

CARDS 2002

Country

Bosnia and Herzegovina

Implementation period

2003-2005

Funding (€)

€ 6 million

Results

Establishment of a network of Regional Development Agencies (RDA's). Development of economic development strategies. Setting up a grant scheme to promote economic development

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A wealth of economic opportunities

The potential for economic growth

As a result of continuous political problems since the 1990s in Bosnia and Herzegovina, overall economic performance has either stagnated or declined. Consequently, unemployment has remained persistently high, productivity is less than 50% of that in central European countries, and financial sector reform and privatisation has been slow.

Nevertheless, since 2001 there have been signs of a gradual recovery. The improved economic performance is being attributed to indications that preliminary structural reforms are beginning to bear fruit in a region which is now considered to be capable of significant growth. In a concerted effort to capitalise on this potential, the European Union Regional Economic Development (EU RED) project was set up in Bosnia and Herzegovina in March 2003.

Working together for success

Working closely with newly created Regional Development Agencies (RDAs), The project is aiming to improve the economic environment by creating a framework for sustainable economic development in the country. The key stakeholders include new and existing RDAs, local authorities and state governments, the business sector, educational establishments, international bodies and NPOs (non-profit organisations). The project is working closely with all these main actors to revive and strengthen the economy, thereby preparing Bosnia and Herzegovina for integration into the EU's Structural Funding scheme and eventual accession.

The project has five main objectives: 1) the creation of 5 Regional Development Agencies; 2) the development of regional economic strategies; 3) the establishment of a National Regional Development Forum; 4) the management of a grant Fund; 5) overall project management.

What can the regions offer?

As a first step, regional profiles were developed for the five proposed regions. The North-West, offering high-quality agricultural land, forests and natural resources, can support

agro-processing, wood processing and tourism. The South-West – currently experiencing a tense political situation between rival Serbs, Muslims and Croats – is promoting aluminium processing, engineering, agriculture, forestry and textiles. The Central region, previously known as the industrial basin of Bosnia and Herzegovina, is now an area of high unemployment despite its coal, steel, engineering, wood and leather industries. The Sarajevo region is one of the most developed with its airport, university, banking, tourism, manufacturing industries and trade. Finally, the North-East is best known for its salt mines and chemical industry, both of which are now in decline, hence the high unemployment rate there.

Shared concerns

The project will play a leading role in developing integrated regional strategies in co-operation with RDAs, municipalities, business associations and other relevant players. The ultimate aim is to establish a network of RDAs able to interact with the National Forum on Regional Development to promote coherent regional economic policy at national level. The National Forum will be made up of experts whose mission is to influence and promote regional policy at national level, to discuss shared economic concerns of regional and national significance, and to promote more effective and relevant regional policies and actions.

One of the main components of the project is to set up and run a Fund to provide targeted grant support for regional development projects. Priority areas include creating the right economic conditions for small and medium-sized enterprises (SMEs) to develop; supporting export-related opportunities, and mobilising labour supply and skills training. Examples of the type of projects suitable for funding include the setting up of business centres incubators and technology parks; advising SMEs; developing regional branding for agriculture and horticulture; devising trade and investment promotion schemes; and establishing vocational training services.

These grants, as well as the technical assistance to RDA's and Local Development Agencies (LDAs), are crucial in supporting and accelerating the process of social and economic reform in a region which badly needs it.