develop concerning space designation and its rational usage. A spatial plan of the then Republic of Bosnia and Herzegovina represented an attempt to establish a system of modern spatial and town management and to develop offices for urbanism and space arrangement. The war caused the abandonment of this concept. Urban contents were totally changed, but the layout of settlements in the space was mainly retained, and it reflects their polycentricism. Lines of communication, devastated during the war, have basically been brought back to the pre-war state, but the structure of traffic has been drastically changed. Automobile traffic is predominant, but the quality of roads is far behind the needs. The disappearance of processing industry capacities brought about at least one good thing in the sea of troubles – the pollution of water courses and air has been more than halved. Right now, we are at a new beginning in which the space and its contents should be valued and used in a new way.

**Scenario:** It contains three components: (a) building the structure of institutions for development (b) building institutions for reducing the impact of grey economy and (c) building institutions for planned space usage.

- a) In order to create the institutional structure necessary for development, apart from the measures mentioned within Strategic Goal 1, municipalities in the region should (1) set up a separate department whose main concern would be economic development and employment (2) form a fund for supporting development in their respective areas (3) in co-operation with other municipalities form a regional development fund and (4) also in co-operation with other municipalities, form a fund for the regional exploration of mineral resources. In the field of employment, it would be useful for each municipality to make its own action plan of employment in line with the concept of the analogous action programmes of the European Union (link with Priority objective 3.1.).
- b) Introduction of EU standards in the productive sector will have to be accompanied by increasing control structures for the supervision of the economic environment: establishment of structures for consumer protection, protection of the intellectual property rights as well as development of the legislative framework for the preservation of private property. This issue is linked with measures 1.5.1 (Improving the quality of goods according to EU standards), 4.2.2 (Introducing EU eco standards in the productive sector) and 1.3.2 (Creating a favourable environment for development of production oriented SMEs).
- c) Undeveloped urban and spatial plans are the main obstacles to systematic development of the region. In order to improve that it is necessary to complete the process of developing these plans systematically at both municipal and regional level.

It is necessary to pay due attention to two activity components of the spatial activity:

1. Rehabilitation of the principle of the use of rational space. It will be necessary to re-evaluate existing urban centres and plans of spatial arrangement of municipalities, to educate and equip new and existing institutions for urbanism and spatial arrangement with modern means for planning and forecasting. In addition to the further development of towns, it will be necessary to develop a concept of rural settlement urbanisation, so that these become as equally attractive as towns.
2. Exploitation of mineral resources, mining and water resources. The development of the region offers known and proved mineral reserves, as well as those which have still not been sufficiently explored. Exploitation of most of them is inevitable and it can be attractive to both domestic and foreign investments. Together with (mainly) capital intensive investments, their exploitation may represent a useful development component, but it would be necessary to define rules of conduct, including concessions and the obligation to adequately protect the space. Water as a crucial regional resource must be managed integrally so as to exploit its multiple uses while ensuring that users downstream also enjoy its benefits.

**Expected results:**

1. Forming municipal departments for development and employment, which will be adequately equipped and qualified; Formation of municipal funds to support economic development, as well as the regional development fund; creating and applying action employment programmes.
2. Establishing institutions for increasing consumer protection and developing adequate institutions for identification of fraud on the market activities.
3. Developing up-dated urban and spatial plans for every municipality that will be taken into account in the process of planning at regional level. Using urban design as a means of establishing industrial zones (spaces where industrial capacities should be located). Forming a fund for regional mining and geological exploration; Making a regional summary of mining reserves; Identification of mining bodies' structures; Preparing the conditions for regional and detailed mining and geological explorations.

**Indicators:**

- Gross/net employment created or safeguarded in the region after 3 years (number and % of total jobs);
- Value added in the region (MEuro/year);
- Harmonization with the regional standards of the European Union;
- Number of projects receiving fund;
- Number of newly created non-governmental organizations and their sustainability;
- Number of enterprises installed in assisted areas after 3 years;
- Number of residents located in the vicinity (less than 1 km) of the renovation area.

Based on the aforesaid, we can see that **the following priority objectives** are included in this strategic goal:



1. **Developed institutional framework for regional economic development and interregional cooperation;**
2. **Establishing an adequate institutional framework for increasing the standard of living;**
3. **Achieving interactive connections between urban and spatial planning institutions, which will form the basis for changing, amending and reforming the existing planning documents.**

### **2.1. Priority objective: Developed institutional framework for regional economic development and interregional cooperation**

**Introductory remark:** Institutional framework consists of a system of legally based regulations and institutions with the aim of supporting the development of the state economy. Cooperation between the regions, as a rule, is realized in one of two extreme ways: (1) either the economy of the periphery is mono-structural (oriented mainly to primary agricultural production) so that profits are drawn away by economy centres or centres of financial power (developed areas), or (2) both the centre and periphery are developed so that the cooperation is realized on the market basis. In conditions where development is left to unregulated elements, the first type of development occurs most often. This results in migrations from underdeveloped to developed areas, and this is also confirmed by economic practice throughout the world.

**Situation:** BiH is divided into five economic regions. These economic regions are not independent of the existing entity and cantonal divisions of BiH. On the basis of such economic division (initiated by EU), five regional development agencies were established for each of those five economic regions. In the initial phase of this concept, the only regional institutions in each region are regional development agencies. Interregional cooperation, as such, does not exist as yet, except for certain contacts and cooperation between regional development agencies through the EU RED project. It is necessary to invest certain efforts to further develop interregional cooperation within B&H. Moreover, with regard to the uniqueness of Herzegovina as a region and its position with regard to regions of neighbouring countries, Dalmatia in Republic of Croatia, as well as its position with regard to the State Union of Serbia and Montenegro, the need arises for considering economic interregional cooperation beyond borders, which also does not yet exist. Absence of interregional cooperation within B&H, as well as beyond the borders, is harmful from an economic aspect and it can be considered as a disadvantage or problem for our region.

If B&H sees its future in European integration, then it is necessary to build an institutional framework analogous to that which is being applied there. This requires the establishment of a Regional Fund whose function, as a means of permanent care and in accordance with specially defined rules, would be to support development in the regions and activities which are lagging behind in their development. Another advantage of such a fund is that it could and should serve as a partnership fund for the corresponding fund



of the EU, which could be used for the development of regions within the country. This support could result in better inter-regional cooperation.

**Scenario:**

1. Quality cooperation between the regions within the country can be achieved through economic development, and that is a long-term task. The need to organise a regional source of information that could be used in promoting all the regional development initiatives, will have to be started with the support of the municipalities and cantons. The data base will be comprised of information related to the economic situation of the region (traditional industries, SMEs, relevant big enterprises, foreign investors) the institutional framework for business support sector (NGOs, professional associations, business support companies, etc) financial institutions (banks, guarantee funds, international programmes) the educational system (structure and number of representative universities, labour force structure, centres for highly talented, R&D centres, etc) as well as references for social services, public utilities, tourism services and culture. There are two issues here: one to collect the information and second to organise and up-grade it periodically. For the first, special departments would have to be created at local level with adequate IT capabilities in place. For the second, a special department (most probably inside RDA) will have to be set-up at regional level. Since conditions for the establishment of a Regional Fund, ultimately necessary to match funds from an analogous EU fund, have not matured yet, it is possible to initiate the establishment of development (stimulating) funds in each municipality in the region, as well as on the regional level. In parallel, it is possible to start an initiative for discussion in entities, i.e. the state partners' structures on justifiable reasons for the establishment of regional economic policy and a special development fund.
2. It is necessary to create an institutional framework for interregional cooperation within B&H, as well as for cooperation beyond its borders. Both directions of cooperation should be directed towards mutual economic interests, so that the cooperation can start to be realized and achieve the best possible economic effects. Herzegovina has a lot of its own potentials for both mutual tourism cooperation and for placing its agricultural products in Dalmatia and Montenegro, especially during the summer tourist season. Regarding the industrial potential of neighbouring Serbia, mutual cooperation should be directed towards the productive SMEs sector, as well as to the commercial SMEs segment from Herzegovina. For this sectoral institutions will have to be in place or the existing one strengthened in the best operational manner so that they will start taking common cooperation initiatives. A good beginning in that is the economic fair in Mostar and presentation of resources and possibilities for larger towns in the region to cooperate with other regions. It is realistic to count on gradual economic recovery of other regions and countries in the vicinity which will logically increase the volume of cooperation. Good stimulation to that cooperation could be given by a permanent (annual) conference on economic cooperation among countries included in the Stability Pact for South-East Europe, as well as fairs focused on development.

**Expected results:** Realization of the measures mentioned in the scenario is a process, so it is not possible to expect complete formulation of a regional development (economic) policy, but it is possible to expect the process to be started.

- Institutional framework for interregional cooperation established;
- Preconditions for information exchange of interregional interest created;
- Collaboration contacts realized and formalized;
- Plans of cooperation in cross-border interregional cooperation made, as well as of interregional cooperation within B&H;
- Existence of stimulating development funds in 8 to 10 municipalities;
- Establishment of the regional development fund;
- Substantive projects begun within the region with the aim of opening interregional and cross border cooperation;
- Business cooperation started between related companies from the region with the aim of joint promotion on the foreign market;

**Indicators:**

- % of participation in the development financing;
- Added value into the region (increased amount of investment attracted as a result of the stimulation from the fund) after 18 months;
- Increase in the exchange of goods and services volume;
- Gross/net employment created or safeguarded after 18 months (% and number from total).

In order to achieve this priority objective the following measures should be undertaken:

- ***Establishing a system for collection and exchange of information at regional level;***
- ***Capacity building for developing networks between private, NGO and public sectors.***

**2.1.1. Measure: Establishing a system for collection and exchange of information at regional level**

**Situation:** Within the region, some existing material resources from this area were destroyed during the war (for example UNIS - Mostar), and they have still not been reconstructed. Generally speaking, development of the region is endangered because they are lagging behind in the application of informatics technology, and economic bodies are not developed either, nor are bearers of informatics activity development. There is no organized and established system in the region by means of which data could be gathered and processed, nor is there a system for circulating other relevant and essential business, social and economic information, important for potential investors regardless of their origin.

**Scenario:** Before the war there was experience in development and application of informatics technologies, especially in the bigger industrial complexes, institutions, schools and universities, so it would not be so difficult to catch up with Europe as young people have an affinity and willingness to become modern Europeans.

Regarding the establishment of a system for gathering and processing data, as well as for their circulation, the following has to be done:

- Create informatics conditions so that the system can be installed and that it can be managed. It should be placed in REDAH and it should be given a regional character.
- Data gathering would be performed in a way that each municipality, within its Economic Department, has a competent person with the duty, in addition to his or her regular tasks, to gather and send information by means of unique software.

Several months would be needed for the system to start functioning fully.

That can be achieved by realization of the following project:

- Establishment of the regional information centre;
- Making a data base for investments inside and out of the economy by public, private and foreign sectors;
- Establishment of a database (GIS) in accordance with European standards.

**Expected results:**

- Developed information systems at the municipality levels with proper databases;
- Interconnected information system between municipalities and other institutions (i.e. statistical offices, ministries, associations) in the region.;
- Creating unique database systems at regional level;
- Increased competitiveness of the region;
- Easier planning and decision making;
- Better communication.

**Indicators:**

- Number of users of systems;
- Level of usage of system,.

**2.1.2. Measure: Capacity building for developing networks between private, NGO and public sectors**

**Situation:** Cooperation between private and public sectors in building institutional structures for economic development of the region is very bad today and must be improved. Establishment of sectoral institutions is necessary but in their development some priorities should be determined. So, for example, the priority should be the establishment of a regional agency for coordination of urban and spatial plans in order to prevent unlicensed construction all over the region, to equalize the principles of development, and also to centralise information on changes in one place. There are similar needs in other areas.

**Scenario:** Establishment of the agency for coordination of plans in urbanism and spatial planning; establishment of the data base in accordance with European standards in all scientific fields, as well as establishment of different sectoral institutions which would stimulate development and informatics activity. In order to achieve this, it is necessary to realize several projects and a team of relevant professionals should determine their prioritisation:

- Establishment of regional council for economy development;
- Application of EU standards in the local administration bodies;
- Establishment of the regional agency for coordination of urbanistic and spatial plans;
- Connecting RDA with LDAs and their capacities building;
- Regional BSC;
- Economic regional observatory.

**Expected results:**

- Improved cooperation among private, NGO and public sectors;
- Institutional structures for economic development built.

**Indicators:**

- Number of new networks supported;
- Number of community organisations' projects supported;
- Number of urban renewal projects supported;
- Number of buildings renovated.

## **2.2. Priority objective: Establishing adequate institutional framework for increasing the standard of living**

**Situation:** The best method to achieve a higher standard of living is through economic development and employment. Economic development broadens the tax base, and employment transforms dependants on state social funds into taxpayers. There are numerous social categories which barely survive in existing circumstances, both in the country and in the region. This problem is especially complex in the region because some of the cantons have not yet passed the law on social security for citizens. This problem cannot be solved here but it is necessary to point out the causes and the way in which it might be addressed.

The basic causes can be found in the facts that 1) the economy has not been reconstructed yet (2) that a great burden of public sector has been inherited 3) that the general territorial and administrative structure of the country is excessively complex and 4) that there is a significant grey economy.

Firstly, before the war every fourth citizen in the country was employed, and after the war about 400,000 work places are not yet available, or almost the same number as there are persons registered as unemployed. If the possibility for reconstruction had existed, with the absence of one third of refugees abroad, the problem of unemployment would have been substantially smaller. In addition to this, the level of economic activities in some cantons/sub-regions is considerably lower with respect to the average in the state.

Secondly, very developed educational and health systems, as well as the pension and invalidity insurance systems, have been inherited from the former regime. It is not possible to simply downsize people employed in them and the users of their services, or to take away their inherited rights. To this should be added a very high number of

socially dependent persons as a result of the war whose status has not been resolved yet. The responsibility for social security has been put under the jurisdiction of cantons in the F B&H and the entity in the RS. With both variants there are substantial differences in the level and quality of social security of the citizens, which is in any case excessively low.

Thirdly, the least of these but not without importance in post-war circumstances, is the issue of the administrative and territorial organization of the state which makes the cost of public administration more expensive. Post-war, there are more officers employed than was the case before the war, and this tendency is growing with the establishment of essential state institutions. But the number of those employed in productive economic activities is constantly decreasing and it does not show any tendency of growth.

**Scenario:** The narrow tax base (a function of the volume of economy activities, the general tax rate and the tax return calculated from it), as well as very high social needs are creating a social gap which is not easily bridged, especially not in a short period of 3 to 5 years. However, it is possible to achieve a good solution to the problem of social security. For this purpose, at least three parallel activities are necessary: (1) Intensive economic development (2) transfer of responsibility for social security to the state level (3) establish an adequate institutional frame to combat the grey economy.

Economic development can be achieved by applying the state Strategy and the regional strategies which are being drafted. The manner in which that development can be stimulated is described in Strategic Goal 1, and it is not necessary to elaborate it here again.

The transfer of responsibility for social security to the state level is necessary above all because of the application of equal rights to all the citizens in the state. This can be said of absolutely all war widows and orphans, invalids and civil victims of war, displaced persons and persons with special needs, and marginal groups who are on the very edge of their existence regardless of where they live.

Reducing the grey economy is an issue that will be addressed through the interventions proposed for Priority Objective 2.1 Developed institutional framework for regional economic development and interregional cooperation. That will contribute to increasing visibility of the economic and social activities in the region, but also through the interventions proposed under Measure 1.5.1 Improving the quality of goods according to EU standards. It is very likely that measures like establishing a regional agency for the protection of intellectual property or increasing the control authorities upon the market will also contribute to this goal. The most negative effect of the existing grey economy is the great number of people that are working with no legal documents, exposing them from risks of occupational injuries and giving them no legal basis for negotiating a labour contract.

The approach to this subject should start by taking into account the following issues:

- a) Locations on which grey economic activity takes place should be urbanized;
- b) Activities taking place in such locations should be exempt from tax obligations during the initial period of 3 to 5 years;
- c) Entrepreneurs performing such activities should be supported by favourable loans to enable them to establish themselves legally in the market.

**Expected results:**

- Transfer of responsibility for social security to the state level on one hand, and for carrying out a study on possibilities of bridging the social gap on the other;
- Regional conference of social partners;
- Creation of a favourable environment for the development of autonomous, economically capable cooperatives which would protect products and consumers;
- Passing new laws and customs tariffs for the protection of strategic agricultural products and the cattle breeding fund, i.e. producers within this area;
- Ensuring system of good quality in all spheres of business, according to the ISO 9000 and ISO 14000 standards;
- Stimulation of use of available agriculture land for production purposes in accordance with the system of tenable management and measures of tax capititation for uncultivated land;
- Unfair competition and import of bad quality products prevented.

**Indicators:**

- Number of new work posts;
- Growth of Gross national product in the region;
- Transfer of responsibility for social security to the state level;
- Possible formulation of idea on feasibility study for bridging the social gap.

In order to achieve this priority objective the following measures should be undertaken:

- ***Strengthening the institutional framework for consumer protection***

### **2.2.1. Measure: Strengthening the institutional framework for consumer protection**

**Situation:** Speaking of an institutional framework and about consumer protection, the quality of purchased products needs to be up to European standards and guaranteed through corresponding institutions and laws. Within the broader European framework this implies protection of consumers and producers within cooperatives and associations in particular sectors, protection of rights and intellectual property ownership, passing new laws and customs tariffs for strategic agriculture products and producers of such products, and ensuring quality in all spheres of business in accordance with the system ISO 9000 and ISO 14000.

**Scenario:** In order to increase the standard of living and to suppress the grey economy, it is not enough to pass legal acts, and do nothing on realizing possibilities for self-employment. By establishing associations for consumer protection, adverse experiences in the purchase of products or services should be avoided. Alternatively, this could be achieved through the implementation of projects and measures which protect consumers and provide for amount of compensation in the case when customers are the injured party. In order to achieve the foregoing, apart from the establishment of an association for consumer protection, it would also be necessary to pass laws which would define this area and decide the jurisdictional body in case of disputes.



The following activities would also have a positive effect:

- Establishment of the regional consumers association;
- Establishment of a centre for protection of right of intellectual ownership;
- Developing a programme of agri-melioration measures and improvement of the system of cultivated land irrigation;
- Carrying out restitution of state ownership to private ownership;
- Revision of existing laws on inheritance;
- Establishment of a control centre for agriculture products and for GMO products.

**Expected results:** When we look at the structure of the above-mentioned centres and associations, the intention is to bring some order to entrepreneurial occupations. This could be achieved through decreasing the public sector influence, and for the purpose of strengthening private trade and strengthening cooperatives.

**Indicators:**

- Number of repossessions in rights process;
- Number of ISO certified companies;
- Number of intellectual rights registered;

### **2.3. Priority objective: Achieved interactive connections between urban and space planning institutions**

**Situation:** The spatial plan of Bosnia and Herzegovina, made at the beginning of the 1970s, created a basis for modern, integral spatial management. Even so, unlicensed (unplanned) construction was not restrained until the last war. Fertile agricultural land of the highest quality was destroyed and turned into construction sites or was simply deserted under the pressure of migration from the country to the towns. Such development led to the construction of a matrix of settlements which reflected their polycentric structure within the country and within the region. In planning space usage the focus was on urbanization of municipal centres, on transforming towns into zones, solutions to traffic problems and connecting with rural settlements. The most developed town in a region had at its disposal special urbanistic offices which took care of the rational usage of space and the modern appearance of the municipal centre. Rural settlements, which were not equipped with suitable infrastructure, were left out of the picture and that made the life in the country seem unattractive when compared with that in towns.

The war brought firstly destruction of businesses and industrial zones, which afterwards almost totally changed traffic concepts, and the construction of settlements for refugees and displaced persons also significantly changed the housing structures, as well as architectural characteristics of settlements. In the war zones numerous deserted and destroyed housing constructions are present, and influence of war migrations brought about further desertion of the country.

In the region, two basically different concepts of space usage have been applied. In its eastern part entity interests were favoured to the disadvantage of municipal ones, and in



the central and western part local interests were favoured to the disadvantage of regional and general ones. The territory of the region was not treated as a single whole nor has any effort been made to manage integrally, respecting the interests of space users and priorities in their usage.

**Scenario:** By educating spatial and urbanistic planners, firstly in European achievements in spatial management, by building institutions for urbanistic and spatial planning as well as equipping them with modern devices for control and use of space, it is possible to build a unique approach to urbanization and spatial regulation. Inter-municipal agreements should uniquely enable the valuation of space both culturally and naturally and allow priorities for its usage to be identified.

From the long-term perspective, the region will be developed when the quality of life in the country is equal to that in towns. This implies two things: economic development and urbanization of rural settlements. Economic development has been elaborated in Strategic Goal 1 and here urbanization is in focus. Balance between settlements can be achieved through provision of roads, telecommunications, water pipes, sewerage systems and containers for solid and liquid waste materials.

**Expected results:**

- Transfer of European knowledge on managing the space in the region performed;
- Institutions for urban development in all the municipalities founded, and their equipment and personnel education fulfilled;
- Agreement on unique management of space in the region achieved and passed, and a common institution for managing the space of the region formed;
- Three to five pilot projects and feasibility studies on urbanization of rural settlements made;
- First experiences on justification of wider opening of the process disseminated;
- Presence of new knowledge on space management;
- Existence and usefulness of the agreement on unique space management in the region;
- Adopted principles of urbanization evaluated by a feasibility study;
- Development of the urbanization concept for rural settlements; valorization of natural and cultural values; establishment of a database on population, real estates, spatial units, legal persons and standards in accordance with GIS method;
- Coordination of urbanistic and spatial plans.

**Indicators:**

- Number of new teaching plans and programmes on space management;
- Number of newly established institutions for urban development in municipalities;
- Increased efficacy in space management;
- Application of urbanization projects to 3 to 5 rural settlements;
- Number of seminars and conferences held on experiences in urbanization and planning of rural development.

In order to achieve this priority objective the following measures should be undertaken:

- **Strengthen the capacities for urban and space-planning;**
- **Providing informatics and technology support for creating uniform spatial and urban documentation.**

### **2.3.1. Measure: Strengthen the capacities for urban and space-planning**

**Situation:** As it is necessary to make a new programme for the spatial organization of the region, because settlements (especially rural ones) were not developed in accordance with plans, it is necessary to establish a uniform informatics system on spaces and plans for their use. Interests of all users of space have not been harmonized, and priorities of activities have not been established yet; there is no policy of integral space management. Capacities for organization of space-plan documentation in most towns exist. Workers have experience in this area but programmes and information systems of integrated space management are not modernized.

**Scenario:** A regional agency for coordination of urbanistic and spatial plans does not exist and one centre should be established for monitoring urbanization and planned development. Those are reasons why the following project should be made:

- Regional agency for coordinating urban and space planning.

**Expected results:**

- Effective institutions for urban design and spatial planning at municipal and regional level;
- More qualitative urban and spatial planning and decision making;
- Methodology applied in spatial management;
- Improved organization of industrial zones – interconnected industrial zones at municipal level;
- Established urban and spatial plans.

**Indicators:**

- Rehabilitation of derelict land (ha);
- Purchased refurbished floor space (sqm);
- Number of urban renewal projects supported;
- Value of new equipment and software.

### **2.3.2. Measure: Providing informatics and technology support for creating uniform spatial and urban documentation**

**Situation:** In order to achieve interactive connectivity between institutions for making urban plans and planning documentation, and to create conditions for reformulating existing plan documents, it is necessary to establish a database in accordance with EU standards. Today, plans are made in different regional centres in different ways, without a joint methodology and system, and the lack of an informatics system for giving informatics and technology support is a problem.

**Scenario:** In the region each town which has its own urbanistic department needs to make a programme for the electronic transfer of urban and planning documentation, and in rural areas it will be necessary to establish coordination offices for this. The following projects should be implemented:

- Establishment of a database (GIS) according to European standards;
- Informatics education in schools at all levels of education (JKT);
- Making annual maps – urbanism and environmental protection;
- Making a spatial plan of the region;
- Categorization of grounds for rational usage of space;

**Expected results:**

- Developed information systems with proper databases at the municipality levels;
- Interconnected information system between municipalities and other institutions (i.e. statistical offices, ministries, associations) in the region;
- Informatization of municipal departments;
- Creating unique database systems at regional level;
- Increased competitiveness of the region;
- Standardization;
- Easier planning and decision making;
- Better communication.

**Indicators:**

- Number of users of systems;
- Level of usage of system.

**Strategic Goal 3: Developed human resources and good employment rate achieved**

**Situation:** In the absence of reliable lists of information, it is not possible to define more precisely the number of population cohorts on which a more precise demographic, development and social policy could be formulated. The population number has decreased by about 1/3 compared to the pre-war state, the natural birth rate is plummeting, and work related mobility is getting worse, employment is increasing, and social security has not yet been achieved. Displaced persons are mostly socially excluded, ethnic minorities have more difficulty finding employment, marginal groups (gypsies) are ignored and the rural population is excluded from development. Education per person reaching secondary education has increased as compared with the pre-war level, and it has reached about 70%, and university education is about 25 %. Education is divided along ethnic lines, and teaching plans and programmes are mostly out-dated. The transformation of education has already begun. Nine-year elementary education has been introduced, a small number of secondary schools have installed a modular teaching process, and university education is making its first steps towards the introduction of the Bologna process. The permanent education system is not developed.

The quality of human resources are only useful if they are productively employed, and if they take on new values. An increase in the employment rate is only possible with economic growth. The problem of the region is the fact that the pre-war level of employment has not yet been reached, and some of the population live in towns that basically have no capacity for economic self-rehabilitation.

**Scenario:** The measures defined within the previous aims should serve to increase the demands of the labour force. Focusing on education should improve its demand. The process of transformation in education that has already begun should be intensified and discrimination should be decreased. On a regional level, with informatics and telecommunications in general, it is possible to develop educational institutions suiting the needs of the public sector (including public administration), for agricultural and tourist occupations and for employees who are in danger of losing their jobs because of their out-dated knowledge.

It will be necessary, in the whole country, to make employment action programmes defined in Strategic Goal 2 for the needs of the labour force market. Employment of marginal social groups should be stimulated by special measures. A good start would be a regional action programme and a regional fund. Apart from these measures, it would be useful to count on the development of private institutions for training and employment.

**Expected results:**

- Better organized labour market;
- Effective vocational (complementary) education;
- Well established University;
- Well established Institutes and consultancy network;
- Established centre for innovation and scientific technological centre;
- Increased awareness of entrepreneurship and business mind among youth.

**Indicators:**

- Placement rate of the beneficiaries after one year;
- Unemployment reduction of target population (%);
- Sustainability of the associations (% still existing after 3 years of ending support);
- Increase in target population qualification (%).

This strategic goal is linked specially with Strategic Goal 1 “Developed and sustainable economy” whose success will be based on the capacity of the regional labour force to deliver the requirements of the newly developed economic sectors and structures.

The following **priority objectives** have been identified based on the above mentioned:

1. **Efficient labour market developed;**
2. **Developed education and complementary training;**
3. **Developed IT, innovation, TT and R&D educational capacities.**

### **3.1. Priority Objective: Efficient labour market developed**

**Situation:** The labour market in the region is burdened with numerous problems. Global labour force supply far surpasses global demands.<sup>8</sup> This is a consequence of the pre-war development, war devastation and the post-war privatisation concept. In such conditions the informal market is very developed, and, according to some estimation, it forms about 30% of all economic activity. All kinds of discrimination are present here, the discrimination based on ethnicity being the most prevalent. Young educated people who come into the labour market for the first time constitute more than 60% of the total labour force, and the average time spent searching for employment is more than 3 years. Of all those searching for employment, only 1,5 % has a right to unemployment insurance which lasts on average for about 9 months. Besides, persons seeking their first job have no right to any form of social protection, and there is almost no demand for people over 45 years of age regardless of occupation. Measures taken within public employment services to encourage employment are far below the needs. There is no level of administrative organization in the state, which has an action programme for employment by means of which this problem could be solved systematically. The conditions in the labour market are such that 60 % of young people want to leave the country.

**Scenario:** There are three fundamental directions that should be followed to better solve this problem: reviving economic activities, including the reactivation of healthy cores of industrial processing capacities (1), formalization of the grey market (2) and development of a system of instigating measures for employment (3).

- 1) Reviving the economy is contained in the Strategic Goal 1 on economic development and it is not necessary to elaborate it again.
- 2) Formalization of the informal (grey) market was presented under Strategic Goal 2 Priority Objective 2.2.
- 3) At state (entities) level, action programmes of employment should be made and they should rest on four basic pillars, as well as 13 to 18 obligatory measures which are being applied by members of the European Union. In the absence of such programmes, it is important to initiate them for the region and the municipalities in that region should participate in them. A decision on that, however, goes beyond the scope of this analysis.

This is not an exhaustive list of measures, which could improve the state of the labour market. It would be necessary to stimulate the development of private agencies for mediating in employment which, as well as meeting special technical and organizational assumptions, would be authorized to mediate for employment abroad. The labour market also needs an integrated informatics system, like the one already existing in all free market countries which could process and present information on the markets of economic regions.

The concrete steps to be followed under this priority will involve:

- Creation of databases;
- Creation of interconnected databases at municipal and regional levels;

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<sup>8</sup> A research conducted by the Employment Bureau in Bosnia and Herzegovina showed that among 250 of the many occupations in which there is an imbalance between supply and demand, only 5 occupations show a tendency to increase the number of employed persons.

- Repositioning of centres for employment as nerve centres in the process of balancing supply and demand.

**Expected results:**

- Interconnected centres for employment in the region;
- Efficient centres for employment;
- Balanced demand and supply of the labour market;

**Indicators:**

- Number of associations of socio-economic partners within the framework of territorial pacts;
- Increase in the coverage ratio of the reference population (%);
- Increase in the duration of work experience (average/beneficiary);
- Unemployment making use of supplementary advisory services (%).

In order to achieve this priority objective the following measures should be undertaken:

- ***Giving support to employment and self-employment***
- ***Harmonizing the educational and training structures and systems with the labour market needs***

**3.1.1. Measure: Giving support to employment and self-employment**

**Situation:** The labour force available in the region, according to all supply parameters, exceeds the needs in most professions and at most educational levels. The great problem is that it is not known exactly which part of the region offers a particular quality or what work is needed in a specific area. In order to start supporting employment and self-employment systematically, it is above all necessary to know what is needed, what exists, and what can be created within the region to support and prioritise a particular activity. Another problem is that first time job seekers have no form of protection (not even social), and persons over 45 have almost no opportunity of employment.

**Scenario:** The establishment of centres for mediating in employment in all parts of the region would be necessary, and those centres should be networked to a common centre at regional level, which would have all relevant information on supply and demand at its disposal, according to all the methods supported by EU. The project that supports this activity is:

- Centre for the development of human resources;
- Establishment of the regional Job Centre for mediating in employment;
- Establishment of a mobile centre for education, prequalification, training and entrepreneurship;
- Establishment of the employment action plan;
- Establishment of funds for creating new work posts;
- JOB centre for animation of private sector for investments in personnel development;
- Promotion of SME, development enterprise conscience and spirit.

**Expected results:**

Employment action programmes will be made at regional level, based on interviews and discussion with interested parties, and they will be a foundation for the work of centres in the towns of the region and for centres for mediating in employment inside and outside the region. Special magazines with public information will be published and they will update the information from this area on a weekly basis.

**Indicators:**

- Number of beneficiaries;
- Number of work places offered.

### 3.1.2. Measure: Harmonizing the educational and training structures and systems with the labour market needs

**Situation:** In public sector privatisation, in which many previous occupations (those specific to a company) do not exist any more, the establishment of a model for labour force retraining is not only important, but it is essential for the region. There are several ways in which this problem can be solved, but it is best to combine various projects, because the problem itself is heterogeneous.

Funds for educational activity in B&H represent 6,4% of GDP. As GDP is extremely low, those means are insufficient to enable the educational system to match the ever-changing demands of the labour market. Educational standards should be established at regional level, especially since employment action programmes in EU countries are based on educational programmes.

**Scenario:** Among others, one basic problem is the lack of JOB centres for retraining personnel and in which all information of interest for the region would be gathered. Also, there is no JOB centre that encourages the private sector to invest in the development of personnel and the retraining of the labour force. A Regional info centre has not yet been established, so it is not possible to know where a certain profile of workers is needed. The level of consulting services is very low. Many trades characteristic to this region are in danger of disappearing (for example, gold embroidery on cloth or making sinijas (special types of low tables) for old Herzegovina households).

Projects narrowly connected with this problem are the following:

- Establishment of a permanent regional Council for education improvement;
- JOB centre for personnel prequalification;
- Establishment of a net of JOB centres for tourism;
- Mobile educational consulting centre;
- Informatics centre for labour market and mobility of labour force.

Apart from these projects, it would be necessary to perform the following activities as well (link with Priority Objective 3.3):

- Develop scientific and research work and system of institutions for complementary education;
- Develop the lifelong learning approach in accordance with labour market needs;
- Adapt teaching plans and programmes to the demands of EU;
- Establish infrastructure for education, retraining and additional training.



**Expected results:**

- Accomplished retraining and additional training according to the demands of the labour market;
- Improvement of the educational level of the whole population;
- Adjusting the supply structure to those looking for workers;
- Increase in mobility of work force in the region;
- Slowing down displacement, especially of young people;
- Re-socialization.

**Indicators:**

- Placement rate of beneficiaries into employment (%);
- Unemployment making use of supplementary advisory services;
- % Trainees successfully completing the course (Men/women).

**3.2. Priority Objective: Developing education and complementary training**

**Situation:** A total of about 6,5 % of Gross National Revenue is set aside for classical education, but the total resources is insufficient for the proper equipping of educational institutions because - due to the absence of economic activity - the tax take is very low. After the war, more than 99 % of population is covered by primary education, and its transformation from an eight year to a nine-year cycle is under way. About 70 % of a generation is covered by secondary school education and the disposition of secondary school institutions is satisfactory. Its transformation has not been done yet, but it is to be supposed that it will be set in accordance with modular principles and that it will be happen in the coming years. High school institutions, which covers about 25% of a generation, has begun the process of transformation in accordance with the Bologna Declaration and it is to be expected that in the next period of time this system will be rationalized on the one hand (removing the hyper-production of social sciences courses), and on the other hand turning the system towards knowledge transfer in new occupations (of mostly technical orientation).

Within existing economic conditions in which labour force supply far exceeds demand the fact that the whole educational system is unsatisfactory emerges because in the total number of registered unemployed persons over 60 % are first time job seekers just out of the educational system who search for a job for about three years on average. After so much time spent in waiting, the knowledge acquired in the educational system is surely outdated.

On the other hand, production technologies radically change every 4 to 5 years which means that all employees - during their work experience over 40 years - have to undergo additional education some 8 to 10 times. In Herzegovina this means that additional education should cover about 20 thousand employees per year. Adding to this the number of first time job seekers (whose knowledge acquired in an educational institution is insufficient for performing specific work, that is, about 3000 graduate students and college students) and also long term unemployed persons (about 20000 persons), it

seems that it is necessary to develop special forms of education for at least 40000 persons annually.

Due to the lack of resources, and also because of inadequate social care, in education and employment in general there are socially excluded groups, whose inclusion is possible only through training and employment. Those are primarily the physically or mentally handicapped persons and Gypsies.

**Scenario:** By the middle of the 1960s there were centres for re-qualification and training within the public employment services, as well as so-called workers' universities which provided specific education for adults. Through the reform of 1971 it was considered that Secondary vocational education and university institutions would be able to take over this role, so that those institutions became mostly extinct. However, it demonstrated that, as a general rule, regular educational institutions of all levels and orientation neglect more flexible forms of education and that development of special institutions is necessary. This is also confirmed by European practice.

On the other hand, as far as adapting knowledge achieved within the regular educational system to the knowledge necessary for performing jobs is concerned, the initiative must start within the firms themselves, and stimulation for additional training and eventual employment should start from the public employment services. However, the resources devoted to those services for this purpose represent only a drop in the ocean of the needs (they are insufficient). The best solution would be to draft a regional employment action programme. It is possible to achieve a consensus about the necessity of such a programme but it is very difficult to ensure the means for it. So, making entities' employment action programmes may be more realistic. In both cases, the means could be managed by the public employment services but institutions that would provide such educational services are still to be developed. «Job centres» have good experience in providing this type of service, as are training and re-qualification centres. In principle they can be privately owned but in conditions of excessively low demand it is not realistic to expect that there will be any private interest in that. That is why their development should be realized through an embryo of three to five institutions in the region, each one being profiled for different occupations (civil engineering, tourism, agriculture, etc).

The resources for training first time employees should be ensured by entities' employment action programmes, and their financial management should be under the jurisdiction of employment services. Firms interested in them should submit suggestions for projects of additional education and employment of first time employees, and education should be performed by organizations identified in the project. Education and employment of handicapped persons and Gypsies would have to be solved on a permanent basis and the solution to this problem should be found at the state level.

**Expected results:**

- Increase of measures which are applied in employment support;
- Employment action programmes developed at entity level;
- Harmonized programmes with respective EU programmes by the end of the Strategic Plan period;
- Establishment of a core of public centres for education and re-qualification;
- Increased number of first time employees in these institutions and firms;
- Inclusion of marginal groups into the employment processes.

**Indicators:**

- % Decrease of number of long-term unemployed persons;
- % Decreased number of unemployed young people first time job seekers;
- Number of public centres for re-qualification and training (3-5);
- Number of persons already passed through the process of additional education in their profession;
- Level of resources invested in employment of unemployed persons.

In order to achieve this priority objective the following measures should be undertaken:

- **Establishing complementary education structures**

**3.2.1. Measure: Establishing complementary education structures**

**Situation:** The situation in the field of informatics technologies has been considerably changing in recent years in all spheres of life, but that change is mainly based on the personal ambitions of individuals, especially of younger persons whose main reason for good mastery of IT is a guarantee of employment abroad, etc. Therefore, those changes are not the result of any action by organized society or increased awareness of informatics technologies. There is no model of complementary education in this field. Smaller, mostly private, educational centres are limited either to one concrete scientific field (banking, ISO standards) or the programmes were designed to meet specific student requests, mainly to enable them to work abroad.

**Scenario:** Since informatics technology is very inclined to rapid changes in software and accompanying hardware, it is logical that developments of this technology must be followed intensively, which implies the mastery of foreign languages. These opportunities can be exploited better by youth. The fact is that there is no centre for young talents and their guidance in accordance with EU criteria. Also, there is no additional education available in all new technologies regardless of profession.

It is clear from the previous text that the following projects should be accepted:

- Establishment of a regional centre for young talents;
- Additional education in new technologies;
- Mobile consultant educational centre;
- Centre for additional education of farmers;
- Centre for additional education in foreign trade.

**Expected results:**

In the near future, and especially not within the time frame of this Strategy, it is not possible to expect any spectacular results because programmes of education in this field have not been adapted to EU demands, and the institutions needed do not exist. The result would be increased number of persons who have knowledge in informatics technologies and a mobile educational centre that would deliver consulting services to both urban and rural environments.

**Indicators:**

- Number of institutions;
- Number of courses;
- Number of participants.

**3.3. Priority Objective: Developing IT, innovation, TT and R&D educational capacities**

**Situation:** Promotion of new technologies, primarily informatics, can be achieved in three basic ways: by implementation of informatically intensive technologies in the marketing and public sector (1), by disseminating corresponding knowledge about them through the educational system (2) and through the development of new technological solutions (3). An entrepreneur has to decide on implementation of (informatics) technologies in the private sector, and in principle carries both risk and responsibility for his choice. That aspect shall be left out of this consideration.

Implementation of IT in the public sector in the country is specific and depends on the type of institution. A closed system like defence, public order and security, pensions, invalidity and health systems are in principle informatically equipped in accordance with their own needs. Since all of them are dependent on the tax capacity of the economy out of which they draw their operational budgets, and those are extremely low, so we can say that general equipment levels are rather low. The same can be said of the region.

It seems that the public administration especially lags behind in this regard whereas other governments in the world technologies have introduced IT systems which considerably speed up administration procedures to the advantage of citizens, businesses and governments themselves. E-government is the way forward. What is especially worrying after the war is that municipalities have almost totally lost control over which is going on in their areas and that they, as a rule, lack knowledge on managing the public sector and especially public administration. Neither in the country nor in the region is there any specialized educational institution (neither at secondary nor university level) where public servants can learn modern management techniques. No regulations have been passed yet which would define educational profiles jobs in the public sector.

Development of own technologies is best but also incredibly difficult. Before the war, 1,5 % of public income was put aside for research and development but after the war R&D receives no public support. Certain possibilities for high-level research are offered by scientific research organizations through the Framework programmes of the EU but the response of domestic institutions to these is rather low.

**Scenario:** A stronger presence in the information society can be achieved by computerisation of municipality administrations (1), by development of the regular education system as well as the adult education sector (2), by establishing a regional fund for research and development (3), and by including future EU partner countries into scientific and development work (4).

As far as computerisation of municipal administration is concerned, it is both necessary and possible to establish two to three pilot projects of computerisation based on GIS and e-government, with the supply of critical equipment and education of personnel.

In the regular educational system, IT subjects must be introduced in great measure, but it is necessary to provide adequate equipment so that all educational institutions could achieve informatics literacy of their students, secondary schools could qualify students for using informatics equipment in professional life, and university institutions could enable transfer of new knowledge in this area. The process in this area is complex due to lack of financial means, but it is already under way and, together with economic development, it will be all the more intensified. What is especially necessary at the regional level is the establishment of a public administration university. An initiative started in Mostar has the possibility to be a prototype of modern management in this area.

As far as including research and university institutions in the EU Framework programmes is concerned, it will be necessary to promote and educate for making project suggestions, since the methodology for their preparation is very complex and demanding.

**Expected results:**

- Academy for public administration established;
- Pilot projects of computerisation in three to five municipalities in the region realized;
- Some research organizations in the region included into European researches connected with informatics society;
- Experiences on application of informatics in public administration disseminated;
- Reduced time necessary for processing citizens' files due to application of new methods in files processing.

**Indicators:**

- Number of local enterprises involved in support joint research projects(of which SMEs);
- Increase of investment in RDTI by enterprises involved in joint projects;
- % SMEs satisfied with the services;
- Number of R&D jobs created.

In order to achieve this priority objective the following measures should be undertaken:

- **Introducing IT and distance learning models;**
- **Permanent education for the development, transfer and application of innovation and new technologies;**
- **Supporting the development of young talent.**

### 3.3.1. Measure: Introducing IT and distance learning models

**Situation:** In the Western European system of education, which is based on lifelong learning, there is no age limit by which a person absorbs new knowledge. Thanks to the technological possibilities of the present day in the developed countries the model of distance learning is very often applied. Application of such a learning model is still in its early stage in Bosnia and Herzegovina.

**Scenario:** To create adequate educational programmes for distance learning on the basis of demands which are obvious in the labour market. To promote such means of education in urban as well as in rural areas by stressing the positive experiences from elsewhere. Goals of this measure will be achieved by the implementation of the following projects:

- Introduction of the system of distance learning and using internet applications;
- Introduction of the system of internet cafes in the cities and rural settlements;
- Passing of legal acts that will recognise diplomas obtained through this system and their validation.

**Expected results:**

Number of educated personnel (for the specific professions) has been significantly increased, according to the proposals of educational centres and programmes, which had been approved by the government of the corresponding entity. Increase of the number of competitors for jobs where jobs are in high demand.

It is necessary to emphasize the importance of establishing educational centres for distance learning which offer opportunities to a great number of students who, for whatever reason, decide on this form of education.

**Indicators:**

- Number of enrolled students;
- Number of graduate students employed in public administration;
- Number of included organizations from the region,;
- Number and values of projects in which they are included within technologies of informatics society and EU framework programmes.

### 3.3.2 Measure: Permanent education for the development, transfer and application of innovation and new technologies

**Situation:** Compared to the development of science and technologies in the world, the Herzegovina region has an extremely low level of participation in education for the needs of development, for transfer and application of innovations and new technologies and for application of new ISO 9000 and 12000 standards. Before the war the development centres in big companies such as Soko-Mostar, Unis-Mostar, Industrija alata –Trebinje (Industry of Tools-Trebinje and Energoinvest, as well as agricultural conglomerates, medical centres, military facilities etc. were all active in that field. Seminars and symposiums for the relevant professions were regularly organised with the result that professional education was in line with other parts of Europe. With a partial or complete



cessation of the work of these and other companies, such activities were significantly reduced or completely stopped.

**Scenario:** To achieve progress in this field it is first necessary to implement the following projects:

- Centre for the transfer of technologies in primary agricultural production;
- Centre for the transfer of technologies in industrial food processing;
- Centre for the transfer of technologies in the metal-working sector;
- Additional education in new industrial technology;
- Centre for the supplementary education of agriculturists;
- Regional training centre on the standards at foreign markets.

**Expected results:**

- o Increased production;
- o Competitiveness of products on foreign markets.

**Indicators:**

- Number of firms receiving financial support for TDI projects and technology purchase;
- Number of new products developed and launched on the market.

### 3.3.3 Measure: Supporting the development of young talents

**Situation:** Education in B&H is regulated in different ways in the two entities, because in RS all levels of education are legally regulated by entity laws, whereas in the F B&H it is done on the cantonal level. That is why each of 10 cantons has its own law on pre-school, elementary school and secondary school education. Neither entity gives enough support for education. A decrease in international aid and the plummeting of budget revenue resulted in insufficient care for students in the regular school system, not to mention the development and support of young talents. Scientific and research work is also totally neglected as part of the educational process, and here we do not have any legal frameworks. The problem with young talent is similar.

**Scenario:** In order to start solving this problem, the role of the Pedagogy Institute must be redefined, so that it starts taking care of young talents, with government support through the Ministry of Education. Young talents must be tended through pre-school training, and special care should be given to opening pre-school institutions in rural areas.

Also, a system of faster education for young talents should be established, allowing shorter or advanced education, which gets young talents into the workplace sooner. By implementing the project «Establishment of a regional centre for young talents» a foundation for supporting young people would be established. Apart from this project, and with the aim of achieving development in this field, the following should be undertaken:

- Establish of a fund for scientific-research work, scholarship and support to young talents;
- Improve quality of teachers and managers to train young talents;



- Redefine the role of Pedagogy Institutions from the aspect of caring for young talents;
- Establish a system of training and retraining for teachers and young talents through a system of mentors and advisors;
- Establish institutions for the care of young talents;
- Establish a fund for the care of young talents;
- Shorten education within the country for those who are literate in informatics, and enable them to continue their education abroad;
- Create special plans and programmes for young talents;
- Establish EU support in this regard and make a feasibility study;
- Strengthen scientific and research work by including young talents through scholarships and credits (loans);
- Pass a new law which would include tax benefits for young talents, as well as for institutions which deal with young talents;
- Plan a budget for the additional education of young talents both within the country and abroad.

**Expected result:**

- High degree of effective usage of human resources.

**Indicators:**

- Number of training places created;
- Number of innovation projects;
- Number of scholarships for talented people.

### Strategic Goal 4: Preserved environment

**Situation:** The war caused the abandonment of considerable agriculture areas, senseless forest exploitation and devastation of industrial zones in towns. Because of this, unlicensed construction is flourishing. One good result of this is that, due to the inactivity of processing capacities in industry, the pollution of soil, air and water has been more than halved. Otherwise the very fragile ecology balance could be worsened if a policy was not developed for the protection and preservation of the environment in this area.

Intensive development of basic industrial branches after World War II brought about the import of numerous technologies which caused a high level of soil, water and air pollution, especially in towns.

**Scenario:** Natural and cultural resources (including air, soil and water) are the subject of special international conventions, but at the same time they are the bases of rational spatial management. It will be necessary to evaluate and categorize them, and to protect and carefully preserve them. With adequate presentation and promotion, these attractions could be the foundation for quality tourism and employment.

Water supply systems are poorly managed, mostly by public companies that have pricing established by municipalities (or cantons). Waste water and solid waste represent serious problems although pollution laws exist to some degree, enforcement is lax. Sewage systems in the region are usually insufficient and only really available in larger towns and cities. The main interventions in this sector will be to introduce regional offices for environmental protection that will have to monitor the economic activities and apply the legal regulations as well as to develop an awareness campaign in order to involve the public in ecological activities. Progress is envisaged in the development of the management systems for waste and wasted water with emphasis on increasing the quality of the drinking water and to collect and recycle solid waste.

**Expected results:**

- Developed instruments for the application of international conventions on environment, preservation of soil, air and water;
- Formed measurement stations to control environmental quality and an ecological observatory;
- Conducted categorization of natural and cultural values, determined jurisdiction on the care of specific bodies and a fund created for their maintenance and care;
- De-mined land around tourist sites;
- A calendar of events put together and given to tourists.

**Indicators:**

- International conventions on environment adopted;
- Domestic regulations harmonized with international conventions on environment;
- Number of installed measuring stations and observatory reports;
- Institutions for the care and rehabilitation of devastated areas established;
- Amount of solid waste collected for recycling (ton/year);
- % Of solid waste recycled for reuse.

**Priority objectives** in this area have been defined as follows:

1. ***Institutional strengthening of the environment sector;***
2. ***Improving the quality of environment.***

**4.1. Priority Objective: Building institutional capacity for environmental planning and monitoring**

**Situation:** Intensive development of basic industrial branches after World War II brought about the import of numerous technologies which caused a high level of soil, water and air pollution, especially in towns. In the need to ensure development, it was considered that, given a choice between low standards and low pollution on one hand, and high standards with high pollution on the other, the latter was better. The environment, as well as the devastation of land and neglect of the priorities for its use, was disregarded both economically and politically. After that there was an economic crisis in the country, and then the war, during which the environment was further endangered. Numerous mined fields laid during the war disabled the use of the soil, and unscrupulous forest

cutting - which is still going on - endangers water regimes, so that landslides occur to an extent unknown before now, taking away humus and plant cover and leaving bare land. If adequate measures are not taken, this country, which was considered to be the lungs of the west Balkans because of its richness in forests, may now become a country with a heavily disturbed ecological balance

In the meantime, a global set of rules on environment protection has been passed; European countries have, in their action plans for the environment, built in a policy of environmental protection into other policies and so have created a foundation for the institutional strengthening of this sector. Institutions (including the social partners representatives) have been created for monitoring and reporting on the state of the environment, as well as technical bases for better development management.

In the Herzegovina region, ecology balance is very frail. Apart from its northern parts which are richer in forests, the region has above average rainfall and numerous underground streams whose movements and influence on life in the region are not quite known yet. Because of development circumstances, it was not as polluted as other regions before the war, and the level of pollution after the war was even less. The region, as well as others in the country, lacks institutions which would monitor the technical state of the environment, develop informatics systems and become "environment sensors" through which would possibly lead a quality policy on the environment in accordance with corresponding conventions.

**Scenario:** Bosnia and Herzegovina has adopted basic laws regarding environment<sup>9</sup>, based on adopted international conventions<sup>10</sup>. Adopting these laws, respecting the jurisdictions of entities and cantons, should enable a unique policy for the environment to be conducted in the country. Their implementation should be the first step in the institutional strengthening of this sector. As far as environment is concerned, more than a hundred standards were introduced (BAS TC7 - Environment) which are completely based on ISO and EN norms. What is most needed in the whole country is technical infrastructure which means a network of ecology watchtowers and an observatory which would periodically inform the public and competent bodies on the state of the soil, water and air, and suggest measures for their improvement. The same is necessary in this region, together with the fact that here a specialized institution could also be created to monitor underground streams based on a geographic information system.

Development of a totally monitored environment will depend largely on the means available, but it could be expected that within 5 to 7 years it would be possible to install three to five watchtowers and a regional observatory in each area to monitor the state of the environment. This means equipping them with computers and the corresponding software, personnel training and creating indicators based on the international system. International financing of this work would be necessary in the first three to four years, and after that period municipalities from the region could take over their care. Further development of the system of watchtowers might be founded on co-financing, by participation of local communities and with co-financing from European funds. An

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<sup>9</sup> Those are the Law on Environment / Life Surroundings Protection, the Law on Nature Protection, the Law in Air, the Law on Waters and the Law on Waste.

<sup>10</sup> The most important among them are Basel Convention, Vienna Convention, Montreal Protocol, Barcelona Convention, Convention on Climate Changes, Convention on Biological Diversities.

adequate feasibility study should precede the choice of locations for the watchtowers and observatory, as well as the content of monitoring.

**Expected results:**

- Decreased level of pollution;
- Introduction of ecologically healthy standards;
- Better waste management;
- Purification of sewage;
- Increased ecological awareness among people.

**Indicators:**

- Number of households served for collection of municipal waste (% population);
- Amount of solid waste collected for recycling (to/year) after one year;
- % Of unauthorised landfill sites closed/rehabilitated.

In order to achieve this priority objective the following measures should be undertaken:

- ***Building institutional capacity for environmental planning and monitoring;***
- ***Establishment of a system of ecological education.***

**4.1.1. Measure: Building institutional capacity for environmental planning and monitoring**

**Situation:** Problems brought about by the war and the post-war period has pushed care about the human environment into second place. Activities related to the planning and implementation of environmental protection is in the initial phase. However, it is important to emphasise that there are good individual initiatives for the protection of certain parts of the region and partial implementation of some segments of environmental protection.

**Scenario:** By establishing and strengthening the co-ordination and exchange of data among those tackling the protection of the environment, prerequisites for the planned approach to that problem will be created. Responsibility of municipalities regarding the state of the environment to be established and applied and inter-municipal cooperation in environmental care established. Specialized institutions like watchtowers installed and a regional observatory for environment established, equipped and personnel trained.

More significant results would be achieved by the implementation of the following projects:

- Regional centre for environment;
- Construction of sewerage system and units for waste waters neutralization in Bileca;
- Making study on protection of Neum aquatorium;
- Establishment of a regional centre for waste management;
- Plan for the protection of jeopardised eco-systems;
- Study on the protection of underground water;

- Study on the estimation of agriculture and soil pollution;
- Establishment of an agency for monitoring of environment pollution;
- Creating data file on environment pollution;
- Ecology identification and categorization of domiciles on the coastal belt;
- Re-cultivating of domiciles destroyed by fire;
- Cost benefit analyses of pollution emissions from large resources;
- Establishment of emission cadastre of pollutants and atmosphere polluters;
- Study on rehabilitation and revitalization of swamp domiciles.

**Expected results:**

- Solving the problem also includes monitoring the state of the environment; the existence of 5 to 7 stations for soil, water and air monitoring, as well as a regional observatory;
- Applied system of indicators on the state of the environment and its harmonization with the European system;
- Applied regulations on responsibility for the environmental state of each municipality in the region;
- Numerous and frequent publications on the state of the soil, air and water;
- Transparency and accessibility of information on environmental conditions;
- Number of citizens' suggestions on possibilities to improve environmental conditions, and a number of these suggestions accepted.

**Indicators:**

- Level of pollution;
- Level of ecological awareness.

**4.1.2. Measure: Establishment of a system of ecological education**

**Situation:** In this thematic field, education needs to be started at home, in kindergartens, schools and faculties, institutions and factories, both in urban and rural areas.

**Scenario:** To create programmes of ecological education for people of different ages and with different professional profiles. Implementation of the following projects will contribute to the realisation of the above mentioned:

- Forming an agency for education and follow-up of pollution of the environment;
- Educational centre for distant learning (aspect ecology);
- Centre for the supplementary education of agriculturists;
- Centre for the supplementary education of tourist workers;
- Ecological education of pupils in elementary schools.

**Expected results:**

- A visible change in the population's attitude to the environment;
- Application of ecologically acceptable methods of production;
- Production of ecological food increased and the relevant certificate obtained;
- Ecological education introduced in elementary and secondary schools;
- Special types of ecological education implemented, which are relevant to certain economic systems.

**Indicators:**

- Number of curricula;
- Number of students per/year.

#### **4.2. Priority Objective: Improving the quality of the environment**

**Situation:** Natural resources in agriculture and forestry, as well as coals and waters in the region, are elaborated within the Strategic Goal 1. Ecological aspects of their application were also considered there, so that it is not necessary to repeat them here. But other mineral resources, some being exploited, some not, were left out of it.

The area of the region is not sufficiently explored, so that it is not possible to talk about total geology reserves of mineral raw materials. It is known that there are considerable geologic reserves of non-metal mineral raw materials, as well as moderate reserves of metal ones in the region. Non-metal raw materials, limestone and dolomites, plaster, pirofillit tuff and architectonic-construction stone of eruptive and sedimentary origin, as well as clay, is well represented. There are ubiquitous reserves of limestone, and in the river valleys localities with gravel and sand are not rare, and they are also abundant. Regarding metal raw materials, bauxite and lodestone are represented<sup>11</sup>.

Apart from the above mentioned, there are also numerous deserted mine-pits and barren mines which were left unregulated. That consequence of exploitation of mineral resources and coals violates the environment, and sites were not restored in any way. Exploration and exploitation rights are also not uniformly regulated by corresponding laws in the country itself, and the same can be said of concessional rights as well, so that this represents considerable obstacles for exploitation of these resources. Also, there are no funds out of which further basic geological research could be financed, nor are there any funds for re-cultivation of deserted areas.

Mineral resources exploitation is an activity, which demands a long-term approach and solutions. Explorations, no matter how modest they may be, must be conducted permanently, because it is a complex process that needs time. Exploration and exploitation rights are granted on concrete locations, and, upon receiving them, a locality monopoly is created, the lifetime of which is directly proportional to the reserves and is inversely proportional to the production size. Companies that deal with this sort of production are normally capital intensive, which implies high business risk, and this emphasizes the need for a long-term consistent legal attitude towards the concession granter.

Application of high and demanding eco-standards is only starting since the region of Herzegovina is in a transitional post-war state. That is one of the most aggravating factors in the process of the application of standards. The lack of capacities for the

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<sup>11</sup> Basic information on reserves can be found in the work by Vlado Smoljan, "Conception of development in Herzegovina - Actual Possibilities for Economic Development", ed. Chamber of Commerce of the HB Mostar, 1988. Some indications on possible new findings are also specified there in more details.

introduction and application of standards, as well as non-existence of sufficiently developed awareness of the needs, are also great problems.

In the entire region not enough care is taken about solid waste, while liquid waste is mostly disposed of without any systematic control or state penalty provisions. The atmosphere is being polluted without any control and with minimum attempts made to stop it (measurement of the exhaust gases of cars has started to be applied but only at registration and vehicles which do not satisfy criteria are not banned).

**Scenario:** It is necessary to harmonize concession rights in general, and their regulation is in progress now according to best European practice. It should be calculated that this will be done in a unique way in both entities and in Brcko District in the next one or two years. In the meantime it is necessary to form a regional fund for mining and geology explorations, as well as for re-cultivation of deserted mines and mine-pits, which should be performed in accordance with inter-municipal agreements.

The problem of making a basic unique geology map of the state should be solved by the entities' agreement. It is not rational to expect a geology map of the region in a short time because it is an expensive job. It is possible, however, to continue mining and geological explorations on those locations where it is known that occurrences of mineral raw materials were registered. The condition is the establishment of a regional fund. With the good will of municipalities in the region, this is possible to achieve within a year after which the process of further explorations could be opened, as well as that of regulating devastated mine-pits and mines. The aim is to develop and strengthen current capacities for the application and introduction of EU standards in the region.

It is necessary to: make media campaign of information relevant in all possible dimensions. It is necessary to educate the business production sector about the advantages of the rapid application of ecologically acceptable standards and complete eco-production.

In planned waste management a system of collection of solid waste, at a strictly specified time and in special containers per types of waste, should be introduced. After that, recycling and separation of organic waste for the production of power and gases which could be used for central heating, would be introduced, and in that way secondary materials would be obtained depending on the type of initial waste.

**Expected results:**

- Uniformly regulated concession rights in the country which should lead to more intensive investments into the exploitation of mineral raw materials;
- A regional fund for mining and geological researches and re-cultivation of deserted mine-pits and mines;
- Existence of a unique regulation on concessions in the country.

**Indicators:**

- Increase of investments into mineral raw materials exploitation;
- Surface (sqkm) of re-cultivated mine-pits and mines;
- Increase of economic value of the regional area as a result of mining and geological researches;



- Number of certified companies;
- Number of authorized waste deposits;
- Volume of water consumed through new/improved network yearly;
- % Waste water undergoing primary treatment.

In order to achieve this priority objective the following measures should be undertaken:

- ***Introducing the EU eco-standards in the productive sector;***
- ***Increasing public ecological awareness;***
- ***Establishment of a system for planned waste management.***

#### **4.2.1. Measure: Introducing the EU eco-standards in the productive sector**

**Situation:** As yet, in the region, there is no formed database on environmental pollution because ecological identification and categorisation of soil and environment have not been done. Analysis of the emission of pollutants from the big industries in the region (IAT-Trebinje, Soko-Mostar, Hydro-electric Power Plant Trebinje, Thermo-electric Power Plant Gacko, Tepihara-Bileća, Aluminijski Kombinat-Mostar) has not been made, especially in the coastal area, and a cadastre of the emission of pollutants into the atmosphere was not done. All of this points to apathy in this field.

The application of high and demanding standards has only started since the region of Herzegovina is in a transitional post-war state. That is one of the most aggravating factors in the process of the application of standards. The lack of capacities for the introduction and application of standards, as well as non-existence of sufficiently developed awareness of the needs, are also great problems. There is no functional cooperation of Federal Ministry for EU Integration with the region because the region has not developed its own institutional capacities to be able to accept such cooperation, even though the Ministry offered it one year ago. This situation must be changed and solving the relevant problems must start without delay.

In Herzegovina, as in the neighbouring regions and the whole vicinity, and regardless of whether one speaks of neighbouring regions within B&H or about cross border surroundings, there is no developed awareness of the necessity and very great importance of cooperation in many areas. Continuation of such a situation over a longer period of time would be unpredictably harmful and have irreparable consequences in both directions. For example, if in ten years' time high levels of pollution are discovered in domestic and neighbouring potable water sources which could prove impossible to rehabilitate over the following decades or centuries, that would surely have negative implications for current good neighbourhood and friendly relationships between regions. That is why steps must be taken without delay to establish true and comprehensive cooperation between regions in the area.

**Scenario:** To develop and strengthen current capacities for the application and introduction of EU standards in the region. To offer certain stimulatory measures for those companies, either in services or production, which start to apply EU standards in their businesses.

It is necessary to educate the business production sector about the advantages of the rapid application of ecologically acceptable standards and complete eco-production. Without such production, access to the integrated EU market is almost impossible. It is also necessary to educate agricultural producers who have a great chance for development of organic production, for which there are potentials in the region. It is necessary to ensure financial support for both organic agricultural production, and for totally ecologically accepted industrial products.

This could be achieved by carrying out the following projects:

- Promotion of eco-tourism and application of EU standards;
- Pilot project eco-village;
- Forming a data base on the pollution of the environment;
- Ecological identification and categorisation of habitats along the rivers and coastal areas;
- Cost benefit analysis of the emission of the pollutants from large resources;
- Establishment of cadastre of the emission of pollutants into the atmosphere;
- Revitalisation of demined grounds and waste depots;
- Construction of regional sanitary depot for medical waste;
- Re-categorization of protected areas and establishment of new ones (IUCN);
- Study on depots locations and waste recycling.

**Expected results:**

- Strengthened regional institutional capacities for organizing this process and carrying it out;
- Performance on the foreign market with domestic ecological products;
- All industrial producers have decided to apply gradually, but as soon as possible, ecology standards in production. 10 % of them started during the first year with application of these standards, so that in the third year that percentage grows to 60% of those who apply eco-standards;
- In the agricultural sector: all agricultural producers are introduced to methods of organic agricultural production and its advantages. In the first year, 10% of producers have already decided and started applying partly or totally eco-agricultural production, and in the second year that percentage grows up to 20%, whereas in the third year 30% of producers already use eco-production for export market.

**Indicators:**

- Number of environmental audits developed;
- Number of enterprises involved in cross-border projects;
- Number of enterprises certified.

#### **4.2.2. Measure: Increasing public ecological awareness**

**Situation:** Production in the region can roughly be divided into two following groups:

- a) Industrial production;
- b) Agricultural production.

In industrial production in the region, generally speaking, there are small production volumes, and due to outdated technology that production does not pollute the environment in any considerable measure. But that does not mean that it does not have any negative influence on the environment, or that it is mainly not in accordance with ISO standards. However, there is a certain number of companies certified according to those standards and they carry out their business in compliance with them.

In agricultural production there is a mixed state of affairs- from ecologically acceptable, that is, the traditional way of production, to more modern forms of production where protective and chemical means are applied, and unfortunately not always in a regular and acceptable manner.

In the mid-1980s, as restrained development was being promoted, awareness arose that development is possible while still preserving the environment. The policy of environmental preservation in the country has been basically passive up to now, the information available to the people regarding the state of the environment and measures that are being taken is generally insufficient, a disorganized system of monitoring could not produce competent information, and the system of education in general did not include the influence of human activities on the environment, so knowledge of this subject is very limited. Only with the passing of new laws and by introducing international programmes on environment (NEAP, METAP, Strategy of Solid Waste, CARDS, PHARE,...) an acceptable foundation was made for creating a modern system of environment management. In order to raise ecology awareness to a higher level, it is very important to prepare for the ratification of the Aarhus Convention on Citizens Right to information.

**Scenario:** There are two basic activities necessary for heightening ecology awareness in society: making an integral informatics system (1) and population education (2). Priority aims 16 and 17 dealt with informatics system, so we will omit it here. As far as education is concerned, topics connected with the environment should be included in all educational levels and in all schools, and corresponding teaching plans and programmes developed within secondary and university education, which would prepare students for work in ecology engineering. However, awareness itself is not enough. A system of repression is necessary for those businesses that endanger the environment. This should be solved by applying the already existing legislation and by developing supervisory services within the municipalities.

It is necessary to: make a media campaign of information relevant in all possible dimensions; take initiative in that direction through REDAH, and REDAH through all the other institutional channels towards the neighbouring regional surroundings; animate the intellectual elite in all regions as the main creator of positive climate for interregional cooperation; make positive pressure on authorities without whose cooperation in those activities there will not be any success.

Stimulation to organic production would be given through building the relevant institutional capacities, as well as through realization of the following projects:

- Establishment of eco educational centre;
- Establishment of regional eco TV programme and radio broadcast;
- Establishment of a mobile educational eco-camp for children;
- Centre for transfer of technologies in primary agricultural production;

- Service centre for organic Herzegovina agricultural products;
- Establishment of the eco-camps network;
- Mobile advisory centre for agricultural producers;
- Centre for additional education of agricultural producers.

**Expected results:**

- Positive image created for interregional cooperation and awareness on cooperation heightened;
- Essential government structures included into that cooperation together with non-government sector;
- Comprehensive, or at least multi-lateral, inclusion in concrete steps of cooperation of mutual or multi-lateral interest;
- Increase in the number of organizations dealing with environmental problems;
- Increase in quality information on environmental conditions;
- Increase in peoples' responsibility for their own behaviour towards the environment;
- Raise the level of knowledge of ecological management possibilities and of environmentally neutral technologies.

**Indicators:**

- Number of organizations engaged in the area of environment;
- Number and quality of information available on the state of the environment;
- Number of incidents effecting the environment;
- Number of persons included in discussions on environmental conditions and possible measures;
- Number of radio and TV programmes on the state of the environment;
- Number of organizations specialising in education about the environment and the number of their students.

**4.2.3 Measure: Establishment of a system for planned waste management**

**Situation:** In the entire region not enough care is taken about solid waste, while liquid waste is mostly disposed of without any systematic control or state penalty provisions. The atmosphere is being polluted without any control and with minimum attempts made to stop it (measurement of the exhaust gases of cars has started to be applied but only at registration and vehicles which do not satisfy criteria are not banned).

In planned waste management a system of collection of solid waste, at a strictly specified time and in special containers per types of waste, should be introduced. After that, recycling and separation of organic waste for the production of power and gases which could be used for central heating, would be introduced, and in that way secondary materials would be obtained depending on the type of initial waste.

Activities that are implemented for the protection of waters are minimal. The state of waters in the pre-war industrial zones is in the majority of cases better than it was before the war since most of the businesses that had polluted existing water resources are no longer in existence. There is no regional centre for water management, and waters are

managed at the entities levels. Devices for the neutralisation of liquid waste are either not installed at all (Bileca) or, if they are installed, they do not include all liquid waste from the economy (Gacko and liquid waste of the thermo-electric power plant). In most of the cases these devices are not maintained so they do not function properly or outputs are incorrectly controlled or not controlled at all. Revision of permits for use should be demanded for every device for liquid waste, especially bearing in mind the EU criteria.

**Scenario:** The first thing that should be done is to form a regional agency for waste management, and carry out a study on the current locations of depots, which have working permits, and also the illegal dumps in city and rural settlements. After that, a systematic solution to the problem of waste should be undertaken.

In order for this job to be properly planned it is necessary to realise the projects:

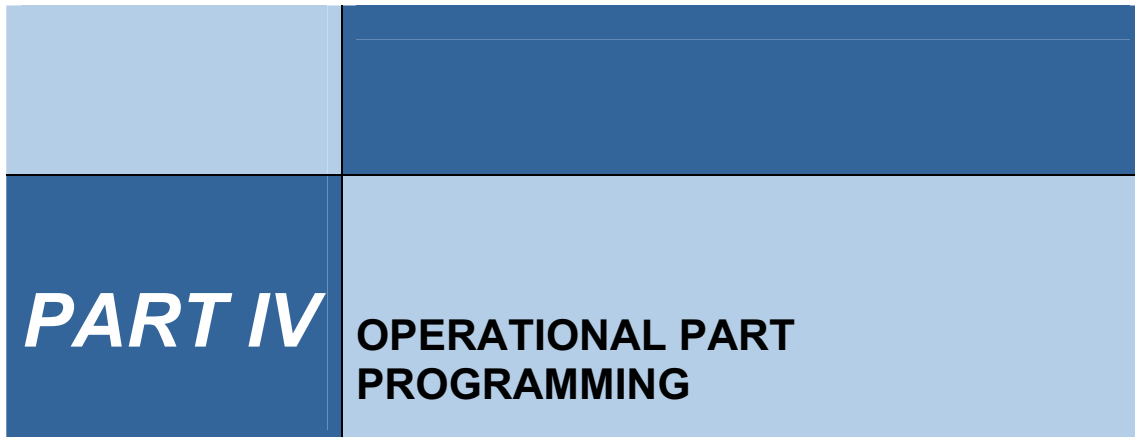
- Making reorganization plan of the existing unauthorized depots in the region;
- Forming a regional agency for waste management;
- Study for transition to a selective way of waste management;
- Making a study on the locations of depots and the recycling of waste;
- Revitalisation of mined lands and old waste depots;
- Regional centre for the water management;
- Analysis of the situation and forms of the protection of drinking waters;
- Reconstruction of Mostar sewage system;
- Making a study of protection for Neum aquatorium;
- Making sewage systems with the aim of protecting drinking waters;
- Making sewage systems with the aim of protecting the sea;
- Construction of devices for regulation of waste waters in Gacko;
- Protection of Trebizat River;
- Sewage network and filters for waste waters in Bileca;

**Expected results:**

- Better water supply;
- Efficient waste management;
- Increasing standards of depots.

**Indicators:**

- Number of authorized waste depots;
- Volume of water consumed through new/improved network yearly;
- % Waste water undergoing primary treatment.



## INTRODUCTION

The programming document is the final outcome of the strategy building process. All prior stages in the process were building up a tool through which the Strategy will be implemented. The programming document of Herzegovina region represents regional needs, reflected in the regional projects. The projects are grouped under 12 sub-programmes which are components of 4 programmes.

The programming process involved representatives of regional Working and Partnership Groups (WG and PG) that participated in all phases of the strategy building process, composed of representatives of municipalities, various regional institutions, government and non-government organizations, university professors, etc. The programming methodology was presented through a series of workshops, after which a number of brainstorming sessions was held, whereby a large number of project ideas was identified reflecting the Strategic Goals, Priority Objectives and Measures. Representatives of PGs and WGs from all five BiH Regions determined joint selection criteria for projects prioritization. The 12 most relevant factors for the selection of projects were selected and grouped in the following 4 groups, in accordance with the types of projects: 1) economic projects, 2) development projects, 3) development of institutions, 4) others. More than 200 project ideas were analysed from which a list of 169 projects was compiled. Projects were ranked in accordance with the agreed selection criteria through which a list of 57 projects was determined.

The Programming Group of Herzegovina region was formed in August 2004 and consisted of several top experts from the region: Mr. Murat Praso, Mr. Ljubo Zirojević and Mr. Marko Matić - University professors, Mr. Ivan Milićević - Department of Economy, Posusje municipality, Mr. Zdenko Mihić - City of Mostar, Mr Božo Vukoja

(REDAH Director) and Mr. Mirzo Čolaković (REDAH Project Coordinator). Two programming workshops and a series of brainstorming sessions were held to provide the necessary inputs to finalize the programming part of the Herzegovina strategy. A programming exercise (brainstorming) which requires a good knowledge of the region, strategy, projects and available financial resources for implementation of regional projects (and therefore the strategy) resulted in the determination of 4 regional programmes and 12 sub-programmes, in which projects were classified in accordance with complementarity, synergy, conditionality and plus-minus relations criteria. Some initially identified projects were excluded or renamed, so that they properly address relevant strategic goals, priority objectives and measures, while some additional projects were added to the measures to ensure strengthening of each individual programme. Furthermore, the time-frame and financial resources needed for its implementation were determined for each of the projects.

Having in mind regional development needs and deficiencies of the inexistence of regional development infrastructure and, upon analysing of all aspects of implementation of the regional projects, it was agreed to single out the top ten projects that may create strong pre-conditions for regional development. These projects are also possible to be implemented from the aspect of the existence of appropriate implementation capacities in the region.

## REGIONAL PROJECT IDEAS

Thanks to the inputs received from the representative of the Working, Partnership and Focus Groups for the preparation of the Regional Development Strategy, a list of 196 project ideas has been compiled, as shown below:

REGIONAL PROJECT IDEAS	
No.	(Note: The order of project ideas in this table does not represent their regional significance; i.e. Projects contained herein are not classified/prioritised.)
1	Establishing a Centre for introduction of new sorts of products in agriculture and forestry
2	An Inventory of the Vineyards of Herzegovina
3	Improvement of vine growing and wine production in Herzegovina
4	Development of a clusters for the production of organic products
5	Development of a cluster for beekeeping and the production and manufacturing of bee-related products
6	Establishment of a net of mini farms of fish culture ponds for trout
7	Establishment of a net of oysters farms
8	Establishment of a net of mini farms of mushrooms breeders
9	Establishment of a net of mini farms of grape producers
10	Establishment of a net of mini farms of peach producers
11	Establishment of a net of mini farms of kiwis producers
12	Establishment of a net of mini farms of figs producers



13	Establishment of a net of mini farms of pomegranate producers
14	Establishment of a net of mini farms of plum producers
15	Establishment of a net of mini farms of apricot producers
16	Establishment of a net of mini farms of cherries producers
17	Establishment of a net of mini farms of apples producers
18	Establishment of a net of mini farms of pears producers
19	Establishment of a net of mini farms of quinces producers
20	Establishment of a net of mini farms of almond producers
21	Establishment of a net of mini farms of walnut producers
22	Establishment of a net of mini farms of hazel producers
23	Establishment of a net of mini farms of nectarines producers
24	Establishment of a net of snail farm
25	Net of mini and micro fruit-vineyard nurseries
26	Initiate experimental farm for tobacco producers
27	Establishment of clusters for production of poultry meat and free range eggs
28	Establishment of hothouse and selective centres for fruit and vegetables growing
29	Centre for agriculture and rural development
30	Regional guarantee fund for agriculture and forestry
31	Development of the wholesale system in horticulture
32	Creation of regional agriculture map
33	Centre for technology transfer in primary agriculture production
34	Mobile advisory centre for farmers
35	Study on possibilities for development of cooperatives
36	Construction of the network of irrigation systems in the region
37	Service centre for cattle breeding
38	Development of a cluster for the manufacture of agriculture products
39	Development of clusters for gathering and processing aromatic and medicinal plants, as well as forest fruits in Herzegovina
40	Development of clusters for the production and manufacture of milk, milk processing, and dairy products
41	Building a network of coolers for fruit and vegetables
42	Construction of a flower market in Mostar
43	Construction of a fruit and vegetables market in Čapljina
44	Establishment of a network of green markets for Livno cheese production
45	Clusters for meat and meat products
46	Network of producers of canned and dried fruit and vegetables
47	Establishment of a network for SMEs and mini farms for vegetable growing

48	Promotion of agricultural programmes of the region
49	Organisation of fair for presentation and sale of domestic products
50	Identification and marking of wine routes in Herzegovina
51	Development of an IT system on tourist attraction of the region and their promotion
52	Organization of a centre for homemade articles and of permanent and mobile sale exhibitions
53	Making promotional tourist materials for the region
54	Marking tourist destinations in the region and making a map
55	Creation of a web-site about the regional tourist attractions
56	Organization of fairs for promoting local dishes
57	Making promotional materials for rural tourism
58	Seasonal tours for tourists, promoting and selling agriculture products and homemade products
59	Regional centre for tourism development
60	Making and elaboration of the strategy of tourism development in the Herzegovina region
61	Designing and construction of objects for regional rehabilitation and recreational sport centre in Trebinje
62	Reconstruction of roads leading to nature parks
63	Making study on touristic potentials of the region
64	Establishment of a centre for eco-tourism
65	Establishment of funds for stimulating tourism development
66	Revitalization of hunting areas in the region
67	Improvement of capacities for adventure tourism on water
68	Construction of areas for swimming sports
69	Promotion of foreign investments into tourist capacities
70	Promotion of equestrian and horse riding sports in the region
71	Establishment of a Regional Information centre for connecting tourist offers in the surrounding areas
72	Study on joint investments in tourism which are deficient both in Croatia and Montenegro
73	Study on the education of the regional tourist personnel in institutions in the Republic of Croatia
74	Study on joint investments into health tourism
75	Establishment of a regional Centre for entrepreneurship development
76	Study on establishment of duty free zones
77	Centre for transfer of technologies in the food production industry
78	Centre for transfer of technologies in metal-processing sector
79	Cluster for stone processing

80	Cluster for wood processing
81	Clusters for producers of green houses and hothouses
82	Project of usage of natural waste and organic raw materials for humus production
83	Establishment of clusters for juices (soft drinks) production
84	Establishment of productive business and entrepreneurship zones for SMEs
85	Establishment of incubators of productive programmes for SMEs
86	Establishment of regional fund for support of SMEs development
87	Regional Council for Economy Development
88	Regional centre for industrial design
89	Network of producers of Herzegovina traditional furniture
90	Elaboration of strategy on exploiting the natural resources in the region
91	Establishment of regional agency for natural resources
92	Strengthening of the system for impeding illegal uses of natural resources
93	Study on the usage of regional mineral resources
94	Establishment of a fund for mining and geology researches
95	Making study on solar energy exploitation
96	Pilot project of building of small wind energy plants
97	Study on non-metal minerals in the region
98	Study on estimation of soil pollution
99	Study on usage of specific kinds of stone and making a geology map
100	Feasibility study for stone exploitation
101	Pilot projects for solar power plants
102	Studies on construction of gas transport in the region
103	Feasibility study on exploitation and processing of clay
104	Feasibility studies on exploitation of semi-precious and precious stone
105	Regional centre for research on, protection and usage of waters
106	Study on water exploitation and protection
107	Analysis of conditions and aspects of protecting the drinking water
108	Establishment of clusters for natural water production
109	Study on protection of underground waters
110	Projects of integral plans and management with water resources
111	System of watchtowers for water quality
112	Establishment of regional agency for quality control
113	Regional centre for standardization
114	Regional development guarantee fund
115	Establishment of regional technology centre
116	Study on possibilities of import substitution and export encouraging

117	Production cluster with the aim of substituting a part of import by export
118	A regional guarantee fund for SMEs
119	Development of a regional centre for assisting in application of EU standards
120	Development of a cluster for universal hand tools
121	Making analysis regarding the state of unused industrial and other capacities of the region
122	Establishment of regional Centre for investment marketing
123	Establishment of cross border trade zones
124	Regional training centre on standards for foreign markets
125	Promotion of foreign investments into the production of the region
126	Upgrading the capacities of Mostar airport
127	Organization of Balcan Conference on Corridors
128	Making study and project documentation for reconstruction of bottleneck on the roads in the region
129	Repair and improvement of railway capacities in the region
130	Reconstruction of parts of regional roads for faster economic development
131	Establishment of the regional information centre
132	Making a data base for investments inside and out of the economy by public, private and foreign sectors
133	Establishment of a database (GIS) in accordance with European standards
134	Application of EU standards in the local administration bodies
135	Connecting RDA with LDAs and their capacities building
136	Regional BSC
137	Economic regional observatory
138	Establishment of the regional consumers association
139	Establishment of a centre for protection of right of intellectual ownership
140	Developing a programme of agri-melioration measures and improvement of the system of cultivated land irrigation
141	Establishment of a control centre for agriculture products and for GMO products
142	Regional agency for coordinating urban and space planning
143	Informatics education in schools at all levels of education (JKT)
144	Making annual maps – urbanism and environmental protection
145	Making a spatial plan of the region
146	Categorization of grounds for rational usage of space
147	Centre for the development of human resources
148	Establishment of the regional Job Centre for mediating in employment
149	Establishment of a mobile centre for education, prequalification, training and entrepreneurship

150	Establishment of the employment action plan
151	Establishment of funds for creating new work posts
152	Promotion of SME, development of entrepreneurship conscience and spirit
153	Establishment of a permanent regional Council for education improvement
154	Establishment of a net of JOB centres for tourism
155	Mobile educational consulting centre
156	Informatics centre for labour market and mobility of labour force
157	Establishment of a regional centre for young talents
158	Additional education in new technologies
159	Centre for additional education of farmers
160	Centre for additional education in foreign trade
161	Introduction of the system of distance learning and using internet applications
162	Introduction of the system of internet cafes in the cities and rural settlements
163	Regional training centre on the standards at foreign markets
164	Establishment of a fund for scientific-research work, scholarship and support to young talents
165	Establishment of a system of training and retraining for teachers and young talents through a system of mentors and advisors
166	Regional centre for environment
167	Construction of sewage system and units for waste waters neutralization in Bileca
168	Making study on protection of Neum aquarium
169	Establishment of a regional centre for waste management
170	Plan for the protection of jeopardised eco-systems
171	Establishment of an agency for monitoring of environment pollution
172	Creating data file on environment pollution
173	Ecology identification and categorization of domiciles on the coastal belt
174	Re-cultivating of domiciles destroyed by fire
175	Cost benefit analyses of pollution emissions from large resources
176	Establishment of emission cadastre of pollutants and atmosphere polluters
177	Study on rehabilitation and revitalization of swamp domiciles
178	Educational centre for distant learning (aspect ecology)
179	Centre for the supplementary education of tourist workers
180	Ecological education of pupils in elementary schools
181	Promotion of eco-tourism and application of EU standards
182	Pilot project eco-village
183	Forming a data base on the pollution of the environment
184	Construction of regional sanitary depot for medical waste
185	Re-categorization of protected areas and establishment of new ones (IUCN)

186	Study on depots locations and waste recycling
187	Establishment of eco educational centre
188	Establishment of regional eco TV programme and radio broadcast
189	Establishment of a mobile educational eco-camp for children
190	Service centre for organic Herzegovina agricultural products
191	Making reorganization plan of the existing unauthorized depots in the region
192	Study for the transition to a selective way of waste management
193	Revitalisation of mined lands and old waste depots
194	Reconstruction of Mostar sewage system
195	Construction of devices for regulation of waste waters in Gacko
196	Ecological protection of Trebizat River

Based on the above 196 project ideas the list of 57 most significant projects has been compiled in accordance with selection criteria, as listed below:

No.	TOP REGIONAL PROJECTS
1	Establishment of a regional Centre for entrepreneurship development
2	Regional development guarantee fund
3	Regional centre for tourism development
4	Establishment of the regional information centre
5	Establishment of regional technology centre
6	Regional centre for research on, protection and usage of waters
7	Regional centre for environment
8	Centre for agriculture and rural development
9	Study on the usage of regional mineral resources
10	Centre for the development of human resources
11	Construction of sewage system and units for waste waters neutralization in Bileca
12	Making study on protection of Neum aquarium
13	Establishment of a regional centre for waste management
14	Promotion of eco-tourism and application of EU standards
15	Pilot project eco-village
16	Establishment of eco educational centre
17	Making reorganization plan of the existing unauthorized depots in the region
18	Development of a cluster for the manufacture of agriculture products
19	Development of clusters for gathering and processing aromatic and medicinal plants, as well as forest fruits in Herzegovina

20	Development of clusters for the production and manufacture of milk, milk processing, and dairy products
21	Identification and marking of wine routes in Herzegovina
22	Development of an IT system on tourist attraction of the region and their promotion
23	Organization of a centre for homemade articles and of permanent and mobile sale exhibitions
24	Making and elaboration of the strategy of tourism development in the Herzegovina region
25	Designing and construction of objects for regional rehabilitation and recreational sport centre in Trebinje
26	Reconstruction of roads leading to nature parks
27	Establishment of productive business and entrepreneurship zones for SMEs
28	Establishment of incubators of productive programmes for SMEs
29	Establishment of regional fund for the support of SMEs development
30	Elaboration of a strategy on exploiting the natural resources in the region
31	Establishment of a fund for mining and geology researches
32	Making study on solar energy exploitation
33	Pilot project of building of small wind energy plants
34	Study on water exploitation and protection
35	Establishment of regional agency for quality control
36	Development of a regional centre for assisting in application of EU standards
37	Development of a cluster for universal hand tools
38	Making analysis regarding the state of unused industrial and other capacities of the region
39	Upgrading the capacities of Mostar airport
40	Organization of Balcan Conference on Corridors
41	Making study and project documentation for reconstruction of bottleneck on the roads in the region
42	Establishment of regional council for economy development
43	Application of EU standards in the local administration bodies
44	Establishment of the regional agency for coordination of urbanistic and spatial plans
45	Establishment of the regional consumers association
46	Establishment of the regional Job Centre for mediating in employment



47	Establishment of a mobile centre for education, prequalification, training and entrepreneurship
48	Establishment of a permanent regional Council for education improvement
49	Introduction of the system of distance learning and using internet applications
50	Establishment of a fund for scientific-research work, scholarship and support to young talents
51	Establishment of the Centre for introduction of new sorts of products in agriculture and forestry
52	An Inventory of the Vineyards of Herzegovina
53	Improvement of vine growing and wine production in Herzegovina
54	Development of a clusters for the production of organic products
55	Development of a cluster for beekeeping and the production and manufacturing of bee-related products
56	Establishment of a regional guarantee fund for agriculture and forestry
57	Development of the wholesale system in horticulture

Taking into consideration development priorities of Herzegovina region, as well as known selection parameters the 57 projects have been divided into the following two categories:

- **The first category** (Projects 1-10) refers to the top ten projects that are of absolute implementation priority. These projects best reflect key regional needs in a way that they correspond best with the Strategic Goals and Priority Objectives. They have been classified in accordance with the complementarity, synergy, conditionality and plus-minus relations criteria in a programming process. Majority of them are also seen as a precondition for implementation of the other regional projects.
- **The second category** refers to the remaining 47 projects that are also of high importance for the development of Herzegovina region. Their implementation would encourage development of specific segments of economy, which would significantly improve overall regional economic situation. (Projects contained herein are not classified/prioritized).

## REGIONAL PROGRAMMES AND SUB-PROGRAMMES

The purpose of the programming is to prepare an adequate sequence of implementation of regional projects in terms of needed human, technical and financial inputs/resources. Throughout programming exercise the top regional projects selected from the list of regional projects ideas in accordance with the defined selection criteria, have been grouped into strongly interlinked programmes and sub-programmes based on the conditionality, complementarity and synergy principles. All of the programmes and sub-programmes are multi-disciplinary in relation to the set priority objectives and measures. The programming process finally resulted in the termination of 4 regional programmes and 12 sub-programmes consisted of top 57 priority projects with estimated financial and timeframe scope of implementation, as shown in the following table:

Programme	Sub-programme	Projects	Financial input (Eur)	Implementation time (months)
<b>1. Rural development, agriculture and forestry</b>	<b>1.1 Development of specific agricultural branches</b>	1.1.1. Establishing a Centre for introduction of new sort types of products in agriculture and forestry	100 000	30
		1.1.2. Development of the wholesale system in horticulture	80 000	18
		1.1.3. Development of a cluster for the manufacture of agriculture products	100 000	20
		1.1.4. Development of clusters for gathering and processing aromatic and medicinal plants, as well as forest fruits in Herzegovina	145 000	24
		1.1.5. Development of clusters in the production and manufacture of milk, milk processing, and dairy products	50 000	24
		1.1.6. An Inventory of the Vineyards of Herzegovina	120 000	6
		1.1.7. Improvement of vine growing and wine production in Herzegovina	150 000	30
		1.1.8. Development of a cluster for beekeeping and the production and manufacturing of bee-related products	40 000	18
		1.1.9. Development of clusters for the production of organic products	100 000	24

2. Industry, tourism, energetics and SMEs	<b>1.2 Development of the agricultural infrastructure</b>	1.2.1 Establishment of a regional guarantee fund for agriculture and forestry	140 000	24
		1.2.2. Centre for agriculture and rural development	150 000	24
	<b>2.1 Development of tourism</b>	2.1.1. Development of an IT system on tourist attraction of the region and their promotion	30 000	24
		2.1.2. Making and elaboration of the strategy of tourism development in the Herzegovina region	30 000	24
		2.1.3. Regional centre for tourism development	120 000	18
		2.1.4. Designing and construction of objects for regional rehabilitation and recreational sport centre in Trebinje	330 000	20
		2.1.5. Organization of a centre for homemade articles and of permanent and mobile sale exhibitions	50 000	12
		2.1.6. Reconstruction of roads leading to nature parks	100 000	20
		2.1.7. Identification and marking of wine routes in Herzegovina	100 000	18
	<b>2.2 Development of small and medium-sized entrepreneurship (SME)</b>	2.2.1. Establishment of a regional Centre for entrepreneurship development	100 000	24
		2.2.2. Establishment of productive business and entrepreneurship zones for SMEs	2 000 000	9
		2.2.3. Establishment of regional fund for support for SMEs development	25 000 + K 500 000	6
		2.2.4. Establishment of incubators of productive programmes for SMEs	120 000	24.
	<b>2.3 Development of new products and increase in competitiveness</b>	2.3.1. Development of a regional centre for assisting in application of EU standards	100 000	24
		2.3.2. Establishment of regional technology centre	100 000	24
		2.3.3. Regional development guarantee fund	240 000	24
		2.3.4. Development of a cluster for universal hand tools	125 000	14
		2.3.5. Establishment of a regional agency for quality control	150 000	14
		2.3.6. Making analysis regarding the state of unused industrial and other capacities of the region	30 000	12

	<b>2.4 Upgrading of regional transport infrastructure</b>	2.4.1. Organization of Balkan conference on corridors	100 000	24	
		2.4.2. Making study and project documentation for reconstruction of bottleneck on the roads in the region	250 000	15	
		2.4.3. Upgrading the capacities of Mostar airport	84 000	18	
	<b>2.5 Establishment of network between private, government and non-government sectors</b>	2.5.1. Establishment of the regional council for economy development	50 000	12	
		2.5.2. Establishment of the regional consumers association	25 000	24	
		2.5.3. Establishment of the regional information centre	60 000	24	
		2.5.4. Application of EU standards in the local administration bodies	90 000	12	
		2.5.5. Establishment of the regional agency for coordination of urban and spatial plans	30 000	12	
	<b>2.6 Establishment of institutions for managing and analysis of natural resources (including waters)</b>	2.6.1. Establishment of a fund for mining and geology researches	25 000	24	
		2.6.2. Elaboration of strategy on exploiting the natural resources in the region	40 000	12	
		2.6.3. Feasibility study on production and exploitation of solar energy	40 000	9	
		2.6.4. Pilot project of building of small wind energy plants	50 000	12	
		2.6.5. Study on the usage of regional mineral resources	50 000	12	
		2.6.6. Study on water exploitation and protection	50 000	30	
		2.6.7. Regional centre for research on, protection and usage of waters	250 000	24	
	<b>3. Development of human resources</b>	<b>3.1 Employment</b>	3.1.1. Establishment of the Centre for mediating in employment	100 000	12
			3.1.2. Establishment of a mobile centre for education, prequalification, training and entrepreneurship	130 000	12
		<b>3.2 Education</b>	3.2.1. Establishment of a permanent regional Council for education improvement	50 000	12
			3.2.2. Establishment of a fund for scientific-research work, scholarship and support to young talents	40 000	12

		3.2.3. Centre for the development of human resources	240 000	24
		3.2.4. Introduction of the system of distance learning and using internet applications	120 000	12
		4.1.1. Construction of sewage system and units for waste waters neutralization in Bileca	1 700 000	24
		4.1.2. Making study on protection of Neum aquarium	25 000	9
		4.1.3. Establishment of a regional centre for waste management	570 000	36
		4.1.4. Regional centre for environment	1 800 000	36
	<b>4.2 Establishment of ecological educational systems</b>	4.2.1. Establishment of eco educational centre	50 000	24
		4.2.2. Promotion of eco-tourism and application of EU standards	19 000	9
		4.2.3. Making reorganization plan of the existing unauthorized depots in the region	40 000	12
		4.2.4. Pilot project eco-village	100 000	12

**PROGRAMME: 1. Rural development, agriculture and forestry**

Rural developments, and development of agriculture and forestry, are the most complex economic activities in the sense of development and sustainability in the Herzegovina region. Resources for development of agriculture are far from being exploited to the extent that they could be. This programme supports rural development, especially in relation to the modernization and upgrading of agricultural business, improvement of skills and knowledge in the field of agriculture and forestry, and improvement of both quality and quantity of agricultural products. Such a systematic approach to agricultural development (which is mainly going on in the rural milieu) would contribute to the urbanization of rural settlements.

Projects within this programme will influence the development of agriculture in all municipalities in the region, and they are grouped into two sub-programmes:

- **Development of specific agricultural branches;**
- **Development of the agricultural infrastructure.**

**SUB-PROGRAMME: 1.1. Development of specific agricultural branches**

In the agricultural sense, the Herzegovina region is represented by various natural environments with different soil structures and very different usage value of the soil. Its common characteristics are: abundance of sunshine and water, which make it suitable for growing different agricultural products and a long tradition in different kinds of agricultural activities, including farming, fruit growing and cattle breeding. All projects within this sub-programme aim to support the development of specific branches of agriculture. They contribute to the implementation of the following goals and measures:

*Priority objective:* 1.1. *Agricultural development*

*Measures:* 1.1.1. *Development of specific agricultural branches*  
1.1.3. *Organized inter-connection between agricultural producers and food manufacturers for the promotion of sales and increase of exports*

**PROJECT: 1.1.1. Establishing a Centre for the introduction of new sorts of products in agriculture and forestry**

In Herzegovina, there is no regional centre for the introduction of new sorts of products in agricultural production, nor is there one for the needs of the forestry sector. It is necessary to put an effort into revitalizing domestic agricultural production, with the aim of substituting the huge import of agricultural products by meeting the needs of the domestic market. For the enrichment of forest variety, it is necessary to revitalize many basic forest areas. Establishment of a Centre for the introduction of new types of product in agriculture and forestry would contribute significantly to realizing the above mentioned aims.

**Main activities:**

- identification of priority activities in achieving assigned aims;
- staffing of the Centre;
- adequately equipping for the Centre's functioning,
- providing necessary start equipment;
- conducting a research on the possibilities of introducing new sorts of product;
- conducting relevant training,
- giving advice and monitoring.

**Expected results:**

- operative Centre for introducing new types of product;
- wider variety of agriculture products;
- basic forest areas revitalized.

**Main indicators:**

- number of introduced types;
- number of agricultural products;
- number of new forest varieties;

- number and dimensions of newly wooded and revitalized forest areas,
- decreased import of agricultural products.

**PROJECT: 1.1.2. Development of a wholesale system in horticulture**

In Herzegovina, there is huge potential for growing different horticulture products. At the same time, totally unjustifiably, great amounts of flowers are being imported. Opening a wholesale market would enable the placement of flowers and encourage domestic producers which, in turn, would lead to the development of the domestic horticultural production.

Main activities:

- searching for adequate space;
- upgrading of necessary and specific wholesale market infrastructure;
- marketing activities;
- creating a network of all horticultural producers in the region

***Expected results:***

- wholesale market in Mostar opened and functioning;
- flower producers organized in a cluster;
- quality of flowers improved;
- purchase value of products guaranteed;

***Main indicators:***

- number of flower growers and sellers in the market;
- increased number of SMEs in the horticultural industry;
- flower import decreased;
- flower import eliminated.

**PROJECT: 1.1.3. Development of a cluster for the manufacture of agricultural products**

The establishment of a cluster for the manufacture of agricultural products will contribute to the economic sustainability of the rural areas and to creating competitive products in the food and drinks industry. It is expected that, within the project, an agriculture map of the region will be created, small market oriented farmers will be connected with manufacturers and distribution channels, and technical characteristics of the products will be improved. Realization of this project would also enable planned production in rural households, improved processing capacities, and the development and promotion of local branded goods.

Main activities:

- equipment of the team for implementation;
- making an agricultural map for the region;



- selection of pilot models among agriculture producers;
- promotion of the process of establishing clusters;
- connecting producers to a network with channels of distribution and manufacturers;
- organization of specialized agricultural production;
- technology transfer, improvement of existing and construction of new manufacturing capacities;
- marketing;
- organization of agricultural fairs and exhibitions,
- development and promotion of product brands.

**Expected results:**

- established and functional clusters.

**Main indicators:**

- number of inter/connected agricultural producers and % of annual increase;
- % increase of sustainable agricultural production;
- % increase of agricultural processed goods;
- % decrease of import of agricultural processed goods.

**PROJECT: 1.1.4. Development of clusters for gathering and processing aromatic and medicinal plants, as well as forest fruits in Herzegovina**

In most of the region there are favourable natural conditions and significant experience in the manufacture of medicinal and aromatic plants, as well as in the gathering of forest fruits; but what is lacking are distribution channels and technical assistance to numerous fragmented potential producers and manufacturers. The purpose of this project is to improve this aspect of agricultural production, and thus contribute to the economic sustainability of rural life.

**Main activities:**

- technical and institutional establishment of the Centre;
- choice of location, adaptation of warehouse space;
- organization and connecting into a cluster already existing aromatic and medicinal plants, as well as forest berry cultivators;
- market research and establishment of business connections;
- establishment of a network of sub-centres,
- organization of wholesale, packaging and placement;
- organization of marketing and placement;
- activities connected with certification of selected products for selected markets.

**Expected results:**

- Established technical and personnel Centre with sub-centres.

**Main indicators:**

- number of connected cultivators;
- number of ensured advisory services;

- quantitative and qualitative increase of production;
- % of clients satisfied with services given.

**PROJECT: 1.1.5. Development of clusters in the production and manufacture of milk, milk processing, and dairy products**

The Herzegovina region has great potential for milk and dairy production. The organized performance of producers is at a low level which represents an ineffective response to market demands, even though the import of those products is extremely high. The establishment and development of a cluster for dairy products is an organizational step forward and a measure which would contribute to the creation of a strong production centre for the dairy product sector.

Main activities:

- organizing and gathering existing producers and manufacturers into a cluster;
- improved technological production;
- enlargement of capacities;
- application of the highest standards in production;
- joint marketing performance;
- export performance.

***Expected results:***

- milk producers and manufacturers organized in a Cluster;
- improved quality of milk and dairy products;
- purchase of products ensured;
- sustainable development of rural areas achieved.

***Main indicators:***

- sector of primary milk production enlarged;
- milk manufacture enlarged quantitatively and qualitatively;
- increased number of SMEs in this manufacturing sector .

**PROJECT: 1.1.6. An Inventory of the Vineyards of Herzegovina**

A joint regional project will be conducted by the BiH Grape Growers & Wine Producers Association (GGWPA), with collaborative technical assistance provided by the Agricultural Institute of Mostar to conduct a baseline inventory of the vineyards of Herzegovina. The territory to be covered is from Trebinje to Grude and from Gabela to Mostar, which includes both entities, two cantons and all ethnic groups.

Main activities:

- Enumerators will gather information including vineyard farmers , GSP location, land area, grape variety, number of vines, spacing, trellising, age, plant health, elevation, slope, soil type, use of irrigation, etc.;
- Information will be logged into a multi-use database;

- A simple system will be set up to directly assist vineyard owners to register in the cadastre established under the new Wine Law

**Expected results:**

- Cadastre registration for vineyards  $\geq 0.5$  dunums with new Wine Law,
- Database to comply with EU vineyard registration as part of the accession plan;
- Detailed knowledge of the size and condition of the vineyards of Herzegovina will assist in stimulating targeted growth and investment opportunities, including more planting and vineyard expansions.

**Main indicators:**

- Number of vineyards measured and registered expected to be 7,000 to 10,000;
- Development of a realistic strategic plan for improving the grape and wine industry based on the results.

**PROJECT: 1.1.7. Improvement of vine growing and wine production in Herzegovina**

In the last 12 years the state of vine growing and wine production in the region has been considerably worsened. Because of the market deficiencies, the production of grapes has drastically decreased, and together with it, the production of wine. Manufacturers have neglected their vineyards, and in some cases they even cleared the land of plants, which have never been replanted. Planting vineyards, as well as wine production, is a long and expensive investment. The vineyard owners do not have new modern technologies. For those reasons it is necessary to improve the grapes and the wine production and restore quantities and quality to the level they had reached at the end of the 1980s.

**Main activities:**

- promote interest among the grape and wine producers to increase production and quality, and to introduce new technologies;
- include relevant experts into the process of vine growing and wine producing;
- get the banks and other financial institutions interested in enabling producers, with favourable loans, to start by renewing and modernizing the capacities.

**Expected results:**

- renewal of neglected vineyards and growing new ones;
- increase in production of quality wines;
- introduction of new technology into grape and wine production;
- getting back to old markets;
- increased export.

**Main indicators:**

- increased quantities of grapes produced,
- increased quantity of wine produced.

**PROJECT: 1.1.8. Development of a cluster for beekeeping and the production and manufacturing of bee-related products**

The Herzegovina region has great potential for the production of highest quality beekeeping related products, as well as an opportunity to produce eco-honey which is much in demand and highly appreciated on the European market. The problem lies in the insufficient quantitative production, poor organization of beekeepers and the non-existence of more serious investors in such projects. The creation of a cluster for the production and manufacture of beekeeping products, together with quality control of honey and other products, would help solve the above mentioned problems.

Main activities:

- organizing the greatest possible number of beekeepers in this cluster;
- preparing for the introduction of new beekeeping products;
- education in disease prevention for bees;
- application of the most modern technical and technological achievements in production;
- qualifying for export performance.

***Expected results:***

- manufacturers of honey and other beekeeping products organized into a cluster,
- honey and other beekeeping products certified by certification companies;
- brand name developed and promoted;
- employment rate increased in this sector.

***Main indicators:***

- a minimum number of 50 % beekeepers included in the cluster during the first year of its activities;
- technological upgrading of production;
- decreased % of bee disease;
- yearly number of beekeepers increased by 20 %;
- realized production export of about 50 % of total production.

**PROJECT: 1.1.9. Development of a cluster for the production of organic products**

Pilot projects for the production of organic agricultural projects have already been carried out successfully in the Herzegovina region. The resulting product had all the characteristics of high quality organic food. Organic production represents a competitive advantage and an opportunity for the region of Herzegovina because of the chemically unpolluted agricultural soil, the tradition in food industry of the region, and the increased demand for organic products in the European Union countries. The establishment of a cluster for all organic food producers in the region would enable the creation of competitive products and their placement on foreign markets.

Main activities:

- selection of agricultural products and producers;
- gathering of a pool of relevant experts;

- organization of a cluster;
- technology transfer and capacity building;
- certification of organic food;
- performing marketing and promotional activities

**Expected results:**

- organized organic food production;
- established network of producers;
- technology transfer made;
- certificates obtained for ground, plants and products;
- brand of goods developed and promoted.

**Main indicators:**

- number of partners connected in the cluster;
- increased quantities of organic products;
- realized export of products.

**SUB-PROGRAMME: 1.2. Development of the agricultural infrastructure**

One of the key factors on which success in the development of agriculture depends is the existence of functional organization of the agricultural infrastructure. Projects within this sub-programme are directed towards the creation of a business infrastructure and environment for agriculture in the region of Herzegovina. They contribute to the realization of the following priority aims and measures:

*Priority objective:*                      1.1. *Agricultural development*

*Measures:*                                1.1.2. *Development of agricultural infrastructure*  
     1.1.3. *Organized inter-connection between agricultural producers and food manufacturers for the promotion of sales and increase of exports*

**PROJECT: 1.2.1. Establishment of a regional guarantee fund for agriculture and forestry**

Analyses have shown that access to commercial credit is especially difficult for agricultural producers because of difficulties in ensuring adequate guarantees. That is the reason why this project focuses on the specific aspect of support to agricultural production in Herzegovina; this means easier access to credit by means of establishing a credit guarantee fund for the aforementioned producers. It is expected that the establishment of such a fund would improve agricultural production in the region and establish a financial basis for the start up or enlargement of already existing

agribusinesses, then it would introduce instruments of business planning, and enable a better raw material foundation for the food industry.

Main activities:

- establishing and registering a credit guarantee fund;
- ensuring financial means for the fund;
- establishment of cooperation with banks and other institutions;
- promotion of the fund among producers, the food industry and the market;
- ensuring a strong position for the fund on the regional and B&H financial markets;
- assisting farmers in getting guarantees for the starting or enlargement of their agricultural activity.

**Expected results:**

- fund established and functioning;
- increased level of agricultural production;
- increased quality of agricultural products;
- sufficient quantities of basic products ensured for food processing industries;
- financial sustainability of agricultural producers realized.

**Main indicators:**

- number of guarantees issued;
- % of total investments;
- % of remunerated credits and augmentation of the fund.

### **PROJECT: 1.2.2. Centre for agricultural and rural development**

Rural and agriculture development are of the crucial importance for the economical development of Herzegovina region. All the analysis made show that the region of Herzegovina has very favourable natural resources and great possibilities for the development of agriculture. On the other hand, many rural settlements lack good communication lines, water and sewage systems and telecommunications. Besides the improvement of communication and infrastructure, Centre for Agriculture and Rural Development should affirm cooperative farming, build a system of insurance against agricultural damages, develop a network of financial institutions for rural development support, install GIS centres for crop and plantation information, and establish connections with institutions for product mapping and advisory services. Through the implementation of this project the support will be given to the revitalisation and improvement of agricultural production, with particular stress on the provision of technical support for the development of specific branches of agriculture, for the introduction of new agriculture sorts and application of new technologies. Another important component of the project will be establishment of links between agricultural producers, market and food processing companies.

Main activities:

- establishment of the Centre,
- procurement of necessary equipment and material,
- establishment of cooperation with all the relevant actors in the region,

- design and adaptation of annual action plan,
- organization and facilitation of specific trainings,
- provision of advisory services,
- provision of support for realization of agricultural projects,
- establishment of connections between agricultural producers, market and food processing companies,
- facilitation of implementation of rural development related projects.

**Expected results:**

- fully functional Centre established,
- close cooperation established with agricultural institutes and faculties of agronomy in the region,
- producers of the same type of agricultural products interconnected in functional clusters,
- production of specific agricultural products developed,
- new technologies and new agricultural sorts and breeds introduced,
- significant increase of agriculture production realized,
- improvement of living conditions in rural areas achieved.

**Main indicators:**

- level of agricultural and rural development achieved,
- level of application of new knowledge and technologies,
- % of increase of food production.

**PROGRAMME: 2. Industry, tourism, energy and SMEs**

This programme has as its purpose the creation of a base for sustainable development in the region of Herzegovina. The process of constructing an economic structure in the region is based on the recovery of a broad spectre of activities in industry, tourism, energy and small and medium-sized entrepreneurship. These four large economy groups should be developed in parallel and coordinated. Realization of the projects from this programme would influence, crucially and essentially, the creation of a business infrastructure, improved quality of products and services, development of new products, improvement of skills and knowledge, and improvement of information in the region.

The following sub-programmes make up this programme:

- 2.1. Development of tourism;
- 2.2. Development of SME sector (small and medium-sized entrepreneurship sector);
- 2.3. Development of new products and increased competitiveness;
- 2.4. Upgrading the regional transport infrastructure;
- 2.5. Establishment of a network among private, government and non-government sectors;
- 2.6. Establishment of institutions for management and analysis of natural resources (including water).



**SUB-PROGRAMME: 2.1. Development of tourism**

The region of Herzegovina has a diverse and rich potential for the development of tourism. Favourable climatic conditions, varied natural riches, a rich cultural and historical heritage, and an environment strongly oriented to tourism, are very suitable factors for creating the preconditions for the development of many branches of tourism. Implementation of projects from this sub-programme would contribute considerably to the improvement of already existing tourist attractions and to designing better ones, to producing quality promotional material and to the promotion of the region, and, generally, to the assessment of Herzegovina tourism. This sub-programme would contribute to the implementation of the following priority aims and measures:

*Priority objective:* 1.2. *Tourism development*

*Measures:* 1.2.1. *Tourism promotion*  
1.2.2 *Improvement of tourist capacities*

**PROJECT: 2.1.1. Development of an IT system on tourist attractions of the region and their promotion**

Implementation of this project would create a unique informatics system about what the Herzegovina region has to offer in tourist terms and would enable interested potential tourists to get all the necessary information about the region, including: general information about different tourist attractions, accommodation capacities, means of transport, as well as details about entertainment possibilities, places to eat, what to eat, typical souvenirs of Herzegovina and more.

**Main activities:**

- analysis of the state of tourist offer and demand in municipalities according to destinations and tourist attractions;
- creation of a database;
- agreement with relevant regional factors regarding the content and means of presenting tourism in the region;
- creation of a web-page;
- making other promotional material;
- updating information on the web-page and in other promotional material.

**Expected results:**

- created and regularly updated web page;
- additional promotional material made.

**Indicators:**

- % increase in the number of visits to the region;
- % increase in the number of overnight stays.

**PROJECT: 2.1.2. Making and elaboration of the strategy of tourism development in the Herzegovina region**

Instead of the development and promotion of domestic tourism, domestic tour operators concentrate almost entirely on promoting foreign holidays to the domestic population. The aim of the strategy on tourist development in the Herzegovina region is to change this situation. It aims to promote domestic tourism, primarily through mutual connection of tourist attractions of the region, and through mobilizing both domestic and foreign investment into the tourist potential of the region. Creation of a characteristic tourist profile of the regions would be realized by establishing cooperation between key tourist actors, and in this way effective success could be achieved.

**Main activities:**

- gathering and analysing data on tourist attractions in the region;
- stating the number and main types of business for each tourist operator in the region;
- making surveys of all necessary missing operators per region and the structure of activities they would deal with;
- encouraging operators to sell domestic as well as foreign holidays;
- legislating for tourist business;
- making a strategy of the development of tourism in the region;
- promotion of the Strategy of the development of tourism in the region.

**Expected results:**

- cooperation established between tourist actors in the region;
- direction of tourism development defined.

**Main indicators:**

- development strategy defined for the next 10 years;
- plans for tourism development elaborated per canton and municipality in Herzegovina (based on the strategy on tourism development);
- priority projects identified.

**PROJECT: 2.1.3. Regional Centre for Tourism Development**

Herzegovina region has a huge tourism potential, with many touristic attractions (natural beauties, cultural and historical heritage), which allow offering many different tourism products (rural, adventure, cultural, religious etc.) in every season.

This project foresees the establishment of a Regional Centre for Tourism development which will implement promotion and marketing activities and stimulate the internal and international demand of local tourism products. The purpose of the establishment of the Regional Centre for the Development of Tourism will be to contribute to the further development of the well-known and improvement of the conditions of other potential touristic sites of the region, to prepare touristic promotion material of Herzegovina region, to facilitate its distribution within and outside of the country, and in general, to ensure increase of number of visitors. In addition to that, the centre will, in collaboration

with the existing touristic associations, devise a common strategy for regional tourism development based on an agreed touristic profile for the Region.

**Main activities:**

- prepare business plan,
- set up and equip the Centre and employ the staff,
- build up the capacity of the Centre staff,
- establish intra and inter and inter-regional partnership among tourist institutions and stakeholders,
- prepare a strategy and action plan for marketing and promotion,
- conduct survey on the situation of regional touristic potentials and develop strategy on tourism development,
- design, prepare and distribute promotion material (including the web page).

**Expected results:**

- regional Tourism Centre established and functional,
- cooperation among relevant stakeholders in tourism sector established,
- quality and variety of tourist packages improved,
- a practice of effective promotion of tourism adopted,
- Herzegovina's tourist image improved,
- a number of visitors in the region increased,
- number of employees in tourism sector increased.

**Main indicators:**

- % of increase of number of visitors;
- number of over-night stays in Herzegovina,
- number of employees in tourism sector.

**PROJECT: 2.1.4. Designing and construction of objects for regional rehabilitation and recreational sport centre in Trebinje**

Investment in sport, primarily recreation, is the most efficient way of safeguarding the health of the population. An increased culture towards recreation and sport has a direct influence on decreasing the medical costs and increasing the work capabilities of the population. At the same time, the development of a sport and recreation culture gives young people opportunities to live a healthier lifestyle.

A project on joint investment into health and recreational tourism which currently does not exist at all, would round off Herzegovina's tourism. Realization of this project, which would enable medical and sport rehabilitation, would diminish the huge exodus of resources for health care into nearby regions, primarily outside Bosnia and Herzegovina. It is important to mention here that a draft of a possible similar project was previously made.

**Main activities:**

- putting a workable project draft into the urbanistic plan of the town and according to EU standards;

- selection of location and obtaining municipal consent;
- reaching an agreement with municipalities regarding cooperation and joint investment into the project implementation;
- project promotion and finding donors;
- making tender.
- selection of a contractor;
- performing works;
- marketing and promotional activities.

**Expected results:**

- established Centre in Trebinje for the needs of the region.

**Main indicators:**

- decreased number of patients going for medical treatment outside the region,
- created additional value of the Centre after two years,
- increased recreational activities of the citizens in Herzegovina;
- increased percentage of young people who take up sport professionally.

**PROJECT: 2.1.5. Organization of a centre for homemade articles and of permanent and mobile sales exhibitions**

There is no centre for homemade goods in the Herzegovina region. Homemade goods are heterogeneous and they gather together a lot of different trades and relevant natural skills which should certainly attract the curiosity of tourists. Establishment of such a centre would enable the unity of separate manufacturers of homemade articles which are characteristic of this area. Thus, an organized method of manufacturing characteristic Herzegovinian souvenirs would be introduced. Apart from other promotional activities, one of the centre's basic activities would be the organization of exhibitions of homemade goods in different parts of the region.

**Main activities:**

- establishment of the centre and its staffing;
- establishment of cooperation with relevant tourist actors inside and outside the region;
- gathering information on articles characteristic of both urban and rural parts of the region;
- selecting interesting articles and making a survey of potential manufacturers and providers;
- making relevant promotional materials;
- organization of promotion and sales exhibitions.

**Expected results:**

- established centre for homemade articles;
- manufacturers from urban and rural areas of Herzegovina connected into a network;
- homemade articles become integral part of the tourist offer of the region.

**Main indicators:**

- increased percentage of people taking part in the manufacture of homemade articles;
- promotional materials made and sent to all the relevant tourist centres;
- signed business agreements on ordering homemade articles.

**PROJECT: 2.1.6. Reconstruction of roads leading to nature parks**

Using the previously mentioned study on the potentials of the region, it will be possible to determine exactly, or to rank, each area according to its degree of interest for B&H, including nature parks, national parks, reservations, and other tourist destinations.

When the study is completed, a degree of priority for investment in particular destinations will be available. Within this frame, necessary secondary roads leading to nature parks will be surveyed, as well as their state and the need for their regulation and reconstruction.

**Main activities:**

- diagnosing the state of access roads and streets leading to and within the nature parks;
- carrying out a study on necessary interventions on roads and a survey on necessary activities and their costs;
- obtaining necessary consents from authorities;
- making necessary documentation;
- drawing up the tender;
- collecting offers and selecting a contractor;
- performing works;
- control and monitoring of works;
- promotion of improved tourist capacities.

**Expected results:**

- survey on roads condition within and outside nature parks made;
- ranking made for repairs according to the degree of priority for the region;
- documentation and analysis made of resources needed for reconstruction of roads;
- reconstruction and regulation of priority roads leading to or within nature parks completed.

**Main indicators:**

- number of kilometres of reconstructed and set in order roads leading to nature parks;
- percentage of increase of visits to nature parks.

**PROJECT: 2.1.7. Identification and marking of wine routes in Herzegovina**

Grapes and wine production in Herzegovina has ever since been one of the most important agricultural activities. Blatina and Žilavka are famous classifications of wine which formerly were highly appreciated by wine connoisseurs all over the world and which won first prizes in many fairs. In order to develop tourism, it is necessary to make a wine signpost for this region, and put wine routes into regional maps, to make wine cellars more accessible to tourists. Together with somewhat more marked symbols, it is necessary to \*flag\* wine cellars with greater choice of wines, modern technology, bottled assortment, and prizes won. Small village cellars which traditionally manufacture grapes into wine and with modest selection but with good wine and more favourable prices, could be signed with \*small caskets\*. The offer should also include the homemade brandy called "Lozovača".

Main activities:

- survey the roads which lead through vine growing areas of the region;
- introduce tourist agencies to this activity;
- make promotion materials;
- with wine manufacturers, appoint presentations of wine and other agriculture products which could be of interest to tourists.

**Expected results:**

- making wine map of the region;
- upgrading the tourist offer;
- including rural population in tourist activities and development of this aspect of rural tourism.

## **SUB-PROGRAMME 2.2. Development of small and medium-sized entrepreneurship (SME)**

Small and medium-sized entrepreneurship is present in all the main economy branches of the region: in industry, agriculture, trade and commerce, energy, tourism, and therefore it will play a significant strategic role in further development of the region. By implementing projects from this sub-programme, the following aims will be achieved: establishment of necessary infrastructure and business capacities, as well as the provision of technical, financial and informatics support to the development of already existing and new productive SMEs, and also to the development of other segments of small and medium-sized entrepreneurship. These projects will contribute to the realization of the following priority aims and measures:

*Priority objectives:* 1.3. *SME sector development*

*Measures:*

- 1.3.1. *Developing business support infrastructure for SMEs*
- 1.3.2. *Creating a favourable environment for the development of production oriented SMEs*

**PROJECT: 2.2.1. Establishment of a regional Centre for development of Entrepreneurship**

Small and medium-sized entrepreneurship (SMEs) in the region is the main carrier of economic activities. The structure of that entrepreneurship is unfavourable in the sense of development because it lacks sufficient small and medium-sized productive entrepreneurship, or better said, it is not developed enough. With the aim of increasing GDP, improving the standard of living, decreasing the high unemployment rate, import decrease, etc., it is necessary to start active and intensive development of the productive SMEs in the region.

**Main activities:**

- searching for locations in Mostar;
- administrative and legal activities in order to get all the necessary permits;
- equipping the main centre;
- structuring the centre and initiating all segmented structures \*e.g establishment of educational department which would contain specific mobile educational teams, etc.);
- creation of detailed business plan for the centre for a minimum planning period of five-years;
- creation of clear financial plan and budget for the centre.

**Expected results:**

- established and functional regional centre for entrepreneurship development, primarily for productive SMEs;
- business environment in the region improved,
- assistance given to existing and potential SMEs for realization of their business goals;
- increased employment rate.

**Main indicators:**

- number of SMEs using the centre's services;
- number of newly employed people in the SME sector due to the centre activities;
- quality and quantity of development plans and initiatives of the centre.

**PROJECT: 2.2.2. Establishment of productive business and entrepreneurship zones for SMEs**

Bearing in mind the insufficient presence of productive SMEs in the total structure of the economic entities in the region, the need to increase the number of employed people, the need to decrease imports, the need to improve the standard of living and GNP, it is necessary to undertake activities for creating a favourable business environment, that is the conditions for a rapid increase in the number of productive SMEs. One of the fundamental steps in that direction is the establishment of productive business zones in certain municipalities, given that there are spatial possibilities there.



**Main activities:**

- drawing up project documentation for the zones in the areas that do not have them already;
- developing basic infrastructure (partly or entirely) necessary for the zones start-up, or construction of productive plants and capacities;
- marketing activities with the aim of rapidly filling the zones.

**Expected results:**

- established productive business zones in all municipalities;
- productive capacities constructed;
- competitiveness of SMEs increased;
- employment rate in the region increased.

**Main indicators:**

- zones opened for construction of relevant buildings,
- number of newly constructed capacities for the productive SMEs in the region;
- number of newly created jobs in those zones;
- transfer of new technologies;
- substitution part of import with domestic production;
- increased competitiveness.

**PROJECT: 2.2.3. Establishment of regional fund for support of SMEs development**

The case for SMEs development in the region is unavoidable. The proposed fund for development support, especially of productive SMEs, has multiple goals: subsidizing interest on credits for production companies, establishment of guarantee mechanisms and models of financing already successfully used in EU, long-term lending for specific production programmes with (initial) unprofitable base, co-financing of development and investment projects creation for SMEs, giving financial support to other development "steps", too, with the aim of SMEs development.

**Main activities:**

- guarantee schemes established for production projects,
- co-financing of interest schemes for credits for production;
- co-financing of new development projects and programmes for SMEs;
- financial support for other activities of importance for SMEs development.

**Expected results:**

- fund for support for SMEs development established;
- easier access to the capital market ensured for entrepreneurs;
- credits for specific development programmes ensured;
- partnership established with European funds.

**Main indicators:**

- number of credits for production with lower interest;
- number of SMEs supported through guarantee schemes.

**PROJECT: 2.2.4. Establishment of incubators of productive programmes for SMEs**

Operation of incubators would have a twofold purpose:

- a) Recording data on imported groups of products and initiating activities on creating productive programmes with the aim of import substitution, provided that no form of industrial ownership is violated; technical and technological elaboration of substitute productive process.
- b) Elaborating innovative productive programmes on the market, aimed at placing new products on domestic and foreign markets; making necessary documentation for protection of intellectual ownership; harmonizing those new products with legislative standards of the EU.

Main activities:

- establishment of incubators;
- subdividing incubators;
- equipping the incubator team;
- purchasing necessary start-up equipment;
- initiating work of incubators,
- promoting activities towards SMEs,
- publicising innovative work in technical and other fields.

***Expected results:***

- established and functional incubator;
- minimum of 12 substitution productive programmes designed in the first 12 months;
- 6 completely new products developed in the first 12 months of activity;
- SMEs selected which adopt the idea of joint performance.

***Main indicators:***

- number of created products;
- number of new jobs opened in production of new products;
- number of new investments, either by domestic or foreign investors, in new products;
- number of new investments in substitute production of import;
- exhibitions and fairs for innovative performances in the country and abroad,
- number of submitted patents applications;
- number of industrial design applications;
- number of applications for seals / stamps protection.

### **SUB-PROGRAMME: 2.3. Development of new products and increase in competitiveness**

The coverage of imports by exports is very unfavourable and this is the most reliable indicator of the state of domestic productive economy. Realization of this sub-programme would contribute to creating the conditions for upgrading already existing productive capacities, to standardization of the quality of domestic products, to reactivation of sound bases for industrial processing capacities and import of new technologies, as well as to an innovative approach to the creation of new products and productive programmes. Realization of the following priority aims and measures would be speeded up by implementation of the following projects:

*Priority objective:* 1.5. *Encouraging export activities*

*Measures:*

- 1.5.1. *Improving the quality of goods according to EU standards*
- 1.5.2. *Development of new products and increase in existing competitiveness*
- 1.5.3. *Increased level of foreign investments*

#### **PROJECT: 2.3.1. Development of a regional centre for assisting in application of EU standards**

The aim of this project is to achieve a high level of productive quality according to EU standards, such as ISO 9001, ISO 14 000, HACCP, CE marks and other standards, as well as to make relevant recommendations which apply to industrial products for general consumption. By giving technical support to productive firms which want to apply EU quality standards, this Regional Centre will enable an increase in export of particular products.

**Main activities:**

- analysis of needs and decision on kinds of technical support;
- establishment of the centre;
- building employees' capacities and promotional activities;
- selection of firms;
- preparing firms for the certification process;
- advertising the results in the region.

**Expected results:**

- Centre established and working;
- access to the European market enabled;
- relevant knowledge and techniques applied in the region.

**Main indicators:**

- number of Centre services users;
- number of certified products and productive processes.

**PROJECT: 2.3.2. Establishment of Regional Technology Centre**

In order to modernize the processing industry in the region, it is necessary to establish a Regional Technology Centre - Scientific Park. It is logical to locate such a park in Mostar as the university centre of the region and a town with all the other necessary resources. This centre should ensure easier transfer of technologies and their achievements, and their introduction into practice. The centre would not be limited to importing licences, experiences and knowledge, but it would also deal with innovative technological and research work, and export of its own achievements. Direct users of the centre's services would be small and medium-sized entrepreneurs, but also other firms in the processing industry of the region, as well as different domestic and international institutions and individuals.

**Main activities:**

- reaching agreements and signing contracts with government and/or other relevant actors on using certain industrial (especially mechanical engineering) capacities;
- establishment and staffing of the centre;
- creation of information database on technologies and equipment;
- establishment of cooperation with universities and institutes,
- development, promotion and provision of technical services to firms (based on their requests);
- development and giving technical support to innovators.

**Expected results:**

- Technology centre established;
- a "pool" of technical experts established and connected with the universities and institutes;
- technologies transfer enabled;
- knowledge and technique of applying EU technical demands implemented;
- system of innovations protection developed.

**Main indicators:**

- number of Centre industrial clients;
- percentage of increase in EU technical standards application;
- number of connected regional innovators.

**PROJECT: 2.3.3. Regional Development Guarantee Fund**

According to the economic data on Herzegovina region, the majority of the companies has difficulties in providing collaterals and thus cannot obtain loans at good conditions to support profitable business activities. The establishment of a Development Guarantee Fund will enable easier and more favourable access to financial resources

This will be reflected in the following: co-financing of development and investment projects, subsidizing interests on credits (particularly for production activities), crediting for specific programmes on unprofitable basis and providing financial support to other development activities in the sectors of agriculture, tourism, SME, industry, energy,

human resources development, ecology and all other sectors relevant for the economic development.

In this way, regional development stakeholders, including business oriented people, will be stimulated to enter new development programmes in order to revitalise the entire economy of the region.

Main activities:

- establish and register DGF,
- train staff on the management of the fund,
- carry out survey on the present situation of the economic sector with special focus on SMEs and banking industry,
- establish cooperation with banks and other financial institutions,
- define DGF target groups;
- prepare business plan;
- prepare DGF contracts and operational schemes;
- provide additional support to DGF clients in order to improve their business performance;
- monitor DGF operations and repayment process;
- promote DGF activities.

**Expected results:**

- the DGF is up and running, with management and staff fully trained;
- access to credit facilities is improved;
- a best practice of Guarantee Funds management is established;
- number of successful businesses increased;
- export-oriented activities improved;

**Main indicators:**

- number of businesses supported,
- number of people employed,
- number of development project implemented.

#### **PROJECT: 2.3.4. Development of a cluster for universal hand tools**

This productive programme, at the International Fair of Innovations, won the gold medal in its class among competitors from 60 countries. The project can be realized with the current technological strength of Herzegovina productive SMEs. Based on that technology, it is necessary to include SMEs from Mostar, Posušje, Trebinje and Konjic into the productive process. The product is protected by patent and has no other competition, either on the domestic or foreign market. This cluster can have potentially significant employment effects, depending on the amount of investment.

**Main activities:**

- cluster organization, connection of partners (participants) in the productive process;
- preparation, i.e. elaboration of technical and technological documentations;
- purchase of necessary materials;
- manufacture of tools for tool production;
- manufacture of particular parts and elements, getting the starting (zero) series;
- finishing the production process (packed products);
- marketing activities.

**Expected results:**

- production and manufacturers network organized;
- serial production of this product realized;
- brand name developed and promoted;
- employment rate within this sector increased.

**Main indicators:**

- all elements or particular technological phases of production completed;
- all tools and accessories necessary for the technological process of production made;
- the product ready for the market;
- SME qualified for production and experience gained;
- product's export position achieved.

**PROJECT: 2.3.5. Establishment of regional agency for quality control**

Establishment of an agency for quality control is very much needed. There is no such institution, nor any similar body, at the regional level. Customers are not protected from goods of doubtful quality and of questionable usage; this specially refers to certain sorts of products which are imported.

**Main activities:**

- monitoring and control of imported and domestic agriculture products;
- monitoring quality of imported and domestic food products;
- monitoring and control of imported raw materials for domestic production;
- quality control on demand by businesses or by consumers;
- quality control on demand by inspection service.

**Expected results:**

- Agency for quality control established;
- quality of imported and domestic raw materials and products increased;
- grey economy level decreased.

**Main indicators:**

- number of controls carried out;
- decreased quantities of good of poor quality on the market;
- number of satisfied consumers.

**PROJECT: 2.3.6. Making analysis regarding the state of unused industrial and other capacities of the region**

In the Herzegovina region there is a significant number of industrial capacities which are not in use, or only partially in use. In order to be able to offer that great potential to domestic and foreign investors, it is necessary to make an analysis of their condition, which means that it is necessary to do the following: carry out a survey of sites owned by state and private firms - spaces which are devastated and cannot be repaired, and those which, with certain investments, can be put into function, make a specification of equipment according to its condition, and determine the state of infrastructure and level of investment needed for their reconstruction. It is also necessary to clarify the legal and ownership status of capacities, the possibilities of sale and purchase, and approximate prices.

Availability of all this and other information which is of interest to potential investors at one place (in one document) would open a perspective for investments in large industrial plants, and together with this, to a significant increase of employment in the region.

**Main activities:**

- informing the public about the necessity and intention of conducting the analysis;
- establishing contacts with relevant actors in the region;
- collecting information in the field;
- making the analysis;
- making a publication (for potential investors) with analysis results.

**Expected results:**

- analysis of the state of unused capacities made;
- possibility created for potential investors to invest in unused industrial capacities through accessibility of relevant information.

**Main indicators:**

- number of potential investors interested in unused industrial capacities.

**SUB-PROGRAMME: 2.4. Upgrading of regional transport infrastructure**

In the Herzegovina region the basic conditions exist for all means of transport: by land, by air and by water. However, the existing state of regional transport infrastructure is very bad, and it is reflected in out of date capacities of road and railway infrastructure and the need to upgrade capacities, as well as to revive the airport in Mostar. Implementation of projects listed in this sub-programme would change the current unenviable situation of regional transport infrastructure and contribute to realization of the following priority aims and measures:



*Priority objective:* 1.6. *Transport infrastructure development.*

*Measures:* 1.6.1. *Improvement of the regional roads infrastructure, air traffic and railway network.*

#### **PROJECT: 2.4.1. Organization of Balkan Conference on Corridors**

Traffic infrastructure in Herzegovina is surely the weakest link in development of the whole region. With the existing traffic infrastructure Herzegovina remains isolated from the rest of the world, therefore, it is necessary to devote to this question much more attention. To achieve this, it is necessary to consider development needs of the surroundings, which is the Balkans and Europe, and within frames of those needs try to find the position of the region and of the whole country, with the intention of constructing new corridors for future. A step toward achievement of that goal would also be holding of a Balkan conference on new corridors. Results of that Conference should create the starting base for preparation of strategy for development of infrastructure in the country and around it, and within it, regional strategies, too.

**Main activities:**

- defining the organizer of the conference,
- identifying countries participants,
- inviting expert organizations from the regional countries,
- preparing work materials for the conference,
- organizing promotion campaign,
- making memorandum on understanding,
- holding the conference.

**Expected results:**

- conference successfully held with conclusions and suggestions,
- technical estimations of needs made,
- agreement reached on making a feasibility study,
- memorandum on understanding signed,
- agreement reached on establishment of project consortium,
- public attention drawn, as well as that of individuals who make decisions on necessity of passing traffic corridors through the region;

**Main indicators:**

- conference held with conclusions and recommendations,
- project consortium established for making a feasibility study,
- a draft of the feasibility study made,
- general technical analysis on possibilities made,
- evaluation conference held.

**PROJECT: 2.4.2. Making study and project documentations for reconstruction of bottleneck on the roads in the region**

Already existing road infrastructure in the region is in the amount of 95 % on the same route projected more than a hundred years ago. Such road network was upgraded at the end of 60s and the beginning of 70s of the last century. The condition of about half of the roads is over 50 years out of date. Necessary and urgent reconstruction is necessary for the most critical parts of these roads or so-called "bottlenecks" on the roads of the region.

Main activities:

- identification of bottlenecks on the roads: Livno - Mostar; Trebinje - Mostar; Mostar - Konjic; Ljubuški - Grude; Medjugorje - Mostar; Bileća - Trebinje; Tomislavgrad – Kupres,
- analysis of already existing state,
- preparing for making general design solution for those bottlenecks with the basic technical parameters of new solution,
- making main project of reconstruction for particularly critical parts,
- giving suggestions for improvements, including relevant costs.

***Expected results:***

- a study made about the bottlenecks on the roads in the region,
- general design (solution) made for the reconstruction of bottlenecks,
- executable project made for the reconstruction of bottlenecks on the roads in the region.

***Main indicators:***

- study made,
- general design made,
- main solutions for most critical sections or parts of the sections - bottlenecks made,
- costs of new solution for each section identified.

**PROJECT: 2.4.3. Upgrading the capacities of Mostar Airport**

Mostar airport is the only airport in the region. Regarding the strategic importance of this traffic point, it is necessary to maximize its role in people and goods transport. Apart from its own regional needs, it is possible to use it as an alternative to Sarajevo Airport during winter months (because of more favourable climate), as well as to Split and Dubrovnik Airports (Republic of Croatia) and also to Podgorica Airport (Serbia and Montenegro) during summer months, because of vicinity of Dalmatia and Montenegro.

Main activities:

- analysis of existing state,
- projection of optimal state,
- planning activities up to achieving optimal state,
- realization itself.

**Expected results:**

- improved capacity of the airport with regard to existing state,
- contracts signed with air lines on use of Mostar Airport.

**Main indicators:**

- feasibility study made,
- increased passengers traffic for 50 % during the next two years,
- increased cargo traffic for 50 % in the next two years,
- increased number of international flights.

**SUB-PROGRAMME: 2.5. Establishment of network between private, government and non-government sectors**

Cooperation between private, government and non-government sectors is the a necessary condition of economic development. Establishment of an institutional framework for cooperation will create basic pre-condition for information exchange and carrying out activities of common economic interest. Therefore, the primary task of projects described within this sub-programme is creation of relevant institutional structures which are currently very poor or totally nonexistent. Apart from the establishment of institutional network, it is expected that the project will result in agreement on cooperation between key factors for the economic development in the region. Realization of projects will contribute to realization of the following priority aims and measures:

*Priority objectives:*

- 2.1. *Developed institutional framework for regional economic development and inter-regional cooperation;*
- 2.1. *Establishing adequate institutional framework for increasing the standard of living;*
- 2.2. *Achieved inter-active connections between urban and space planning institutions*

*Measures:*

- 2.1.1. *Establishing a system for collection and exchange of information at regional level*
- 2.1.2. *Capacity building for developing networks among private, NGO and public sectors;*
- 2.2.1. *Strengthening the institutional framework for consumers protection;*
- 2.3.1. *Strengthening the capacities for urban and space planning;*
- 2.3.2. *Providing informatics and technology support for creating uniform spatial and urban documentation.*

**PROJECT: 2.5.1. Establishment of regional council for economy development**

Primary goal of this project is coordinated approach to the development of the Herzegovina region in which all important regional factors are included. In this way, the views of all different spheres of socio-economic life would be taken into account. By realization of this project, a balanced development of all the municipalities in the region would be achieved. One of the tasks of the Regional Council for Economy Development would be creation of main parameters and giving support to development programmes of the region, by which they would gain full credibility.

Main activities:

- establishment of the Council,
- defining the manner of Council management,
- defining the rights and duties of the Council members,
- reaching agreement on Council activities.

**Expected results:**

- Council established and in function,
- a basis created for participation of all the relevant regional factors in the process of development of the Herzegovina region.

**Main indicators:**

- number and frequency of Council meetings,
- number of activities initiated by the Council.

**PROJECT: 2.5.2. Establishment of the regional consumers association**

The primary goal of this project is to create a possibility for consumers from the whole region to have a central association on the regional level which could give them protection from disloyal and poor quality products or services, and which could take adequate measures on their behalf, not just record complaints of customers/consumers.

Main activities:

- association established with one representative from each municipality,
- position of the association president professionalized,
- established system for monitoring state and movement on the goods and services market,
- measures taken in the interest of consumers' protection.

**Expected results:**

- consumers association established,
- permanent consumers' protection achieved.

**Main indicators:**

- association or a council formed,
- office in Mostar, as a centre of association, opened.

**PROJECT: 2.5.3. Establishment of a regional info-centre**

According to the information collected from different available sources, Regional informatics centre should serve the purpose of creating of a unique informatics and analytic foundation for planning and coordinating development activities in the region of Herzegovina. Centre should also give different demanded information to all the interested domestic and foreign actors. It is expected that, by means of implementation of this project, a unique and comprehensive socio-economic database of the regions is created on the base of which different maps, guides, brochures, web-pages with web-portals could be created. In that way, conditions would be created for giving informatics services to different groups of potential users: domestic and foreign investors, businessmen, institutions and similar. Sustainability of this Centre would make preparing the regional projects easier.

**Main activities:**

- establishment of the centre and employment of personnel,
- training of personnel,
- analysing sources of information and making agreements on their usage,
- creation of database,
- making guides, maps, brochures,
- creation of web-page and web-portal,
- giving information services to users.

**Expected results:**

- unique socio-economic database of information of the Herzegovina region created,
- the basis for investments into the region and easier preparing of projects made.

**Main indicators:**

- level of the centre services,
- increased number of users of centre's services,
- increased interest of domestic and foreign investors.

**PROJECT: 2.5.4. Application of EU standards in the local administration bodies**

Inefficient municipal administration is one of the causes for poor economic development of the region. We are often faced with the fact that it is necessary to wait for several days for issuance of certain documents. Entrepreneurs wait for months and months in order to get all the necessary documents needed for registration of their firms, which discourages many of them at the very beginning of their pursuing a business. Therefore it is necessary to introduce and apply EU standards in the local administrative bodies in order for it to be more efficient and a service to its citizens, which is its primary purpose. Following the good example of the municipality Sarajevo Centre, at the beginning, European Standard would be introduced in three municipalities in the region.

**Expected results:**

- project implemented in three municipalities,
- more efficient municipal administration,
- stimulus given to other municipalities in the region.

**Main activities:**

- purchasing of the informatics equipment with appropriate software,
- staff training,
- giving services to citizens in accordance with EU standards.

**Main indicators:**

- successful project implementation in all three municipalities,
- project promotion in order to be accepted in other municipalities of the region as well,
- adoption of experiences from this project and their application in other municipalities in the region.

**PROJECT: 2.5.5. Establishment of the regional Agency for coordination of urbanistic and spatial plans**

Establishment of the regional Agency for coordination of urbanistic and spatial plans would create the conditions for establishment of a unique methodology for making projects of development and urbanistic projects for the region of Herzegovina. Creation of regional spatial plan would set strong foundations for balanced socio-economy development of all the parts of the region, would integrate the region into the single economic space. Regional urbanistic agency would enable easier defining and implementation of projects which are of regional importance.

**Main activities:**

- establishment of cooperation and reaching agreement of all regional urbanistic institutions on formation and functioning of joint coordination Agency,
- establishment of Agency, employment of personnel and purchasing the equipment,
- making the action plan.
- establishment of a model of coordination and information exchange with other urbanistic institutions in the region.

**Expected results:**

- Established regional agency for coordination of urbanistic and spatial plans of the Herzegovina region, and thus foundations created for making a unique urbanistic plan of the region.

**Main indicators:**

- number of partners connected by the Agency,
- level of coordination achieved and information exchanged.

## **SUB-PROGRAMME: 2.6. Establishment of institutions for managing and analysing of natural resources (including waters)**

Although Herzegovina is famous for diversity and richness in natural resources, it can be said that the area of the region is still insufficiently explored, so that it is impossible to talk reliably on the extent and size of resources in individual parts of the region. Consequently, it is necessary to carry out researches which would, from the scientific standpoint, indicate real state in the region, as well as the real economic value of the areas in the region (which would surely increase upon completing such researches). Implementation of projects from this sub-programme would create a clearer picture about natural resources of the region of Herzegovina and contribute to the realization of the following priority aims and measures:

<i>Priority objective:</i>	1.4.	<i>Developed optimal regional management system for natural resources</i>
<i>Measures:</i>	1.4.1.	<i>Establishment of the institutions for natural resources management</i>
	1.4.2.	<i>Studies and analyses of the state and for the optimal usage of natural resources</i>
	1.4.3.	<i>Rational multi-purpose use of water resources</i>

### **PROJECT: 2.6.1. Establishment of a fund for mining and geology researches**

Mining activity in the region has almost ceased. Mining potential of the region is very important since the region has both metal and non-metal natural resources/raw materials. It is necessary to make geology researches. There is no institution which would finance them on the regional level.

#### **Main activities:**

- implementation of the administrative activities related to the Fund establishment,
- identification of priority activities,
- conducting of researches.

#### **Expected results:**

- regional fund for mining and geology researches established,
- a feasibility study made on cost-effectiveness of exploiting new mineral fields.

#### **Main indicators:**

- feasibility study on new mineral fields of metal and non-metal regional resources made.



**PROJECT: 2.6.2. Elaboration of strategy on exploiting the natural resources in the region**

Natural resources in the region are prolific. Some of them were partly used and exploited, whereas some were not used at all. However, as any other resource, Herzegovina resources also have their limits. It is necessary to start optimal usage and exploitation of these resources. This should be "prescribed" by a strategy on exploiting the natural resources.

Main activities:

- establishment of an expert team,
- planning of the scope of activity and time-frame for making documents,
- process of strategy elaboration.

**Expected results:**

- analysis made on possibilities of natural resources in the region exploitation.

**Main indicators:**

- strategy made,
- certain strategy results applied.

**PROJECT: 2.6.3. Making study on solar energy exploitation**

Herzegovina Region is renowned for a great number of sunny days during a year. That solar energy is not exploited to the extent in which it could be used. Such state should be changed in order for this ecologically acceptable and renewable source of energy to start to be used at a significantly higher level. Study on solar energy exploitation would give a clearer picture regarding the ways of exploiting solar energy, as well as relevant financial implications.

Main activities:

- gathering of relevant information significant for the study,
- orientation of the work in the study to converting solar energy into heat and electric energy for households and economy needs,
- description of usage modalities with prices.

**Expected results:**

- study on solar energy exploitation made,
- cost benefit analysis made.

**Main indicators:**

- % of applied solar energy in the manner recommended in the study.

**PROJECT: 2.6.4. Pilot project of building small wind energy plants**

Proceeding from the emerging fact of the decrease of the natural energetic potentials for the production of electric power, both in our state and in the entire world, the production of electric power from the strength of wind becomes more and more important. Advantage of such a method of production of the electric power comparing with mini hydro-electric power plants, hydro-electric power plants, thermo-electric power plants and nuclear power plants is not reflected only in the strength of installed capacities, but it can be presented in the following:

- there is no disturbance of natural balance condition of atmosphere, water, soil,
- transformation of natural energetic source - strength of the wind into electric power with considerable degree of useful impact,
- possibility of the installation of bigger number of wind farms in fields which cannot ever be used usefully;
- small investments into cheap facilities for the production of electric power.

Expected results:

- making of the pilot project for smaller wind energy plants,
- getting of cheap electric power from renewable natural resource.

***Main activities:***

- provision of human, material and financial resources for the realization of pilot project,
- preparation of pilot project,
- provision of necessary equipment,
- putting of project into trial operation.

***Main indicators:***

- the pilot project put into trial operation,
- number of pilot project's beneficiaries,
- economic justification of the project.

**PROJECT: 2.6.5. Study on the usage of regional mineral resources**

Herzegovina has many mineral resources but there are no data available to assess their entity and their exploitation potential or to determine regional mineral districts. This project aims at providing a consistent, comprehensive level of information and analysis of regional mineral resources. The need for scientific research of minerals resources is fundamental in order to identify the mineral industry potential, which can significantly contribute to the regional infrastructure and economic development.

Cooperation with the relevant institutions in the region, which will assist in data collection, will be established.

As a result, this project will allow identification of economically viable mining areas and possibilities for profitable usages of available mineral resources.

Main activities:

- select and train a team of experts,
- design and agree on an action plan with relevant stakeholders,
- identify/analyse mineral resources (collect data available; undertake a geophysical survey; carry out stream sediment studies...),
- propose mineral resources usage and identify economically viable mining sites,
- assess mining activities impact on the environment,
- propose potential mining projects.

**Expected results:**

- mineral resources available (type, quantity, quality, etc.) identified and classified,
- economically viable mining sites identified,
- possibilities for usage of potential mineral resources identified,
- impact of mining activities assessed,
- a number of mining projects selected.

**Main indicators:**

- A number of mining sites identified,
- Quantities (approximate) of available particular minerals known.

#### **PROJECT: 2.6.6. Study on water exploitation and protection**

Water potentialities of the region are large and rich. Water is used and exploit in different ways. Water should be used optimally, though multi-purposely. Special attention should be paid to protection from pollution and harmful effects in both ground and underground waters. There are a lot of partial studies on these themes. However, there is no integral regional approach to this problem. Therefore, it is necessary to make a unique study on exploitation and protection of waters in the whole territory of the region.

Main activities:

- analysis of existing condition of water resources,
- analysis on state of existing water exploitation for any purposes,
- integrating of these analyses and deriving common effect or results of existing states to sustainable water exploitation,
- analysis on menace to the main water pumping or sources of drinkable water,
- suggestions of measures for waters protection on the regional level,
- making suggestion for the joint access to exploitation and protection of waters,
- analysis of the effects of non-existent sewage on underground waters and sources of drinkable water, as well as proposal of measures for such situations in all the towns in the region..

**Expected results:**

- study on exploitation and protection of waters made,
- survey on cleaning of existing water streams and sources elaborated.

**Main indicators:**

- main problems in water exploitation identified,
- main water pollutants identified,
- potential dangers for sources of drinkable water identified due to non-existence sewage systems in some towns in the region,
- measures determined for prevention in water protection.

**PROJECT: 2.6.7. Regional Centre for the research on, protection and usage of waters**

Water potentials of Herzegovina region are huge and rich. The abundance of water in the region enables its multiple usage, but it is necessary to very carefully develop a corresponding water utilization strategy. In general, priorities for the effective implementation of regional integrated management of water resources should foresee adequate means for the acquisition of a strong knowledge base of:

- the dynamic of water supply (surface water, groundwater, unconventional water);
- the dynamic of demand for water (agriculture, civil, industry, energy, tourism, recreational);
- the pollution level and monitoring;
- possible scenarios on water situation for a period of 25-50 years.

The establishment of a Centre for Water Management will contribute to alignment of Herzegovina with EU standards and optimise water usage through the adaptation of many innovative initiatives (e.g. accumulation sites; pumping system, purification devices, etc.)

Special attention will be devoted to the improvement of water protection and reduction of the level of pollution, as well as to the improvement of water waste management.

**Main activities:**

- to establish and register Regional Centre for the Research on, Protection and Usage of Water,
- to establish cooperation with relevant institutions, agencies and authorities representatives of the region,
- to carry out a deep analysis (demand/offer; pollution sources, etc.) on waters conditions;
- to propose and agree with the relevant stakeholders on the measures for the prevention of water pollution and corrective measures to be undertaken, as well as to undertake relevant protection activities,
- to undertake coordination and advisory role for the optimal usage of water,
- to raise awareness on the importance of optimal usage and protection of water.

**Expected results:**

- regional Centre for the Research on, Protection and Usage of Water established and functional,
- research on the existing regional waters conducted,
- pollution sources identified and put under control,
- study on systematic and optimal usage of waters made and its recommendations implemented,
- water utilization improved,
- instruments for the application of international conventions on waters developed.
- ecological awareness raised.

**Main indicators:**

- ecologically accepted state of waters in the region,
- number of feasibility studies on optimal usage of waters,
- optimal usage of waters achieved.

**PROGRAMME: 3. Development of human resources**

The aim of this programme is to contribute to the creation of dynamic labour market, to improvement of competitiveness, to adjustment of human resources, to promotion of the concept of long life learning, and to quicker and more quality employment of unemployed people. Only by mutual synergy of this and other mentioned programmes it will be possible to increase employment rate, because it is possible only within the conditions of economy growth. The effects of this programme will be obvious in the number of requalified and re-employed workers, decrease of difference between offer and demand of labour force in main professional sectors, and in the analysis of the state of employment in all the municipalities of the region.

This programme consists of the two following sub-programmes:

**3.1. Employment;****3.2. Education****SUB-PROGRAMME: 3.1. Employment**

Labour force offer in the region surpasses by far the demand in most professions and in most levels of education. Measures for the increase of the employment rate, which are currently being undertaken because of stimulation employment in the region, are far behind the needs. The aim of the project of this sub-programme is to give systematic support to employment and self-employment, and in that way, to decrease the unemployment rate in the region. The projects will contribute to the realization of the following priority goals and measures:

<i>Priority objectives:</i>	3.1.	<i>Efficient labour market developed</i>
	3.2.	<i>Developing education and complementary training</i>
<i>Measures:</i>	3.1.1.	<i>Providing support to employment and self-employment</i>
	3.1.2.	<i>Harmonizing the educational and training structures and systems with the labour market needs</i>
	3.2.1.	<i>Establishing complementary education structures</i>

**PROJECT: 3.1.1. Establishment of the Regional Job Centre for mediation in employment**

High rate of unemployment is a huge problem of the Herzegovina region, as it is the case in other regions, too. The aim of this project is giving support to employment and self-employment, and to establishment of efficient and developed labour market.

**Main activities:**

- reaching agreement with the regional municipalities on establishment of the Centre, personnel employment and centre equipping,
- making annual action plan and programme of the Centre,
- establishment of cooperation with local authorities, companies and institutions,
- making of informative bulletin on offer and demand of labour force in accordance with qualifications, necessary work experience and jobs,
- creation of web-site with previously mentioned contents,
- giving assistance to individual clients (who are in search for a job) with filling in job applications, and with writing their curriculum vitae,
- giving advice on kinds and ways of additional education of clients.

***Expected results:***

- Centre established and functional,
- flow of information established between offer and demand on the labour market.

***Main indicators:***

- frequency of data updating in the bulletin and on the web-page,
- number of people who have found the job in this way.

**PROJECT: 3.1.2. Establishment of a mobile Centre for education, prequalification, training and entrepreneurship**

Reasons for establishment of a mobile Centre for education, prequalification, training and entrepreneurship is too large dispersion of main educational institutions and centres in the region, located mainly in towns, whereas, in rural areas, there is practically no possibility to adequately organize education in modern technologies, to carry out prequalification or perform trainings. Establishment of this centre would open opportunities for easier access of rural population to modern ways of education and training.

The aim of the project is establishment of developed and efficient labour market and provision of support to employment and self-employment.

Main activities:

- employing competent personnel,
- purchasing equipment for the centre (adjusted to the mobile character of the centre),
- collecting information on kinds of education necessary in rural areas,
- making action plan and programme,
- making promotion material for education and informing public about education,
- carrying out educational activities.

**Expected results:**

- Centre established and in function,
- coverage of rural areas with additional educational programmes achieved.

**Main indicators:**

- a number of rural settlements in which this type of education is carried out,
- a number of attendants of educational programmes.

**SUB-PROGRAMME: 3.2. Education**

One of the reasons of far greater offer than demand of labour force in the labour market is also the fact that regular educational institutions of all levels and vocations mainly ignore flexible ways of education and that development of special institutions is therefore necessary. By implementation of projects within this sub-programme, institutions will be established which would offer complementary and permanent educational services, and which would ensure means for enabling scientific and research work and education of young talented people. The following priority goals and measures would be realized more easily if below described projects were realized:

<i>Priority objectives:</i>	3.1.	<i>Efficient labour market developed</i>
	3.2.	<i>Developing education and complementary training</i>
	3.3.	<i>Developing IT, innovation, TT and R&amp;D educational capacities</i>



<i>Measures:</i>	3.1.2.	<i>Harmonizing the educational and training structures and systems with the labour market needs</i>
	3.2.1.	<i>Establishing complementary education structures</i>
	3.3.1.	<i>Introducing IT and distance learning models</i>
	3.3.2.	<i>Permanent education for the development , transfer and application of innovation and new technologies</i>
	3.3.3.	<i>Supporting the development of young talents</i>

**PROJECT: 3.2.1. Establishment of a permanent Regional Council For Education Improvement**

One of the main activities of the regional Council for Education Improvement would be giving basic parameters and giving support to development programmes in education on both regional and municipal levels. Among the aims of this Council it is important to emphasize the following ones: increasing education quality, harmonizing educational programmes with EU standards and achieving balance between educational system and demand on the labour market. Long-term result of the establishment of the Regional Council for education improvement would be strengthening regional development from the aspect of education.

**Main activities:**

- the Council establishment and defining models of management,
- defining the Council priority activities,
- establishment of cooperation with educational institutions in the region,
- the Council participation in preparing of project for improvement of educational system.

**Expected results:**

- Regional Council for Improvement of education established,
- positive indicators in the educational system obvious.

**Main indicators:**

- number of approved projects for improvement of education,
- level (and number) of changes in the system of education.

**PROJECT: 3.2.2. Establishment of a Fund for scientific-research work, scholarships and support to young talents**

By establishment of the Fund for scientific and research work, scholarships and support to young talents it will be possible for young people to have an access to the world of science, which is impossible at the moment because of generally bad financial circumstances in the country and low level of functioning of economic production

capacities. The Fund will enable young talented people to study abroad, and support them to reach their potential.

Based on the Fund's rules and regulations, it will be possible to allocate scholarships for scientific works of the middle-aged generation of scientific workers and for additional education of relatively older expert workers. One of the purposes of the Fund establishment is creation of conditions for scientific and research work in the region.

This project should contribute to the increased chances for young people, who are the key resource of the region, to stay in the region or to come back from abroad.

Main activities:

- preparing and adopting rules and the statute of the Fund,
- performing administrative and legal activities connected with the establishment of the Fund, and obtaining the agreement to the Statute by the Fund founders, identification and analysis of insufficient profiles, knowledge and skills,
- selection of companies ready to participate in the project, and selection of municipalities which support and finance the project,
- making software which follows the Fund activities and publishing on the web-page advertisements for scholarships, fairs, scientific works, exhibitions and similar activities.

**Expected results:**

- the Fund established and in function,
- further development of the young talented people enabled.

**Main indicators:**

- number of new experts of different profiles educated with the support of the Fund,
- number of granted scholarships for additional education of middle-aged generation of scientific workers,
- number of visitors to different scientific events, seminars, exhibitions, symposiums,
- number of published scientific works supported by the Fund.

### **PROJECT: 3.2.3. Centre for the development of human resources**

While the economic situation in Herzegovina region remains to be appalling, disproportion between labour force and demand increases every day.

The purpose of this project is to establish Human Resources Centre that can provide different types of training, vocational counselling, opportunities for re-qualification to the people looking for a job, and, in some cases, job mediation services. By adjusting training programmes to the demands of EU, the centre would introduce life-long learning approach in accordance with labour market needs. This would contribute to the establishment of linkages between the offer and labour market demand and develop the

attractiveness and employability of job-seekers. Therefore, establishment of such a centre would facilitate creation of dynamic labour market, increase of competitiveness, flexibility of human resources, promotion of the concept of learning for life, and faster and appropriate employment of unemployed persons.

Main activities:

- define and agree with the regional stakeholders on the Business Plan of the Centre,
- select and train staff,
- undertake promotion and marketing activities,
- conduct various training programmes for the unemployed,
- design a database on labour market demand/offer,
- design and publish a newsletter on job offer/demand.
- design a website and ensure regular updating.

**Expected results:**

- Centre for the Development of Human resources is established and fully operational,
- skills of job-seekers improved,
- linkages between labour market offer and demand enhanced,
- number of unemployed people decreased.

**Main indicators:**

- number of persons re-qualified,
- % of decrease of unemployment rate,
- number of new SMEs opened.

#### **PROJECT: 3.2.4. Introduction of the system of distant learning and using internet applications**

Apart from relatively low level of economy activities and lack of new jobs, employment is also significantly more difficult because of the fact that the existing system of professional education does not offer any practical knowledge and skills which employers require. This project should contribute to improvement of employment, especially of young people. In that way young people will be able to decide for themselves on the field of education they would like to obtain additionally, by studying at their home, during the time which is at their disposal and which they choose. In this way they will be able to broaden their education at their own will and in accordance with demands and needs of economy or science.

Main activities:

- identification and analysis of insufficient profiles, knowledge and skills which should be broadened through internet applications,
- development of modular programmes of training and prequalification,
- selection of companies and municipalities ready to participate in the project,
- inviting candidates through public mass media (including internet, too),

- carrying out the training,
- creation of a database on unemployed trained candidates through internet applications and forwarding the information on such candidates to employers.

**Expected results:**

- largely applied system of distance learning.

**Main indicators:**

- a number of young people who gained additional qualifications for different profiles,
- a number of prequalified workers trained in new professions.

**PROGRAMME: 4. Preserved environment**

In the region of Herzegovina environment has been neglected for the last 12 years. Otherwise very fragile ecological balance could be worsened if no measures were undertaken in this field for protection and preservation of environment, as well as heightening ecological awareness. The aim of this programme is to preserve and improve life environment in all parts of the Herzegovina region, which will be achieved by building institutional capacities for protection planning and monitoring of environment, by establishment of ecological educational systems and by application of EU ecological recommendations and standards. The following sub-programmes are defined within this programme:

- 4.1. Building of institutional capacities for planning and monitoring of environment;**
- 4.2. Establishment of ecological educational systems.**

**SUB-PROGRAMME: 4.1. Building institutional capacities for environment planning and monitoring**

The region of Herzegovina lacks institutions which would follow technical state of environment and develop informatics system, and also become some form of environmental sensors by means of which it would be possible to conduct quality politics towards the environment in accordance with corresponding conventions. Projects within this sub-programme would help creation of technical preconditions for environment management, as well as building institutions for monitoring and reporting on the environment state. These projects would also contribute to the realization of the following priority goals and measures:

<i>Priority objectives:</i>	4.1.	<i>Institutional strengthening of the sector</i>
	4.2.	<i>Improving the quality of the environment</i>
<i>Measures:</i>	4.1.1.	<i>Building institutional capacity for environmental planning and monitoring</i>
	4.2.3.	<i>Establishment of a system for planned waste management</i>

#### **PROJECT: 4.1.1. Construction of sewage network and units for waste waters neutralization in Bileća**

Bileća is one of rare towns in Herzegovina which has sewage network which is almost 200 years old and which has not been reconstructed yet. As the town grew, a system of septic tanks developed which, together with the development of industry and its waste waters, considerably endangered life environment of the citizens of Bileća and its surrounding. All waste waters go to the artificial Bileća lake polluting it, and because of that waters are unusable for agriculture irrigation. Construction of sewage network and installing units for waste waters neutralization will result in Bileća lake having healthy and clear water, and at the same time, it will contribute to the creation of healthy life environment.

##### **Main activities:**

- conducting urbanistic survey of town and making decision on construction of sewage network and units for waste waters neutralization,
- preparing the project which would also include the development of the town in the next 30 years,
- selecting the type of units for waste waters neutralization,
- selecting the contractor,
- ensuring financial means.

##### **Expected results:**

- citizens satisfied with resolved communal problems,
- danger of infection diseases removed,
- pollution of underground waters not only in the area of Bileća, but in wider area prevented.

##### **Main indicators:**

- ecologically healthy environment achieved,
- number of tourists visiting Bileća lake ,
- percentage of increase of agriculture production due to the irrigation possibility.

**PROJECT: 4.1.2. Making study on protection of Neum aquarium**

The only B&H sea aquarium is territorially situated in this region. It is necessary to protect it and save it as an invaluable important regional asset. Making study on protection of Neum aquarium would indicate existing and potential dangers to the aquarium preservation, as well as to the way of their elimination or neutralization.

**Main activities:**

- recording the existing state,
- collecting and processing data,
- making study with suggestions of measures for protection of Neum aquarium,
- presentation of the study.

**Expected results:**

- study on protection of Neum aquarium made,
- preconditions for preserving the aquarium created.

**Main indicators:**

- recommendations from the study applied.

**PROJECT: 4.1.3. Establishment of regional Centre for Waste Management**

In the region of Herzegovina there is a large number of non-controlled waste depots, so-called unauthorized depots. The problem is additionally complicated by the fact that most of existing town depots was not made according to the standards of European Union, so that, generally speaking, waste disposal is mostly out of control and opposite to the ecological principles. Realization of this project is based on the strategy on waste management in B&H. The project should be strictly carried out in accordance with the plan of Strategy and completely coordinated with all other projects which deal with issues of environment protection. By establishment of regional centres (with three agencies) for waste management, institutional strengthening of the environment protection sector, as well as establishment of a system for planned waste management would be achieved.

**Main activities:**

- reaching agreement with municipalities on establishment of the Centre,
- establishment and equipping of the Centre,
- making annual plan and programme for the Centre activities,
- establishment of regular coordination with other relevant factors from the region and its surroundings,
- participation in construction of regional depots according to the operational plan of the Strategy on waste management in B&H,
- organized selective waste gathering in accordance with the prescribed system and programme of gathering,

- organized primary waste processing,
- organized transport of semi-raw materials for secondary processing to the recycling centres,
- conducting education of citizens about new approach to waste management.

**Expected results:**

- organized way of gathering waste realized,
- preserved environment,
- level of ecological awareness of citizens heightened.

**Main indicators:**

- number of waste depots,
- increase in percentage of waste for recycling.

**PROJECT: 4.1.4. Regional Centre for Environment**

Apart from some sporadic private initiatives, the interventions to preserve natural habitats and landscapes, and minimise urban pollution have been completely neglected in Herzegovina during the last few decades.

The region lacks an institution able to monitor the state of the environment and provide early warning of coming problems, as well as to promote and implement best practices in environmental protection and technologies.

By the establishment of a Regional Centre for Environment it will be possible to:

- Align the region with EU standards;
- Preserve natural resources (water, air, soil, etc.);
- Establish planned and systematic waste management;
- Address adequately environmental and health issues;
- Raise awareness on the importance of using land wisely in order to preserve natural habitats and landscapes, and minimise urban pollution;
- Develop ecological education system;
- Provide population with the information which will help them make environmentally friendly choices.

**Main activities:**

- prepare business plan and establish the Regional Centre for Environment,
- carry out an analysis on regional environment conditions,
- devise a database for managing information on environment, identify main problems and pollution sources and propose to relevant stakeholders preventive and corrective measures to be undertaken,
- to devise specific ecological/environment protection activities and related action plan,
- assess waste management conditions and suggest improvements,
- to carry out activities to raise awareness on ecological issues.



**Expected results:**

- Established and functional Regional Centre for Environment,
- Departments/agencies for monitoring water, soil, air and solid waste established,
- Pollution sources identified,
- Priority regional studies on the environment protection completed and recommendations implemented,
- Environment protection capacity improved;
- Ecological awareness raised ;
- Waste management improved;
- Environmental protection requirements for different industry sectors identified and implemented.

**Main indicators:**

- Modality for the planning and implementation of the protection of environment established,
- Relevant preconditions for the development of institutions for dealing with the protection of environment created.

#### **SUB-PROGRAMME: 4.2. Establishment of ecological educational systems**

An ecological education system would provide education in a variety of ways for all people in the region about the state of the environment and about environmental protection measures. Apart from adequate education, in order to raise ecology awareness it is also necessary to build integral system of information. Among other things, special attention in this is paid to application of EU standards in environmentally neutral technologies, as well as to ecologically acceptable waste management. Projects from this sub-programme will contribute to the realization of the following priority goals and measures:

<i>Priority objectives:</i>	4.1.	<i>Institutional strengthening of the environment sector</i>
	4.2.	<i>Improving the quality of the environment</i>
<i>Measures:</i>	4.1.2.	<i>Establishment of a system of ecological education</i>
	4.2.1.	<i>Introducing the EU eco-standards in the productive sector</i>
	4.2.2.	<i>Increasing public ecological awareness</i>

**PROJECT: 4.2.1. Establishment of Eco Educational Centre**

The aim of this project is preventing environment pollution through increasing awareness level on the importance of human environment protection among the population. In the Herzegovina region few concrete activities are carried out on ecology education of population. Because of that reason it is necessary to establish eco educational centre whose task will be coordination of all the activities related to ecology education and raising ecological awareness. Programmes should be designed taking into account factors such as age, professional profiles of the attendants and the place where education is performed. It is expected that the centre will contribute to the creation of new ecology culture, primarily among children.

**Main activities:**

- identification of location, equipment and employment of personnel of the Centre,
- organization of creative workshops in order to define the Centre activities content, means and methods of communication,
- elaboration of the Centre work plan and programmes of education according to different profiles of attendants,
- promotion of the Centre work in public mass media (including internet),
- creation of database about candidates for education,
- creation and maintenance of a web page.

**Expected results:**

- Centre established and in function,
- level of ecology awareness of citizens heightened.

**Main indicators:**

- number of educated citizens in the first year of the Centre activities,
- number of organized workshops and number of attendants per workshop,
- number of visitors of the web site and regular updating of the site.

**PROJECT: 4.2.2. Promotion of eco tourism and application of EU standards**

Regional tourist potentials are indisputable, and among them potentials for eco tourism, which are represented by natural resources, culture, tradition, etc. In order for eco tourism to take its rightful place in the tourist offer of the region, and even the whole state, it is necessary to put some efforts in improvements of capacities of eco tourism, as well as in its promotion.

**Main activities:**

- indication of eco tourist potentials,
- preparation of the action plan for eco tourism development,
- adjustments and categorization of potentials with EU criteria.
- preparation of promotion materials of eco tourism,
- public presentation of eco regional potential and tourism.

**Expected results:**

- eco tourism of the region promoted,
- cooperation between private and public sectors established with the aim of eco tourism development,
- EU standards in eco tourism applied.

**Main indicators:**

- promotion material made,
- public presentation of eco tourism performed.

**PROJECT: 4.2.3. Making reorganization plan for the existing unauthorized depots in the region**

In the Herzegovina region there is a great number of smaller and bigger unauthorized waste depots, which have mainly been created during the last 12 years. The fact is that many of these depots are in the immediate vicinity of populated settlements and agriculture households, which directly endangers population in these areas. Making the plan of reorganization for the existing unauthorized depots would create a basis for the problem solving. The reorganization plan would be based on provisions of Strategy of waste management in B&H, and it would be in accordance with all the other projects directed towards solving the problem of waste.

**Main activities:**

- gathering an expert team,
- establishing cooperation with municipalities and obtaining their consent for making a survey of unauthorized depots in their areas,
- recording the state in the field,
- creation of database with existing unauthorized depots,
- making a plan of reorganization for existing unauthorized waste depots (making a development plan on establishment of a "yard" for temporary storage of waste from unauthorized depots, as well as a development plan for permanent solution of the problem of uncontrolled waste),
- presentation of the plan to relevant institutions and authorities representatives, as well as potential donors and sponsors for its application.

**Expected results:**

- all unauthorized depots in the region identified,
- plan of reorganization for unauthorized depots in the region made.

**Main indicators:**

- percentage of competent institutions introduced to the Plan,
- activities undertaken in accordance with the Plan.

**PROJECT: 4.2.4. Pilot project eco-village**

One of the totally unused tourist aspects is rural tourism, although there are high potentials for its development in the region. In Herzegovina, there are numerous villages which, with little investment, could be designated as "eco-village" in which healthy way of life is promoted. Untouched nature, mountains, lakes, rivers and the sea offer ideal conditions for creation of interesting tourist destinations of this sort. Authenticity and attractiveness of Herzegovina eco-villages is even more strengthened if different culinary specialities made of healthy ingredients are added, as well as cultural heritage, interesting customs, characteristic music and folklore, and possibility of having an active vacation. Implementation of the pilot project of eco-village will surely encourage domestic and foreign investors to extend this aspect of tourism to other villages in the region.

**Main activities:**

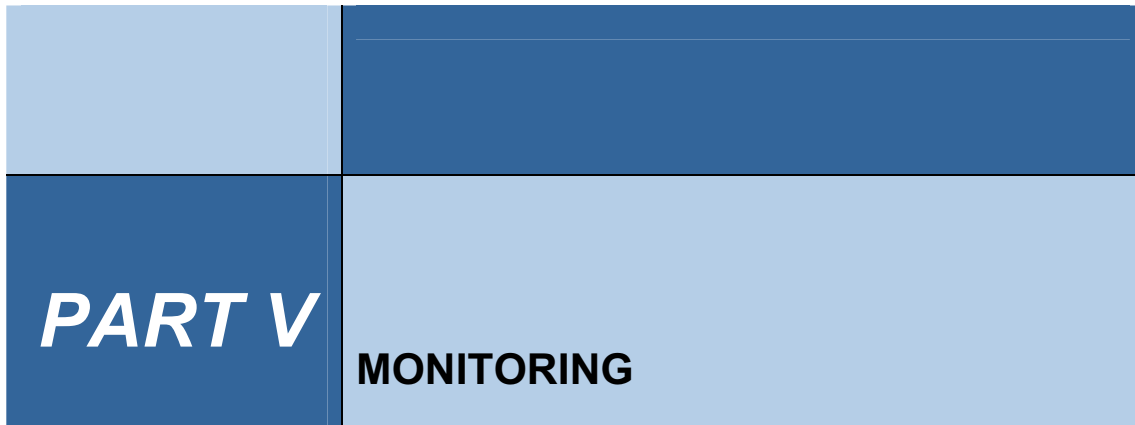
- selection of location for carrying the project out,
- making technical plan of implementation,
- educating and preparing rural population who would be included in the eco-village project,
- preparing (reconstruction) of objects for tourists' accommodation,
- improvement of infrastructure in the village and its environs;
- promotion campaign.

**Expected results:**

- eco village established and promoted,
- possibilities estimated for replication of project in other villages.

**Main indicators:**

- number of participants in the project (tourist organizations, agriculturists, SMEs, etc.),
- number of visits and overnight stays in the eco-village,
- income realized by this activity.



## MONITORING THE STRATEGY

Monitoring the activities of EU-funded programmes is obligatory and the arrangements for doing so depend on the nature and content of the programmes and projects the progress of which has to be checked. It is not expected at this stage that full EU monitoring arrangements can be introduced because of the lack of legislative and administrative frameworks.

Monitoring seeks to carry out regular checks on the progressive and effective physical and financial implementation of financial assistance and its impact in terms of the objectives laid down.

The Regional Development Agency will assume the role of implementing the programmes selected under the regional strategy. As part of that role, it will ensure that programme monitoring is performed in a satisfactory manner. In particular, the Agency's Project Implementation department will ensure that all projects under implementation are properly monitored in accordance with the Project Monitoring Manual developed by the EU RED team and the requirements of the donors. This manual will become an obligatory tool for RDAs in carrying out their task of Strategy Management.

Operational monitoring should compose:

- the actual monitoring of the action, results and the impact of assistance;
- progress in management;
- monitoring the operational background.

These three elements may be described as follows:

(A) Actual monitoring of action, results and impact may be carried out:

- On a quantitative basis, using a variety of indicators;
- On a descriptive or qualitative basis, using the various types of information available or the results of a number of studies and analyses.

As far as possible, it is always desirable to use quantified measures and present progress actually made, results secured and the impact achieved in quantitative form using indicators. The definition of these indicators should enable the objectives to be achieved to be identified better. Even if they can be quantified only with difficulty, the thought involved in doing this may be useful and help clarify ideas.

Indicators can be classified as follows:

(I) Indicators of progress to monitor:

- the financial implementation and/or the means deployed; most often the financial indicators are used to follow the expenditures made after the completion of an action: cost in euro of a motorway, cost of a training programme, cost of a technology service centre etc.
- the progress or the physical execution of an assistance. These are in general, physical indicators: number of km's, number of persons, percentage of firms that received aid.

(II) indicators of results (also called indicators of quality of performance) for measuring the results, the direct or immediate effects, the quality and the performance which the realisation of assistance is expected to generate. These indicators may also be physical (reduction in travel time, number of successful students, number of road accidents, number of unsuccessful telephone calls per line per year, etc.), or financial (included productive investment, decrease in transportation cost, etc.).

(III) Indicators to measure the impact of the assistance may be distinguished between:

- The specific (or immediate) impact of the action and the results obtained relative to what was expected
- The general (or final) impact due to the realisation of the specific objectives which has contributed to the accomplishment of the planned general objective. Clearly this general impact can only be measured with complex methods, and after the completion of the action. Therefore it must be considered as part of the ex-post evaluation.

On the basis of these indicators it is possible to measure:

- the effectiveness of implementation, i.e. what has been done as compared with what was intended to be done, or the results or impact obtained as compared with those planned or estimated;
- the efficiency of implementation, i.e. what has been done and the results and impact as compared with resources deployed particularly financial resources.

These measurements or effectiveness and efficiency ratios therefore apply to all the logical steps in an item of assistance, i.e. to the action, results and impact. They permit what has been achieved to be compared with what was planned (effectiveness) or the resources deployed (efficiency).

(B) The progress of management

This concerns the operational aspects of implementation, that is, the monitoring of concrete matters such as:

- The operation of the mechanisms for administrative and financial management;
- The operation of the monitoring system itself, to ensure collection of all the information required for monitoring;
- The appropriateness of the selection criteria and choice of projects;
- Promotional measures and publicity for measures;
- Participation by those concerned;
- The use made of the possibilities offered by technical assistance;
- The regulatory or legislative aspects;
- Compliance with certain policies (in the Community context: competition, public procurement, the environment, equal opportunities, etc.).

(C) The operational background

In certain cases, the partners have agreed special provisions as prior conditions for the success of certain programmes. Monitoring should demonstrate whether these prior conditions have been or are being complied with;

- Consistency and complementarity with other sector policies, whether regional, national or Community, which provide assistance in the region;
- Economic, social, political, legal, legislative or other changes which may significantly affect the implementation and/or results of measures or items of assistance.

The approach set out above can be applied to each of the levels (project, programme, etc.). In order to ensure the operational monitoring of each level of assistance, it is essential to:

- Identify correctly, for each level, the action, the results expected and the impact to be obtained;
- Define the indicators (indicators of financial and physical implementation, results indicators and impact indicators) and provide the basis for measurements of effectiveness and efficiency for each stage of the plan;
- Provide for the collection of information concerning the progress of management at each level and on the operational context in which they are implemented.

Using this approach, the RDA and other actors will prepare project fiches following the requirements specific in the Manual.





<b><i>PART VI</i></b>	<b>TOP PROJECT FICHES</b>

**Programme: Industry, tourism, energy and SMEs**

<b>Project 1.</b>	<b>Regional centre for entrepreneurship development</b>
<b>Project description</b>	<p>After the war and the collapse of the economic system, the establishment of small and middle entrepreneurship has been initiated. Nevertheless, the newly established SMEs are undermined by a general lack of knowledge, experience and financial support, and therefore can not successfully respond to the market demands.</p> <p>Implementation of this project should provide SMEs and other interested parties with the assistance in identification of business opportunities and in defining and implementation of economic development projects. In light of this aim, regional centre should establish business connections between SMEs in the region and potential investors, as well as to facilitate to SMEs to enter to the new markets.</p> <p>This project envisages the establishment of a centre for enhancing the regional entrepreneurial potential and thus increasing the Region competitiveness.</p> <p>The Centre will provide support in the form of specialised types of training and in the direct provision of services offering information, advice and various kinds of practical assistance (marketing, internal human resources development, business planning, identification of business opportunities and partners, internationalisation of company activities).</p> <p>The establishment of the Centre will contribute to revitalise the regional economy, support business initiatives resulting in a substantial reduction of the unemployment.</p>

<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To improve SMEs' competitiveness;</li> <li>• To improve entrepreneurship;</li> <li>• To enhance management and improve efficiency within companies.</li> </ul>								
<b>Expected results</b>	<ul style="list-style-type: none"> <li>• Centre opened and functional;</li> <li>• Number of successful start-ups increased;</li> <li>• Performance of assisted companies improved;</li> <li>• Employment rate increased;</li> <li>• Number of productive SMEs increased;</li> <li>• Collaborations with foreign partners increased;</li> <li>• Level of export increased.</li> </ul>								
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Prepare business plan;</li> <li>• Establish and equip the Centre;</li> <li>• Provide training to selected staff;</li> <li>• Analyse needs of enterprise sector;</li> <li>• Identify target groups and devise training programmes and services;</li> <li>• Conduct training programmes;</li> <li>• Provide relevant services to SMEs;</li> <li>• Promote centre activities.</li> </ul>								
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• The centre can reach financial sustainability by the end of the project;</li> <li>• Enterprises are willing to apply to centre's services.</li> </ul>								
Timing	2004	2005	2006	2007	2008	2009	2010		
Average costs	KM:.....			Euro: 100.000					
<b>Potential financial sources</b>									
International assistance									
National/local contributions									

**Programme: Industry, tourism, energy and SMEs**

Project 2.	Regional Development Guarantee Fund
<b>Project description</b>	<p>According to the economic data on Herzegovina region, the majority of the companies has difficulties in providing collaterals and thus cannot obtain loans at good conditions to support profitable business activities.</p> <p>The establishment of a Development Guarantee Fund will enable easier and more favourable access to financial resources</p> <p>This will be reflected in the following: co-financing of development and investment projects, subsidizing interests on credits (particularly for production activities), crediting for specific programmes on unprofitable basis and providing financial support to other development activities in the sectors of agriculture, tourism, SME, industry, energy, human resources development, ecology and all other sectors relevant for the economic development.</p> <p>Having the Development Guarantee Funds as a guarantor, entrepreneurs can increase their contractual power on the credit market. This will allow them to finance structural adaptations, to establish a competitive industrial and agricultural production, to consistently support small businesses and start-ups, to improve trading activities and, more generally, to contribute to a sustained economic growth of the Region.</p> <p>In this way, regional development stakeholders, including business oriented people, will be stimulated to enter new development programmes in order to revitalise the entire economy of the region.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To create a financial environment favourable to Region economic development.</li> </ul>

<b>Expected results</b>	<ul style="list-style-type: none"> <li>• The DGF is up and running, with management and staff fully trained;</li> <li>• Access to credit facilities is improved;</li> <li>• A best practice of Guarantee Funds management is established;</li> <li>• Number of successful businesses increased;</li> <li>• Regional economic development boosted;</li> <li>• Export-oriented activities improved;</li> <li>• DGF and banks collaboration is set up and consolidated.</li> </ul>								
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Establish and register RDF;</li> <li>• Train staff on the management of the fund;</li> <li>• Carry out survey on the present situation of the economic sector with special focus on SMEs and banking industry;</li> <li>• Analyse absorption capacity of DGF and local enterprises;</li> <li>• Establish cooperation with banks and other financial institutions;</li> <li>• Define DGF target groups;</li> <li>• Outline DGF organisation and operations;</li> <li>• Prepare business plan;</li> <li>• Prepare DGF contracts and operational schemes;</li> <li>• Provide digressive support in DGF operations;</li> <li>• Provide additional support to DGF clients in order to improve their business performance;</li> <li>• Monitor DGF operations and repayment process;</li> <li>• Promote DGF activities.</li> </ul>								
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Establishment and functioning of the fund attract local (municipal authorities, government and non-government sector, private sector) and international investors to participate in the established model of financing regional development.</li> <li>• Banks are willing to collaborate;</li> <li>• Legislative framework is favourable to the establishment of the DGF;</li> <li>• Entrepreneurs welcome favourable DGF;</li> <li>• Coherence is achieved with other existing schemes;</li> <li>• The absorption capacity of target groups is confirmed.</li> </ul>								
Timing	2004	2005	2006	2007	2008	2009	2010		
Average costs	KM:.....			Euro: 240.000					
<b>Potential financial sources</b>									
International assistance									
National/local contributions									

**Programme: Industry, tourism, energy and SMEs**

Project 3.	Regional Centre for Tourism Development
<b>Project description</b>	<p>Herzegovina region has a huge tourism potential, with many touristic attractions (natural beauties, cultural and historical heritage), which allow offering many different tourism products ( rural, adventure, cultural, religious etc.) in every season.</p> <p>However, tourism demand is mainly focused on the three destinations: Mostar, Neum and Međugorje, while there is scarce interest for the remaining touristic potentials, which are also very interesting and valuable.</p> <p>This project foresees the establishment of a Regional Centre for Tourism development which will implement promotion and marketing activities and stimulate the internal and international demand of local tourism products. The purpose of the establishment of the Regional Centre for the Development of Tourism will be to contribute to the further development of the well-known and improvement of the conditions of other potential touristic sites of the region, to prepare touristic promotion material of Herzegovina region, to facilitate its distribution within and outside of the country, and in general, to ensure increase of number of visitors, not only to the three above mentioned, but also to other touristic destinations. In addition to that, the centre will, in collaboration with the existing touristic associations, devise a common strategy for regional tourism development based on an agreed touristic profile for the Region.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To increase Herzegovina attractiveness as tourism destination;</li> <li>• To improve the development of the regional tourism sector.</li> </ul>



<b>Expected results</b>	<ul style="list-style-type: none"> <li>Regional Tourism Centre established and functional;</li> <li>Cooperation among relevant stakeholders in tourism sector established;</li> <li>Quality and variety of tourist packages improved;</li> <li>A practice of effective promotion of tourism adopted;</li> <li>Herzegovina's tourist image improved;</li> <li>A number of visitors in the region increased;</li> <li>A number of employees in tourism sector increased.</li> </ul>							
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>Prepare business plan;</li> <li>Set up and equip the Centre and employ the staff;</li> <li>Build u the capacity of the Centre staff;</li> <li>Carry out SWOT analysis of tourist sector;</li> <li>Establish intra and inter-regional partnership among tourist institutions and stakeholders;</li> <li>Prepare a strategy and action plan for marketing and promotion;</li> <li>Conduct survey on the situation of regional touristic potentials and develop strategy on tourism development;</li> <li>Advice on infrastructure improvements;</li> <li>To design, prepare and distribute promotion material (including the web page).</li> </ul>							
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Adequate tourism products are developed;</li> <li>Investments in tourism sector have increased;</li> <li>Involved stakeholders committed to the implementation of the agreed strategy;</li> <li>Infrastructure and services are improved.</li> </ul>							
<b>Timing</b>	2004	2005	2006	2007	2008	2009	2010	
<b>Average costs</b>	KM:.....			Euro: 120.000				
<b>Potential financial sources</b>								
International assistance								
National/local contributions								

**Programme: Industry, tourism, energy and SMEs**

<b>Project 4.</b>	<b><i>Establishment of the Regional Information Centre</i></b>
<b>Project description</b>	<p>Revitalisation of the regional economy requires adequate support services and the availability of a clear picture of the existing situation and conditions.</p> <p>In Herzegovina, there is a shortfall of institutions capable to provide reliable and complete information and advice about available resources and capacities, business environment, laws, economic structure, etc. There is no centre that can give to entrepreneurs comprehensive and detailed information on all the administrative procedures, both at municipal and central level, that must be fulfilled in order to register a company and to open business premises, nor there is a service for the provision of social and economic information to potential investors.</p> <p>This project shall provide a special support to consolidation of the best practices of information services which will guarantee the prompt and complete availability of regional data when needed, thus improving the Region's image and visibility.</p> <p>The established Info Centre will play an important role in the data research, gathering and processing, as well as in presenting updated information and macroeconomic analysis of the region. Information will be available also on-line through the Info Centre web-site, supporting a very broad range of activities that encompass SME development, enterprise restructuring, export development, FDI promotion, etc.</p> <p>The Info Centre will be located within REDAH premises and its activities will be enhanced by the design of a database for managing comprehensive social and economic information about the region.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To set up a competitive environment for business operators and potential investors.</li> </ul>

<b>Expected results</b>	<ul style="list-style-type: none"> <li>• Info Centre established and operational;</li> <li>• Web site and database up and running;</li> <li>• Info collection techniques improved;</li> <li>• Regional information available;</li> <li>• FDIs increased;</li> <li>• Export activities increased;</li> <li>• Start-ups increased;</li> <li>• Economic operators and new investors have an easy access to the information needed for their initiatives;</li> <li>• Management information system improved.</li> </ul>								
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Identify the task and organization of Info Centre;</li> <li>• Identify the personnel of IC;</li> <li>• Train IC personnel;</li> <li>• Define precisely which services/information will be provided;</li> <li>• Define procedures for information delivering;</li> <li>• Define responsibilities with reference to preparation and management of every information service;</li> <li>• Prepare relevant “tools” to collect, manage and deliver information;</li> <li>• Establish technical structure and web-site for IC;</li> <li>• Design and set up a database on relevant regional data;</li> <li>• To conduct primary information collection and delivery;</li> <li>• To conduct regular information update on web site.</li> </ul>								
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Establishment and functioning of the Information Centre would attract possible investors, stimulate local entrepreneurs to get involved in the regional projects and facilitate regional projects preparation;</li> <li>• There are no constraints in collecting selected data.</li> </ul>								
Timing	2004	2005	2006	2007	2008	2009	2010		
Average costs	KM:.....			Euro: 60.000					
<b>Potential financial sources</b>									
International assistance									
National/local contributions									

**Programme: Industry, tourism, energy and SMEs**

<b>Project 5.</b>	<b><i>Establishment of the regional technological centre</i></b>
<b>Project description</b>	<p>Compared to the development of science and technologies in the world, Herzegovina region has an extremely low level of participation in application of the latest technologies and standards. Moreover, as a result of the events in the last 15 years, Herzegovina entrepreneurs are facing a critical situation which is worsened by obsolete technologies and a lack of technical expertise. After a period characterized by relevant investments in new technologies (for example SOKO – air-craft production), the region is currently unable to support SMEs and big industries in solving technical and technological problems. Extremely high import rate in relation to export is the best proof of a poor situation of production economy. Realization of this project would contribute to the creation of conditions for the improvement of the existing production capacities, standardization of the quality of local products, application of new technologies and innovative approach to the creation of new products and production programmes.</p> <p>The establishment of a technological centre will contribute to the improvement of the research activities and introduction of new technologies that will result in the rationalisation of the production and administration process and increase of productivity.</p>
<b>Objective:</b>	<ul style="list-style-type: none"> <li>• To increase competitiveness of SME sector (with particular stress on productive SME).</li> </ul>
<b>Expected results</b>	<ul style="list-style-type: none"> <li>• Technological Centre established and fully functional;</li> <li>• Technological capacities of the enterprises improved;</li> <li>• Professional and scientific potentials of the region enhanced;</li> <li>• New technologies introduced;</li> <li>• Productivity increased;</li> <li>• Export increased;</li> <li>• Competitiveness of SMEs on domestic and foreign markets increased;</li> <li>• Employment, especially of young experts, increased.</li> </ul>

<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Identify business premises and set up offices,</li> <li>• Select and train staff,</li> <li>• Procure necessary equipment,</li> <li>• Promote the Centre activities,</li> <li>• Identify client group;</li> <li>• Develop and provide plans for the technology transfer, introduction of EU technical standards, etc. in the particular enterprises,</li> <li>• Establish collaboration between the centre, research institutes, schools,</li> <li>• Develop partnership with similar centres abroad.</li> </ul>						
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Willingness of the local government to support the project;</li> <li>• Willingness of enterprises to benefit from the Technological Centre services</li> </ul>						
Timing	2004	2005	2006	2007	2008	2009	2010
Average costs	BAM:.....			Euro: 100.000			
<b>Potential financial sources</b>							
International assistance							
National/local contribution							

**Programme: Industry, tourism, energy and SMEs**

<b>Project 6.</b>	<b>Regional centre for the research, protection, usage and management of waters</b>
<b>Project description</b>	<p>Water potentials of Herzegovina region are huge and rich. The abundance of water in the region enables its multiple usage, but it is necessary to very carefully develop a corresponding water utilization strategy. Particular attention should be paid to the environmental protection of the ground and underground waters. Activities which are currently implemented for the protection of waters are minimal. Devices for the neutralization of liquid waste are either not installed at all, or, if they are installed, they are , in the majority of casis, not maintained regularly, and therefore do not function properly. There is no integral regional approach to the issue of research, protection and usage of water.</p> <p>In general, priorities for the effective implementation of regional integrated management of water resources should foresee adequate means for the acquisition of a strong knowledge base of:</p> <ul style="list-style-type: none"> <li>- the dynamic of water supply (surface water, underground water, unconventional water);</li> <li>- the dynamic of demand for water (agriculture, civil, industry, energy, tourism, recreational);</li> <li>- the pollution level and monitoring;</li> <li>- possible scenarios on water situation for a period of 25-50 years.</li> </ul> <p>The establishment of a Centre for Water Management will contribute to allignment of Herzegovina with EU standards and optimes water usage through the adoption of many innovative ininitatives (e.g. accumulation sites; pumping system, purification devices, etc.)</p> <p>Special attention will be devoted to the improvement of water protection and reduction of the level of pollution, as well as to the improvement of water waste management.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To establish a regional integrated water management and protection system</li> </ul>

<p><b>Expected results</b></p>	<ul style="list-style-type: none"> <li>• Regional Centre for the Research on, Protection and Usage of Water established and functional,</li> <li>• Research on the existing regional waters conducted,</li> <li>• Pollution sources identified and put under control;</li> <li>• Study on systematic and optimal usage of waters made and its recommendations implemented,</li> <li>• Systems of water purification improved;</li> <li>• Quantity of wasted water decreased;</li> <li>• Water utilization improved;</li> <li>• Instruments for the application of international conventions on waters developed,</li> <li>• Ecological awareness raised.</li> </ul>								
<p><b>Needed activities</b></p>	<ul style="list-style-type: none"> <li>• To prepare business plan;</li> <li>• To establish and register Regional Centre for the Research on, Protection and Usage of Water,</li> <li>• To employ the staff and equip the Centre;</li> <li>• To establish cooperation with relevant institutions, agencies and authorities representatives of the region;</li> <li>• To carry out a deep analysis (demand/offer; pollution sources, etc.) on waters conditions;</li> <li>• To design a strategy on water management and protection with related action plan;</li> <li>• To propose and agree with the relevant stakeholders on the measures for the prevention of water pollution and corrective measures to be undertaken, as well as to undertake relevant protection activities;</li> <li>• To undertake coordination and advisory role for the optimal usage of water;</li> <li>• To raise awareness on the importance of optimal usage and protection of water.</li> </ul>								
<p><b>Assumptions</b></p>	<ul style="list-style-type: none"> <li>• By the establishment of the Centre, conditions for the integral approach to water management would be created.</li> <li>• The Centre is financially sustainable by the end of the project;</li> <li>• An adequate legislative framework supports waters management and protection.</li> </ul>								
<p>Timing</p>	2004	2005	2006	2007	2008	2009	2010		
<p>Average costs</p>	KM:.....				Euro: 250.000				
<p><b>Potential financial sources</b></p>									
<p>International assistance</p>									
<p>National/local contributions</p>									



**Programme: Preserved environment**

<b>Project 7.</b>	<b>Regional Centre for Environment</b>
<b>Project description</b>	<p>Protecting the environment is essential for the quality of life of current and future generations. The challenge is to combine this effort with continuing economic growth, in a way which is sustainable over the long-term period.</p> <p>Apart from some sporadic private initiatives, the interventions to preserve natural habitats and landscapes, and minimise urban pollution have been completely neglected in Herzegovina during the last few decades.</p> <p>Already very fragile, ecological balance could become even worse, if immediate counter-actions are not undertaken.</p> <p>The region lacks an institution able to monitor the state of the environment and provide early warning of coming problems, as well as to promote and implement best practices in environmental protection and technologies.</p> <p>By the establishment of a Regional Centre for Environment it will be possible to:</p> <ul style="list-style-type: none"> <li>- Align the region with EU standards;</li> <li>- Preserve natural resources (water, air, soil, etc.);</li> <li>- Establish planned and systematic waste management;</li> <li>- Address adequately environmental and health issues;</li> <li>- Raise awareness on the importance of using land in order to preserve natural habitats and landscapes, and minimise urban pollution;</li> <li>- Develop ecological education system;</li> <li>- Provide population with the information which will help them make environmentally friendly choices.</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To support the institutional building process for environment protection;</li> <li>• To establish a system for sustainable economic development.</li> </ul>

<p><b>Expected results</b></p>	<ul style="list-style-type: none"> <li>• Established and functional Regional Centre for Environment;</li> <li>• Departments/agencies for monitoring water, soil, air and solid waste established;</li> <li>• Pollution sources identified;</li> <li>• Pre-conditions for application/adoption of environment international conventions satisfied;</li> <li>• Priority regional studies on the environment protection completed and recommendations implemented;</li> <li>• Environment protection capacity improved;</li> <li>• Ecological awareness raised ;</li> <li>• Environment conditions of the region improved;</li> <li>• Waste management improved;</li> <li>• Environmental indicators identified;</li> <li>• Environmental protection requirements for different industry sectors identified and implemented.</li> </ul>						
<p><b>Needed activities</b></p>	<ul style="list-style-type: none"> <li>• To prepare business plan and establish the Regional Centre for Environment;</li> <li>• To select and train staff and provide needed equipment;</li> <li>• To design and agree on annual action plan;</li> <li>• To carry out an analysis on regional environment conditions;</li> <li>• To devise a database for managing information on environment;</li> <li>• To identify main problems and pollution sources and propose to relevant stakeholders preventive and corrective measures to be undertaken;</li> <li>• To devise specific ecological/environment protection activities and related action plan;</li> <li>• To assess waste management conditions and suggest improvements;</li> <li>• To carry out activities to raise awareness on ecological issues.</li> </ul>						
<p><b>Assumptions</b></p>	<ul style="list-style-type: none"> <li>• Application of the environment legislative framework realized (Law on Environment/Life Surroundings Protection, the Law on Nature Protection and the Laws on Waters, Air and Waste according to international conventions adopted by Bosnia and Herzegovina);</li> <li>• Government committed to the environment issues.</li> </ul>						
<p>Timing</p>	<p>2004</p>	<p>2005</p>	<p>2006</p>	<p>2007</p>	<p>2008</p>	<p>2009</p>	<p>2010</p>
<p>Average costs</p>	<p>KM:.....</p>		<p>Euro: 780.000</p>				
<p><b>Potential financial sources</b></p>							
<p>International assistance</p>							
<p>National/local contributions</p>							

**Programme: Rural development, agriculture and forestry**

<b>Project 8.</b>	<b>Centre for agriculture and rural development</b>
<b>Project description</b>	<p>Rural and agriculture development are of the crucial importance for the economical development of Herzegovina region. All the analysis made show that the region of Herzegovina has very favourable natural resources and great possibilities for the development of agriculture. The region, in the agricultural sense, represents diverse natural surroundings in which different soil components are present. Its common characteristics include the abundance of sunshine and water, the tradition in production and readiness of people to continue pursuing agricultural production. On the other hand, many rural settlements lack good communication lines, water and sewage systems and telecommunications. Besides the improvement of communication and infrastructure, Centre for Agriculture and Rural Development should affirm cooperative farming, build a system of insurance against agricultural damages, develop a network of financial institutions for rural development support, install GIS centres for crop and plantation information, and establish connections with institutions for product mapping and advisory services. Through the implementation of this project the support will be given to the revitalisation and improvement of agricultural production, with particular stress on the provision of technical support for the development of specific branches of agriculture, for the introduction of new agriculture sorts and application of new technologies. Another important component of the project will be establishment of links between agricultural producers, market and food processing companies. In this way, instruments of business planning will be introduced in agriculture sector, banking sector will be stimulated to invest more in the production of food, which would all result in the increase of export and decrease of import of food product.</p>

<b>Objective</b>	<ul style="list-style-type: none"> <li>• TO ACHIEVE HIGH LEVEL OF AGRICULTURAL AND RURAL DEVELOPMENT THROUGH UTILIZATION OF EXISTING NATURAL RESOURCES AND APPLICATION OF NEW KNOWLEDGE AND TECHNOLOGIES RESULTING IN HERZEGOVINA BECOMING A HUGE FOOD PRODUCER.</li> </ul>							
<b>Expected results</b>	<ul style="list-style-type: none"> <li>• Fully functional Centre established;</li> <li>• Close cooperation established with agricultural institutes and faculties of agronomy in the region;</li> <li>• Close cooperation established with other actors involved in agriculture and rural development;</li> <li>• Producers of the same type of agricultural products interconnected in functional clusters;</li> <li>• Production of specific agricultural products developed;</li> <li>• New technologies and new agricultural sorts and breeds introduced;</li> <li>• Significant increase of agriculture production realized;</li> <li>• Improvement of living conditions in rural areas achieved.</li> </ul>							
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Establishment of the Centre;</li> <li>• Procurement of necessary equipment and material;</li> <li>• Establishment of cooperation with all the relevant actors in the region;</li> <li>• Design and adaptation of annual action plan;</li> <li>• Organization and facilitation of specific trainings;</li> <li>• Provision of advisory services;</li> <li>• Provision of support for realization of agricultural projects;</li> <li>• Establishment of connections between agricultural producers, market and food processing companies;</li> <li>• Facilitation of implementation of rural development related projects.</li> </ul>							
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Farmers and relevant institutions/agencies are interested and participate in the implementation of project activities;</li> <li>• Implementation of the Centre activities attracts other investors in agricultural sector.</li> </ul>							
<b>Timing</b>	2004	2005	2006	2007	2008	2009	2010	
<b>Average costs</b>	BAM:...		Euro: 150.000					
<b>Potential financial sources</b>								
International assistance	EU RED							
National/local contribution								

**Programme: Industry, tourism, energy and SMEs**

<b>Project 9.</b>	<b>Study on the usage of regional mineral resources</b>
<b>Project description</b>	<p>Herzegovina has many mineral resources but there are no data available to assess their entity and their exploitation potential or to determine regional mineral districts.</p> <p>This project aims at providing a consistent, comprehensive level of information and analysis of regional mineral resources</p> <p>The need of scientific research into minerals resources is fundamental in order to identify the mineral industry potential, which can significantly contribute to the regional infrastructure and economic development.</p> <p>Cooperation with the relevant institutions in the region which will assist in data collection will be established.</p> <p>As a result, this project will allow identifying economically viable mining areas and profitable mineral usages to be applied in the region.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To contribute to a proper usage of regional mineral resources.</li> </ul>
<b>Expected results</b>	<ul style="list-style-type: none"> <li>• Mineral resources available (type, quantity, quality, etc.) identified and classified;</li> <li>• Economically viable mining sites identified;</li> <li>• Possibilities for usage of potential mineral resources identified;</li> <li>• Impact of mining activities assessed;</li> <li>• A number of mining projects selected.</li> </ul>
<b>Needed activities</b>	<ul style="list-style-type: none"> <li>• Select and train a team of experts;</li> <li>• Design and agree an action plan with relevant stakeholders;</li> <li>• Identify/analyse mineral resources (collect data available; undertake a geophysical survey; carry out stream sediment studies...)</li> <li>• Propose mineral resources usage and identify economically viable mining sites;</li> <li>• Assess mining activities impact on the environment;</li> <li>• Propose potential mining projects.</li> </ul>

<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Availability of needed data for mineral resources assessing activities;</li> <li>• Willingness of stakeholders to implement the proposed activities.</li> </ul>							
Timing	2004	2005	2006	2007	2008	2009	2010	
Average costs	KM:.....			Euro: 50.000				
<b>Potential financial sources</b>								
International assistance								
National/local contributions								

**Programme: Development of human resources**

Project 10.	Centre for the development of human resources
<b>Project description</b>	<p>While the economic situation in Herzegovina region remains to be appalling, disproportion between labour force and demand increases every day. As a result of (amongst many other reasons) closure of some huge pre-war companies and incapability of the labour market to absorb young people looking for their first jobs, unemployment is still huge and is constantly increasing. In addition to that, production technologies radically change every 4 to 5 years which means that all employees (and/or job-seekers) have to regularly undergo additional education.</p> <p>The purpose of this project is to establish Human Resources Centre that can provide different types of training, vocational counselling, opportunities for re-qualification to the people looking for a job, and, in some cases, job mediation services. By adjusting training programmes to the demands of EU, the centre would introduce life-long learning approach in accordance with labour market needs. This would contribute to the establishment of linkages between the offer and labour market demand and develop the attractiveness and employability of job-seekers. Therefore, establishment of such a centre would facilitate creation of dynamic labour market, increase of competitiveness, flexibility of human resources, promotion of the concept of learning for life, and faster and appropriate employment of unemployed persons.</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• To provide the support to the development of an efficient labour market;</li> <li>• To contribute to the reduction of unemployment rate.</li> </ul>



<p><b>Expected results</b></p>	<ul style="list-style-type: none"> <li>• Centre for the Development of Human Resources is established and fully operational;</li> <li>• Skills of job-seekers improved;</li> <li>• Linkages between labour market offer and demand enhanced;</li> <li>• Number of unemployed people decreased.</li> </ul>								
<p><b>Needed activities</b></p>	<ul style="list-style-type: none"> <li>• Define and agree with the regional stakeholders on the Business Plan of the Centre;</li> <li>• Select and train staff;</li> <li>• Design and agree on annual action plan;</li> <li>• Undertake promotion and marketing activities;</li> <li>• Conduct various training programmes for the unemployed;</li> <li>• Design a database on labour market demand/offer;</li> <li>• Design and publish a newsletter on job offer/demand;</li> <li>• Design a website and ensure regular updating.</li> </ul>								
<p><b>Assumptions</b></p>	<ul style="list-style-type: none"> <li>• Enterprises are available to collaborate with the Centre for the Development of Human Resources and unemployed are willing to apply to its services and attend training programmes;</li> <li>• There is coherence with other existing employment measures adopted at the national and regional level.</li> </ul>								
<p>Timing</p>	<p>2004</p>	<p>2005</p>	<p>2006</p>	<p>2007</p>	<p>2008</p>	<p>2009</p>	<p>2010</p>		
<p>Average costs</p>	<p>KM:.....</p>			<p>Euro: 240.000</p>					
<p><b>Potential financial sources</b></p>									
<p>International assistance</p>									
<p>National/local contributions</p>									

**LIST OF MUNICIPALITIES FROM HERZEGOVINA**

<b>Municipality</b>
<b>Jablanica</b>
<b>Konjic</b>
<b>Ravno</b>
<b>Stolac</b>
<b>Prozor-Rama</b>
<b>Neum</b>
<b>Čitluk</b>
<b>Čapljina</b>
<b>Ljubuški</b>
<b>Široki Brijeg</b>
<b>Grude</b>
<b>Posušje</b>
<b>Bileća</b>
<b>Ljubinje</b>
<b>Trebinje</b>
<b>Nevesinje</b>
<b>Gacko</b>
<b>Berkovići</b>
<b>Mostar</b>
<b>Istočni Mostar</b>
<b>Tomislavgrad</b>
<b>Livno</b>
<b>Kupres</b>

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Economic Development Project in BiH

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