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## **REGIONAL DEVELOPMENT OF BOSNIA-HERZEGOVINA**

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#### Abstract

Justification for dealing with the regional development of Bosnia-Herzegovina lays in its importance for Bosnia-Herzegovina or the possibilities to contribute to the efficiency of global development process, elimination of underdevelopment, decreasing the differences in development level, generating and accelerating the development itself by using adequate strategy and policy of regional development. Strong cause-consequence relationship of regional development and sustainable, humane development, or Comprehensive Development Framework (CDF further on) is not less important, especially in context of B&H obligations to implement the documents adopted on the world and European level in period from 1992 to 2001. Additional arguments for choosing this topic can be found also in the importance of regional development while profiling the development for the next century in context of new political moments. Bosnia-Herzegovina, as an independent, sovereign and internationally recognized country is fully responsible for its entire development. Issues of regional development, especially the regionalization of Bosnia-Herzegovina have been elaborated thoroughly and for a long time in papers of B&H authors, that represents solid foundations for the development policy in the second half of XX century. These works have influenced economical and regional policy only partially, which has left unfavorable consequences in

economic and other spheres of life. Experiences about regional development gained in second half of XX century is especially important for the future of Bosnia-Herzegovina because of the ability to establish economical and other functional relationships within Bosnia-Herzegovina, for resolving numerous problems, generating and speeding-up the development. For the present situation, that is for the post-war period in the area of regional development, it is characteristic a specific dual picture of regional structure and lack of regional policy based on new development philosophies and the region as a framework for humane development or the Comprehensive Development Framework (CDF). Analysis also lead to the conclusion that the end of seventies and the beginning of eighties can be marked as period in which the contemplation of regional development has evolved from observation and identification of regional development as one of the development factors toward regional development as an important factor of development, social and economic integration and national harmony. In first phases after the Second World War the regional component was almost completely suppressed comparing with the dominating sectoral approach as only structural aspect in the domain of economic development. The problem of uneven development had for its consequence the fact that the regional aspect of development in theory was reduced almost exclusively to the problem of insufficiently developed areas or implementation of the efficient policy of faster development for insufficiently developed areas. By the time, especially in the beginning of seventies regional development becomes a very interesting discipline for theoretical research and empirical analysis. It has been noticed in regional economic theory that the theory of development poles represents a solid concept of regional development. In numerous research works the economists have tried to apply it to Bosnia-Herzegovina. Regional development of Bosnia-Herzegovina in the beginning of nineties became factor in function of national-political relations. The principal request imposed to the regional development was to be in function of preservation of common life of nations and nationalities of Bosnia-Herzegovina<sup>i</sup>. In the second half of nineties the regional development was supposed to solve one major problem of Bosnia-Herzegovina, that is to enable the country in whole to function economically and create a united market in the region divided in two entities (Federation of Bosnia-Herzegovina and Republic of Srpska) without violating their political integrity<sup>ii</sup>. Regional development now is facing the fact that the entities are not functional regions and do not have conditions to exists as elements of prosperous regional system. Public and urban infrastructure has been intersected in such a measure that the function itself is under the question and the areas of action of regional development centers that have been created for centuries (Sarajevo, Banjaluka, Tuzla and Mostar) are now in danger. The system of development centers has been broken, just like the complementary parts of that area. Loss correlation coefficient between the population and the city interaction feedback score for cities of Bosnia-Herzegovina equals 0,83, for the Federation it is 0,99 and for the Republic of Srpska 0,93.<sup>iii</sup> Overview of lost interaction feedbacks by cities is as follows: Sarajevo 27.400 (or

around 24% of total losses), Banjaluka around 23.000 (or around 20% of total losses), Tuzla almost 12.000, Brcko over 10.000, Mostar 4.700, etc.<sup>iv</sup> The actuality of the regional development in Bosnia-Herzegovina is emphasized by the fact that it simultaneously goes through a transition process of social, economic and political system and reconstruction of economic, public and urban infrastructure destroyed by the war.

#### Why regional development of Bosnia-Herzegovina

Justification for dealing with the regional development of Bosnia-Herzegovina lays in its importance for Bosnia-Herzegovina, that is the possibilities to contribute to the efficiency of global development process, elimination of underdevelopment, decreasing the differences in development. Strong cause-consequence relationship of regional development and sustainable, humane development, or Comprehensive Development Framework (CDF) is not less important, especially in context of obligations of B&H to implement the documents adopted on the world and European level in period from 1992 to 2001. Additional arguments for choosing this topic can be found also in the importance of regional development while profiling the development for the next century in context of new political moments. Bosnia-Herzegovina, as an independent, sovereign and internationally recognized country is fully responsible for its entire development.

From 1945 to 1992 regional development of Bosnia-Herzegovina was inseparable from regional development of Yugoslavia independently of whether we observe Bosnia-Herzegovina as a region within Yugoslavia or as an entity apart with its own regional structure. The relationship is determined by the fact that Bosnia-Herzegovina was one of six republics that constituted Yugoslavia. In other words, political, economical, social and by that the regional tone has been defined on state level of Yugoslavia with different reflections on the level of its specific constituents. Another important moment is position of Bosnia-Herzegovina in the natural and constructed main road direction that follows the valleys of river Bosna and river Neretva, connected to the north with the valley of river Sava and further on with Central Europe, and on the south with Adriatic see, or in other words, position of Bosnia-Herzegovina in respect with two key development direction of Balkans.

The following moments are important in this context. Regional development issues, especially the regionalization of Bosnia-Herzegovina have been thoroughly elaborated for long time in papers of B&H authors, creating in that way a solid foundations for the development policy. These works influenced only partially the economical and regional policy, which certainly has left some consequences in economic and other spheres of life. Experience about regional development obtained during the second half of XX century is especially important for the future of Bosnia-Herzegovina because of capabilities to establish economical and other functional relationships within Bosnia-Herzegovina, resolution of numerous problems,

generation and speeding-up of the development. For present situation, or in other words, the post-war picture in the domain of regional development, it is characteristic a specific dual picture of regional structure and lack of regional policy based on new development philosophies and region as framework for humane development or the Comprehensive Development Framework (CDF).

Future regional development policy of Bosnia-Herzegovina could be composed of the following elements: regions as individual territories with capability to provide humane or Comprehensive Development Framework in order to spread optimally the economical development in the area. Bosnia-Herzegovina needs global complex regional development policy based on present experience and new development philosophies.

#### Theory of regional development

In comparison with other theoretical disciplines, the theory of regional development has emerged with certain delay. Reasons for that can be found in studies of economical self-flow, flexibility of prices, total mobility and possibility to divide production factors, free competition, automatic leveling of regional differences, opinion that the regional allocation is defined by non-economical factors, that the regional development does not contain elements of economical rationality and that the regional development lays in a sphere of social-political relations and criteria, etc.

The concept of civic liberal doctrine, perfect competition, and stabile balance exclude any major disturbances in regional balance, which could not be rectified by free action of market forces. In its basis there is a thesis that all the disturbances on regional level are rectified by free action automatism of the market. Therefore, there is no problem that would need special attention, elaboration and solution. Disproportions, if any, are of temporary nature.<sup>v</sup> The market signalizes every disturbance of the state of general economical balance and restores it by its own mechanisms.<sup>vi</sup> Based on this there is a thesis that on regional level all disturbances can be rectified by free action automatism of the market. If some differences emerge anyhow, they are result of real possibilities of certain regions.<sup>vii</sup>

Interest for studying regional development was initiated by regional differences, manifested in wide spectrum of territorial deformations (depressive areas, superconcentration, conflicts on center-periphery relation, domination, etc.), which were not solved automatically by free full action of economy laws. When it was established that the problem was not solved by itself, the interest for its elaboration and searching for modalities of solution has got sense. Important role in this process belongs to the big economic crisis 1929-33 that emphasized regional differences and caused the engagement of state in social and economic processes. First measures are undertaken in order to reduce regional differences and allocation of production forces. This

reflected directly to the theory. Interest for studying regional development, in first place, is motivated by the need to provide efficiency of development, that is to eliminate everything that endangers it. The result of this was introduction of new, more realistic assumptions into the economic theory, such as: indivisibility and limited mobility of production factors and production relations, foreign economy, diverse market structures, fact that the market can not perform the most rational allocation of resources and that the market can not eliminate inequality among regions.

The attention was focused first on the problems of underdeveloped areas: big unemployment, social and political conflicts. Soon it became clear that the problem of underdeveloped areas couldn't be solved successfully without respecting the context of entire national economy.<sup>viii</sup> From treating underdeveloped areas the focus gradually was moving to the broader complex of regional development issues, to the regional balance of economy in whole. By time the regional development became one of the most attractive areas because it merges economic, spatial, ecological, national, humane and other moments. Theories of regional development in the literature are grouped in two classes: first one - theories created by evolution and by improvement of location theory, and the second one – theories inspired by uneven development.<sup>ix</sup>

#### Theory of regional development in papers of BiH authors

The importance of theory of development poles for studies of regional development issues is determined by its presence in papers of B&H authors, that is its acceptance and implementation. Some similarities in socio-economic system of Yugoslavia and Soviet Union in period 1945-1992 (social property, insisting on equality and territorial levelness) are the reasons for presence of the theory of specialization and production complexes only on the level of reinterpretation in numerous works of B&H authors.<sup>x</sup> There were no attempts to analyze the regional aspect of development and to propose the regionalization of Bosnia-Herzegovina on this basis. In order to illustrate the complexity of the problems and the variety of theories of regional development dealing with these problems, other theories are only mentioned, but there we no attempts of their implementation in the papers of B&H authors.

#### Issues of regional development in papers of BiH authors

Following regional issues have been elaborated in papers of B&H authors: region and regionalization, regional development, development of underdeveloped areas, role of development centers in economic and spatial development, processes of polarization and dispersion, system of settlements and spatial economy, region as basis of national identity, regionalization and political-national relations.

#### ▫ Region

Considering the size of B&H territory, population density, infrastructure systems, level of economic development and location of big centers, it is estimated that the optimal spatial size of a micro-region varies between 10.000 to 15.000 km<sup>2</sup>. With that size, average maximal distance of macro-region border parts from its center would be 56 to 69 km (around one hour of driving). The intention is to have this distance below 100 km (between 1 and 2 hours of driving, depending on the road quality) and only when alternative distribution is not possible the distance can exceed 100 km. Optimal demographic size of average macro-region in B&H varies between 700.000 and 1.000.000 inhabitants.<sup>xi</sup> Out of this number, real macro-region can vary depending on the existing circumstances, which in each concrete case of division must be taken into account for some justified reasons.<sup>xii</sup> According to other infrastructural criteria, an average region would be characterized also by 200-250 inhabitants per hospital bed and 600-700 inhabitants per one doctor, around 40 secondary school students per 1.000 inhabitants. In an average region there should exist at least two longitudinal and two transversal directions, as well as the sections of main B&H traffic routes. According to the urban-gravitational criteria, a region can perform its function if it has one center with very important functions, two centers with important functions, two to three centers with medium important functions, four to six with little important functions, etc.

#### ▫ Regional centers

While defining optimal region one should consider certain historical-traditional criteria. With respect to the experiences of developed countries and some specificities of Bosnia-Herzegovina, B&H authors<sup>xiii</sup> find that there are five cities, which should be considered as potential gravitational centers of the regions (Banjaluka, Mostar, Sarajevo, Tuzla and Zenica<sup>xiv</sup>), that is, as centers which are capable to spread the development.<sup>xv</sup> Development centers in economic and spatial development, as a phenomenon of regional development, were objects of individual studies but also of the research within the framework of more complex projects. Their actuality is evident in the entire observed region. Cities, complex social, economical, spatial and urban phenomena have been observed as development centers (poles).<sup>xvi</sup>

#### ▫ Regionalization

Regionalizations proposed in Bosnia-Herzegovina on the basis of thorough empirical research and theoretically founded, can be summarized in the following table:

<b>Author</b>	<b>No. of macro-regions</b>	<b>Centers</b>	<b>Type/principle of regionalization</b>	<b>Year</b>
Malik, A.	4	Tuzla, Banjaluka, Sarajevo, Mostar	Geographical/homogeneity	1949
Kanaet, T.	3	Tuzla- Banjaluka, Sarajevo, Mostar	Economical-geographical/homogeneity	1954
Petrovic, R.	4	Tuzla, Banjaluka, Sarajevo, Mostar	Geographical/homogeneity	1957
Petrovic, R.	6	Banjaluka, Tuzla, Goraž de, Sarajevo, Mostar	Geographical/homogeneity	1959
Rogic, V.	5	Banjaluka, Tuzla, Sarajevo, Mostar, Zenica	Geographical/homogeneity	1960
Ilešić, S.	4	Sarajevo, Tuzla, Banjaluka, Mostar	Physionomous-economical-functional/nodal-functional-physionomous	1961
Kubovic, B.	5	Sarajevo, Banjaluka, Tuzla, Mostar, Livno	Economical/economical-development	1961
Hadž iomerovic, H.	2	development zones (priority and complementary)	Economical/investment efficiency	1963/ 1964
Markovic, I.	3	Banjaluka or Tuzla, Sarajevo, Mostar	Geographical/homogeneity	1967
Rogic, V.	4	Banjaluka, Tuzla, Sarajevo, Mostar	Geographical/homogeneity	1969
Bošnjovic, I.	4	Sarajevo, Banjaluka, Tuzla, Mostar	Economical/ nodal-functional	1969
Taubman, I.	4	Sarajevo, Banjaluka, Tuzla, Mostar	Economical/ functional	1969
Rogic, V.	4	Banjaluka, Tuzla, Sarajevo, Mostar	Economical/ nodal-functional	1973



Papic, K.	4	Banjaluka, Tuzla, Sarajevo, Mostar	Economical/ economical- development-nodal- functional	1977
Markovic, J.	4	Tuzla, Banjaluka, Mostar, Sarajevo	Geographical/ physionomously economical	1980
Bošnjovic, I.	4	Sarajevo, Banjaluka, Tuzla, Mostar	Economical/ functional gravitational	1992
Bošnjovic, I.	4	Sarajevo, Banjaluka, Tuzla, Mostar	Economical/ functional gravitational	1996

This overview shows that in period 1945-1996 the advantages of functional-gravitational regionalization of Bosnia-Herzegovina have been recognized and proved. This regionalization offers the possibility for solution of numerous development related and other problems. Speaking of number of regions, there is an accord on theoretical level that the optimal division is to four regions with centers in Banjaluka, Mostar, Sarajevo and Tuzla. This research opens the possibility to increase this number up to certain measure.

Analysis of proposed regionalizations shows, especially from 1979<sup>xvii</sup>, a tendency of incorporating the expression of national identity and profiling the intervention of state in the economy, which was articulated more completely by works in 1979, 1992 and 1996. This follows the world trend of proposals and changes of theory, policy and program of regional development in nineties. It is also in conformity with tendencies of democratization, regionalization, as well as of implementation of new development philosophies of that time. Democratization means identification and elimination of regional disparities as generators of social and political tensions and problems. Regionalization assumes strengthening the role of regions on national and global level. On global level there is a tendency of tighter relations among regions. On the state level it is not possible to formulate the strategy, policy or plans of development without knowing the regional structures. When speaking about future regionalization, new philosophies should be implemented.

▫ Concentration and polarization

Concentration and polarization as issues of regional development were objects of the research, especially from the beginning of sixties. Besides adopting and interpreting the works of Western European authors dealing with these issues, B&H authors base their positions on the empirical research of these processes in Bosnia-Herzegovina as well. They use statistical and mathematical methods modified and adjusted to the available statistical-documentational base.

Especially interesting, from the point of view of theoretical elaboration and regional development policy, is the issue of critical moment of switching from process of concentration to the process of polarization. There is also the question whether to define the critical moment from the point of view of economic, social or spatial development.

▫ Development of underdeveloped regions

The theory has suggested two ways for solving the problems of underdeveloped. First, developing the underdeveloped through direct investments into their region. Second, developing the underdeveloped through developing the development poles. It is also suggested that solving the problems of underdeveloped must be incorporated into the integral concept of regional development, especially regarding the system of macro-regions, macro-regional centers and development axis - half axis. Finally, it is underlined that the theory has definitely accepted the fact that the socio-economical development is uneven in time and in space, so in that sense the theoretical concept is being built which in conditions of economic laws would provide stabile and fast global development with simultaneous overcoming the existing differences in development.

The policy of regional development profiled as an even development policy had its two manifestations. In first period, until 1956, even development was tried to be achieved through development of few selected centers, that is by preparing them to be able to take over the role of development generators by spreading their development effects. In second, longer period, the even development is tried to be achieved by faster development of insufficiently developed areas. The attention is focused on the insufficiently developed areas. Question remains what would be the long-term effects upon the entire economical development, economical and political stability of Bosnia-Herzegovina and the events from the beginning of nineties if there were more persistence in development of centers and direction of means toward them. The conducted analysis<sup>xviii</sup> confirms, except in case of Mostar, greater efficiency, profitability of means launched to the cities with characteristics of growth poles. According to an estimation, to be taken with certain reserve, if all the resources were invested in the centers the effects would have been better for 20-30%. One should also have in mind that it should be invested in the centers for more than 20 years (long-term investment) in order for them to reach such a level of development that could result in spreading the effects of development. In the meantime, however, according to the theory of growth poles, it should be invested in insufficiently developed, underdeveloped areas in the gravitational areas of centers in order to prepare them to accept the development impulses. Speaking about short-terms, directing of investments into underdeveloped areas, promoting and emphasizing their faster development have on the first place social and political effects, even some economical as well. Basic political effect is lessening the discontent of rather numerous population in underdeveloped areas.

The analysis of the development results of insufficiently developed areas, the analysis of the efficiency and economic justification for chosen strategy of even development is made more difficult by frequent changes in territorial organization, status of municipalities, lack of generally accepted regionalization and appropriate statistical-documentational basis.

The analysis of goal quantification for moving the development level of insufficiently developed areas in period 1945-2000 according to the documents shows the following. It has been planned that the underdeveloped areas would reach 74,8% of B&H national product per capita in 1956. 81,1% was planned in 1965 (76,8% realized), 79,6% in 1970, 81,5% in 1975 (54,8% realized) /according to some other sources 74,9% was planned and 54,7% realized/, 59,6% in 1980 (53,4% realized), 57,4% in 1985 and 65% in 2000<sup>xix</sup>.

Comparison of planned values shows a tendency of more realistic estimations of the possibilities for reducing the differences in development level that is shifting the development level of underdeveloped regions measured by national product per capita.

The underdevelopment as intraregional problem has not been eliminated. By time it gained even some new dimensions. In short, differences in development level are getting bigger, underdeveloped areas are getting homogenized. The responsibility for development moves toward underdeveloped regions.

From 1945-1992 in B&H beside proclaimed goals and established policy of even development, the development has been concentrated in centers and along the development axis. The underdeveloped areas have got homogenized. The process of concentration was followed by development spreading but the economic effects achieved in dispersed entities were less than in the centers. Characteristic of regional development in Bosnia-Herzegovina is polycentrism. Up to 1991 four macro-regions have been differentiated influenced by Sarajevo, Banjaluka, Tuzla and Mostar and on the basis of establishing economic and social relations and interactions among protagonists of that influence on the field. Each of these regions had its economical-social profile characterized by heterogeneity of factors, gravitational and functional interconnection.<sup>xx</sup> The axis of development has also been clearly profiled in Bosnia-Herzegovina and it follows the valleys of Bosna and Neretva rivers, as areas of economically more justified investments.

#### ▫ Territorial organization

From 1945 to 1998 Bosnia-Herzegovina had rather diverse territorial organization. During that half of century in Bosnia-Herzegovina existed: districts, regions and cities with different status, entities, cantons and municipalities. From 1965 to 1990 the criterion for obtaining the status of underdeveloped municipality has been changed nine times, that is almost every third year. Before 1992 only 48 municipalities have never had the status of insufficiently developed, and 27 of them had that status in continuity. Other municipalities were gaining and losing the status

depending on the changes of the criterion.<sup>xxi</sup> Differences in development level among municipalities by the end of eighties were measured by: national product 18:1; employment rate almost 12:1; health care costs around 60:1; education costs 12:1. Differences among municipalities in their potentials are also evident. Ratio between territorially largest and smallest municipality (Foca:Centar) is 28,4:1. Measured by number of inhabitants the differences are even greater 57,8:1 (Banjaluka:Neum), while analyzing the population density the difference is drastic 4216:1 (Novi Grad:Kalinovik).<sup>xxii</sup>

□ Evolution of regional development

Analysis lead to the conclusion that the end of seventies and the beginning of eighties can be marked as period in which the contemplation of regional development has evolved from observation and identification of regional development as one of the development factors toward regional development as an important factor of development, social and economical integration, as well as of the national harmony. In first phases after the Second World War the regional component was almost completely suppressed comparing with the dominating sectoral approach as only structural aspect in the domain of economic development. The problem of uneven development had for its consequence the fact that the regional aspect of development in theory was reduced almost exclusively to the problem of insufficiently developed areas or implementation of the efficient policy of faster development for insufficiently developed areas. By the time, especially by the beginning of seventies the regional development becomes a very interesting discipline for theoretical research and empirical analysis. It has been noticed in regional economical theory that the theory of development poles represents a solid concept of regional development. In numerous research works the economists have tried to apply it to Bosnia-Herzegovina. Regional development of Bosnia-Herzegovina in the beginning of nineties became factor in function of national-political relations. The principal request imposed to the regional development was to be in function of preservation of common life of nations and nationalities of Bosnia-Herzegovina<sup>xxiii</sup>. In second half of nineties the regional development was supposed to solve one major problem of Bosnia-Herzegovina, that is enable the economical functioning of the country in whole and create unified market in the region divided in two entities (Federation of Bosnia-Herzegovina and Republic of Srpska) without violating their political integrity<sup>xxiv</sup>. Regional development now is facing the fact that the entities are not functional regions and do not have conditions to exists as elements of prosperous regional system.

The research work from 1996 shows that the renewal of regional development mechanisms that was in function up to 1991 is possible. This opinion is based on common economic interests in many fields as well as on significant potentials for interregional cooperation. The goals of this cooperation are free trade, united B&H market, economical and spatial development,

harmonized economic policies, investment resources and investment policy, development and exchange of technologies, joint investments, attraction of foreign capital and corresponding preferentials, urbanization and functioning of system of development centers, collective use of power toward others in economic and development issues and population policy.<sup>xxv</sup> Difficulties in establishing cooperation in the field of regional development can come from Bosnia-Herzegovina itself but from outside as well.

From the beginning of seventies, national identity as one of the criteria or parameters in research of regional development of Bosnia-Herzegovina, especially regionalization and region, has been incorporated. Regarding to this Bosnia-Herzegovina is not specific. New proposals for changing the regional development policy and program prefer more intensive expressions of national identity and support certain intervention of state in national economy.<sup>xxvi</sup> According to this, introduction of national identity as an important moment in profiling a region is in spirit or on line of modern understanding and interpretation of regional development.

#### Regional policy in XX century

In 1991, especially after the elections organized in September, an intensified interest for regionalization of Bosnia-Herzegovina has been articulated. The moment of national-political relations had rather important role in this, just like the intensified tensions in B&H and its surroundings and the dissolution of Yugoslavia. Republic Institute for Planning prepared a study – Demographic-economic analysis of regional development, allocation of natural and other resources in the Republic and influence of these factors to the regionalization and status of different nations – especially the Serbs<sup>xxvii</sup>. It was, on one hand, an expression of national tensions that expanded in the beginning of nineties, and on the other hand, recognition that the regionalization and regional development are potential solutions.

This resulted in numerous articles in local press dealing with regionalization seen from the angle of present and potential status of different nations. Simultaneously with the polemics, presentation of authors' points of view, political parties' points of view, Institute of Economy worked on a regionalization model that should have solved economically, politically, ethnically and administratively complicated situation. Each of these problems had its specific importance and all together represented a powerful motive for research work. Regionalization and regional development were the last chance to calm down the tensions, prevent the dissolution and war in Bosnia-Herzegovina.

Regionalization in context of ethnic motives means to provide affirmation of ethnical and cultural specificities of B&H nations (language, national culture, education, cultural-historical heritage) by implementing an adequate regionalization. Administrative reasons are decentralization of state authorities, administration improvement and general improvement of

social efficiency.<sup>xxviii</sup> From 1992 to 1996 Bosnia-Herzegovina is subjected to political regionalizations, which respect political and military criteria.

In the beginning of nineties B&H regional development was characterized by introduction of national-political relations and attempt to establish regional policy in function of national-political relations.

In that period the B&H Government has noticed the tensions in national-political relations and the dangerous consequences that might occur if not prevented. Danger was in the air. The dissolution of Yugoslavia has brought to the first plan the national-political relations and the equality of nations and nationalities. Regionalization was marked as potential solution, but the regionalization in function of common life of nations and nationalities and socio-economic development.

Six criteria have been established. Besides natural, economic and cultural, the emphasis was also on historical, ethnic and political. The following principles of regionalization have been established too; principle of unity of B&H, principle of respect of historical development experience, principle of balanced economic development, principle of individual rights respect, principle of elimination of conflicts and instability on basis of matching ethnic rights and ethnic territories, unified system of state authorities.

National-political relations as regionalization criteria were especially important in period from 1992 to 1995, when, besides military powers confronted on the field, they were exclusive criteria of territorial division.

With respect to primarily ethnical and military-political criteria Dayton Peace Accord has divided Bosnia-Herzegovina into two entities: Federation of Bosnia-Herzegovina and Republic of Srpska, breaking previously established hierarchical-functional, infrastructural-economical and other relations among centers and their backlands. Law on federal units divides the Federation into 10 cantons. The Federation has 80 municipalities organized in 10 cantons. Republic of Srpska has 74 municipalities and no internal regional organization.

Economic, public and urban structure of this space has been damaged since the division had no respect for the established internal regional structure on the principles of gravitational-functional spatial units, natural-geographical interconnection among areas and created specific economical structures recognizable in all four macro-regions (Banjaluka, Sarajevo, Mostar and Tuzla). Territory of B&H has also been divided in such a way that the nucleus of a micro-region belongs to one and its backland to another entity. According to the census from 1991, 37 municipalities in whole belonged to the Federation and 49 have been split. 63 out of these 86 municipalities have their previous municipal centers.<sup>xxix</sup>

Present picture of the regional structure

Around 3,8 million inhabitants live on 51.129 km<sup>2</sup>. Division into two entities, political and territorial units: Federation of Bosnia-Herzegovina and Republic of Srpska, characterizes political-territorial organization of Bosnia-Herzegovina. 51% of the territory belongs to the Federation where live more than 2,3 million inhabitants or over 60% of entire B&H population.<sup>xxx</sup> The remaining 49% belong to the Republic of Srpska, with less than 40% of total population. Development in Bosnia-Herzegovina measured by GDP per capita for 1999 is estimated to around USD 1.770. Approximately one fifth of total national product is being realized in agriculture, little more than one fifth in industry and around three fifth in services. The unemployment is 35% to 40%<sup>xxxi</sup>. Ratio export/import is around 13%:87%.

Dayton Agreement has created two regions exclusively on ethnic and political criteria. Public and urban infrastructure has been intersected in such an extent that the function itself is under the question and the areas of action of regional development centers that have been created for centuries (Sarajevo, Banjaluka, Tuzla and Mostar) are now in danger. The system of development centers has been broken, just like the complementary parts of that area. Loss correlation coefficient between the population and the city interaction feedback score for cities of Bosnia-Herzegovina equals 0,83, for the Federation it is 0,99 and for the Republic of Srpska 0,93.<sup>xxxii</sup> Overview of lost interaction feedbacks by cities is as follows: Sarajevo 27.400 (or around 24% of total losses), Banjaluka around 23.000 (or around 20% of total losses), Tuzla almost 12.000, Brcko over 10.000, Mostar 4.700, etc.<sup>xxxiii</sup>

Division to ten cantons (administrative-political regions)<sup>xxxiv</sup> characterizes the regional picture of the Federation. Some relations among cantons are given by following ratios: area - 324,6 km<sup>2</sup> (canton 2) : 4.934,1 km<sup>2</sup> (canton 10), density in year 2000 – 17 (canton 10) : 301 (canton 9), number of inhabitants – around 35.000 (canton 5) : over 503.000 (canton 3), total national product per capita in 1999 – USD 574 (canton 1) : USD 2.470 (canton 9), unemployment rate – 29,9% (canton 7) : 49,9% (canton 2), employment rate against work-capable population - 13,8% (canton 2) : 32,1% (canton 9), unemployment rate against total population – 9,6% (canton 2) : 23,3% (canton 7). Seven out of ten cantons have the development level lower than average measured by GDP per capita, six cantons when measured by GDP growth rate from 1996 to 1999, seven cantons when measured by development level against work-capable population and seven cantons when measured by employment rate against total population.

The actuality of the regional development in B&H is emphasized by the fact that it simultaneously goes through the process of social, economic and political system transition and the reconstruction of the economic, public and urban infrastructure destroyed by the war, and all this in conditions of given regionalization matrix imposed by the international community, which had destroyed the regional relations and mechanisms being established for centuries.<sup>xxxv</sup> The importance of regions on global level, which means obviously firmer relations of regions and establishment of special funds and programs for stimulation of regional development is an

additional argument in favor of dealing with regional development in light of provisioning the resources for certain projects. Democratization, globalization, regionalization and integration processes together with respect for more intensively expressed national identity, support for the intervention role of state in national economy, implementation of sustainable development philosophy, CDF (comprehensive development framework), HD (humane development) of new approaches to the development, change of policy and programs of regional development for new millennium, road maps for joining the European Union, etc. are in close correlation with regional development.

### Regional policy in XXI century

The experience of theory and praxis in the world as well as in Bosnia-Herzegovina from 1945 to 1998 points out the necessity of global (integral) regional policy and its elements. It also shows the importance of regional development in economic and general integration of regions in Bosnia-Herzegovina, that is the elimination of potential danger of its dissolution. We could even say that Bosnian experience, especially during the last decade, speaks in favor of the importance regional development has in regard to its survival.

Bosnia-Herzegovina needs global complex policy of regional development. Market powers will start the functional-gravitational mechanisms of regional development, which actually functioned until 1991 since in free market environment everything happens according to certain logics and in a certain way. Regions formed before the war with their development centers are the potential to be activated. In each of the regions there are centers capable of attracting the investments and enlarging their economical and social functions with generative influence to the environment. An adequate regional policy could reanimate pre-war regional mechanism. Free movement of people, goods and capital would be directly in function of transfer from regional development according to the Dayton matrix to the regional development mechanism on the functional-gravitational principles. A process of rationalization of B&H regional development, useful for both entities, could be initiated through the development poles. The advantages are numerous. Federation has the capacities for economic and social functions in macro-regional centers that exceed its needs, while the RS has deficit. Entities' markets individually are too small to have adequate positive and accelerating role in development. Employment, technological progress, production cooperation, export to foreign markets are also the arguments in favor of inter-regional cooperation. City of Sarajevo could have an especially important role in this. The land, forests, waters, infrastructure and environmental issues offer as well a number of arguments for renewal of previously established links.<sup>xxxvi</sup>

Future regional policy of Bosnia-Herzegovina could be composed of the following elements: regions as separate territories with capabilities to provide humane or comprehensive development, to spread optimally the economic development in the area in accordance with



functional-gravitational principles; regionalization based on functional-gravitational principles in at least four macro-regions with Sarajevo, Banjaluka, Mostar and Tuzla as centers; establishment of optimal relations in the distribution of limited financial sources to the regions capable of generating development and multiplying development effects to the less or underdeveloped parts of the Federation B&H that have been on the margins of investment activities; definition of the critical moment in transferring the process of concentration to process of polarization; incorporation of underdeveloped regions development to the development of axis and half axis of development, regional component of entire development; confirmation of regional development as accelerator of entire development, territory integration, calming down social and political tensions, democratization factor, etc. Basic principles for future regional policy are: concentration of means (capital) to the limited number of development projects in underdeveloped areas, regional management, definition of long-term programs which will provide cohesion and efficiency of key activities, coordination of sources (sources originating from B&H, entities, regions and municipalities, international community) for accelerating regional development, preparation and incorporation of regions to the development programs of B&H, various United Nations organizations, World Bank, European Bank, European Union and other institutions and organizations for regional development in order to provide transfer of knowledge and means. Respect of national identity and support for certain intervention of state in national economy will play special role in B&H regional policy in new millennium, just like in the whole world. Experiences of other countries related to involvement and implementation of economic, environmental and national criteria in profiling regional development could be interesting for Bosnia-Herzegovina on the beginning of new century. It is also justified by the fact that the majority of highly developed capitalist countries have used and still uses programs of regional development as main components of their own development strategies. International experience confirms that the understanding and formulation of national economic systems encompasses the knowledge and understanding of regional structure. Natural and human resources management, their exploitation with measure as a segment of sustainable development philosophy, new development philosophies such as CDF or humane development is best studied, understood and evaluated on the level of region. According to some opinions region is the right place – natural place for implementation and investigation of new development philosophies.

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<sup>i</sup> Bošnjovic, I., (1992): Regionalization of Bosnia-Herzegovina. Sarajevo, 5.

<sup>ii</sup> Bošnjovic, I., (1996): Regional Development of Bosnia-Herzegovina. Sarajevo, 1.

<sup>iii</sup> Strategy of Spatial Planning of the Federation of B&H (1997), table 23, 82

<sup>iv</sup> The following cities have been analyzed: Sarajevo, Banjaluka, Zenica, Tuzla, Mostar, Bihac, Brcko, Bijeljina, Prijedor, Doboj, Bugojno, and Trebinje. Strategy of spatial planning of the Federation of B&H (1997), table 23, 82

<sup>v</sup> Say's Market Law, which says that the free action of market mechanisms provides full employment and the best allocation of all production factor. Walras and Pareto underline that if some disturbances appear in economy, free competition and market will bring the system back to the balance.

<sup>vi</sup> Mihailovic, K. (1962) Regional Aspect of Economic Development. Economist, 1/62, 3.

<sup>vii</sup> Cobeljic, N. Rosic, I. (1989) Economic Development and Economy System of Yugoslavia. Belgrade, 584.

<sup>viii</sup> USA plan regulation of valley of Tennessee river. Great Britain regulates by law the underdeveloped areas, France has plan of intervention for territory planning. Italy has measures for development of underdeveloped regions, etc.

<sup>ix</sup> Golic, B. (1994). Economics of space. Sarajevo, 183

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<sup>xii</sup> In developed countries it is considered that optimally in main center live 20-30% of population.

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- <sup>xiii</sup> Hadž iomerovic, H., Bošnjovic, I., Kamenica, S., Golic, B. and others in quoted papers
- <sup>xiv</sup> Bošnjovic, I. (1969) Regions and centers of socio-political development of B&H, Institute for Economy, Sarajevo, 24
- <sup>xv</sup> Bošnjovic, I. (1969) Regions and centers of socio-political development of B&H, Institute for Economy, Sarajevo, 25
- <sup>xvi</sup> Its importance is confirmed by an international project on development of B&H cities, realized by experts from B&H, Germany and Great Britain and financed by international community.
- <sup>xvii</sup> Year in which the papers of Hadž iomerovic, Kamenica and Bošnjovic were presented at the Symposium on Uneven regional development in Ohrid, in which expressions total and regional harmony, as well as national identity were added to economic criteria, principles, parameters.
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- <sup>xxx</sup> Data from B&H Federal Institute for Statistics
- <sup>xxxi</sup> Ratio employed:unemployed in Federation is 1,24:1.
- <sup>xxxii</sup> Strategy of Spatial Planning of the Federation of B&H (1997), table 23, 82
- <sup>xxxiii</sup> The following cities have been analyzed: Sarajevo, Banjaluka, Zenica, Tuzla, Mostar, Bihac, Brčko, Bijeljina, Prijedor, Doboje, Bugojno, and Trebinje. Strategy of spatial planning of the Federation of B&H (1997), table 23, 82
- <sup>xxxiv</sup> 1. Unsko-sanski, 2. Posavski, 3. Tuzlanski, 4. Zeničko-dobojski, 5. Bosansko-podrinjski, 6. Srednjobosanski, 7. Hercegovačko-neretvanski, 8. Zapadno-hercegovački, 9. Sarajevski and 10. Hercegbosanski
- <sup>xxxv</sup> Within the Federation B&H the development level measured by GDP per capita vary from 1:3 (Canton Bosansko-podrinjski : Canton Sarajevo)
- <sup>xxxvi</sup> Bošnjovic, I., (1996): Regional development of Bosnia-Herzegovina. Sarajevo, 7-9