THE STRUCTURAL CHARACTERISTICS OF THE ECONOMY OF THE TUZLA CANTON IN PROMOTION OF DEVELOPMENT OF THE UNDEVELOPED AREAS

Vanes Tulumović
University of Tuzla, Faculty of Economics

Abstract

The paper analyzes the basic structural changes in the economy of the Tuzla Canton and their dynamic sequence. The focus of the research is on the problem of structural inequality of the main branches in the economy of the Tuzla Canton, primarily industry as leading, trade, traffic and construction. The overall goal of the work is to evaluate the economic development position of the Tuzla Canton in the cantonal economy and the possibilities of improving their development. The main goal in the paper is to bring closer the significance of regional policy by applying the model of the analysis of structural changes in the economy through which the development and improvement of the regionally backward parts - units of individual regional areas is carried out. The basic methods of comparison, induction and deduction will be applied by analyzing statistical indicators (indices, growth rates, participation rates, coefficients, averages, etc.). The results of the examination of the theoretical and empirical papers and the empirical analysis will be presented by the synthesis method. In addition to the introductory part, where the basis of the paper was presented, in the first part of the paper, some of the knowledge about regional development through the review of the existing literature was analyzed, while the second central part empirically explained the structural characteristics in the function of development improvement in the Tuzla Canton area. Conclusion contains the basic findings on the knowledge of the subject. The data analysis confirmed that in the Tuzla Canton area there is a high quality socio-economic basis for more intensive development and overcoming the problems of different developmental intensity, which is reflected in the structural changes of the Canton economy, which would effect the improvement of economic and economic well-being in the Tuzla Canton area. Some of the key objectives in various (possible) economic activities have been tematized, which ultimately should enable the development and improvement of the underdeveloped part of the Tuzla Canton area. Also, basic measures are followed that follow the process of implementation and execution of goals, and they represent the most important link in the development chain of underdeveloped municipalities of Tuzla Canton.

Keywords: regional development, structural changes, promotion of development.
1. Introduction

Giving preference to (structural) sector aspect of the development in relation to spatial dimension has resulted in ever greater regional disparities, thereby putting at risk the stability of the overall development and the level of social wellbeing. Likewise, regional development disparities have followed as a result of influence of various factors: difference in the level of knowledge and talent of the human factor, unequal use of technical and technological development, diversity and abundance of natural resources, availability of financial equity, inequality in the level of investment, character of the existing economic structure, etc.

The fact is that regional disparities in the level of development between regions and smaller areas are inevitable economic phenomenon. The fundamental aim of this paper is to bring closer the importance of regional policies by applying the analysis methods for structural changes in economy that bring about development and progress to the regional backward parts-units of certain regional areas.

Applying the research methods of analysis through an overview of previously established research results, this paper brings closer the comprehension of the importance of the structural changes themselves, and their influence on the improvement of the business environment.

This paper analyses the fundamental economic activities, first and foremost, industry as the leading and the most important economic activity in the Tuzla Canton area. The analysis includes mining, process manufacturing and electric power industry. Process manufacturing constitutes an important part of the economic process that gives possibility of a sustainable development and alleviating developmental disparities. Its significance lies in the possibility of accomplishing greater competitiveness through growth and the level of employment.

Apart from this, analysis also encompasses commerce, as a second most important sector that constitutes a significant part of the number of employees and contributes to the increase of the number of businesses. Additionally, traffic as a sector economy that is expected to go through expansion has been actualized in this paper along with construction sector, since they are closely intertwined, because most of the activities are closely connected, considering the fact that traffic and traffic infrastructure are in expansion, it is reasonable to suppose that the construction industry would also reach a significant level of economic impact.

The construction activity is extremely important economic activity and a significant factor of the development of the area that is reflected in its significant contribution to the employment, creating added value, as well as in the fact that it constitutes a significant consumer of products of other industries. Furthermore, it acts as a driving force for a number of other economic activities, which increases its significance.

Through the analysis of the structural changes of the economy, it can be clearly observed that these two economic activities, industry in particular can contribute significantly to the development of the Tuzla Canton area.

2. Review of literature concerning regional economic development

Structural component of the economy is extremely important in the economic development of any area, sector or a structural dimension. Reasons for ever greater interest in the regional development are numerous and vary in their nature:

- regional component of development, considering its economic and more general significance, has become an integral part of the integrated development strategies of many countries;
extremely unfavorable consequence of territorial disparities in development, with enormously overgrown urban-demographic and economic agglomerations (metropolitan) in some parts of the area, and progressive growth in infrastructure costs, as well as, in other costs;
- the existence of unused natural resources;
- the rationalization of the distribution of economic capacities;
- the possibility of maximizing economic and other effects at the level of a country or a smaller regional areas;
- the possibility of spatial harmonization of raw materials and other resources with needs at the level of a country or a region;

Bogunović connects the importance of regional and structural component of economy to the need:
- to coordinate the sector and regional policies for the purpose of enabling more efficient development of the entire economy;
- to continually cooperate between regions, which should result in specialization of production in accordance to comparative (competitive) advantages of certain areas;
- to produce effects in a better utilization of the regional potential;

Many authors agree that numerous problems of regional development of the economy could be more effectively solved within a narrower regional frame rather than within a sector approach. According to Bogunović, regional aspect is a special form of economic and social development that apart from the global and sector aspect, also considers the spatial dimension of the development policy. He sees the development itself (in its regional dimension) as a dynamic process of transforming and improving regional structures in order to create new potential at the level of economy and society (Bogunović 1991, p. 1-12).

Stojanović sees the importance of regional dimension of economy in a possibility to dynamize the overall development and to make a more adequate territorial distribution of work, in other words to rationalize the production (Stojanović 1981, p. 40). If we take into consideration the research results of the activities of the EU policies and the analyses of the effect achieved, the following conclusion can be made: regional policy is the second financial policy of the EU in spite of its weaknesses.

Hence, the academician Hadžiomerović, in conceptual determination of the regional dimension of the economic development, listed three policies as necessary conditions: optimizing the distribution of the economic capacities, achieving the objectives of economic policy and export-oriented production (Hadžiomerović 1984, p. 3).

Kubović B. reduces the content of regional aspect of economy to the relevant issues of developmental character related to economic structure, economic system and economic policy (Kubović 1974, p. 50-51).

According to Ibrelijić regional policy encompasses “all measures of national, regional or local authorities that influence the economic condition of a region or regions” (Ibrelijić 1994, p. 29). Šverko sees the efficient management of regional economic development as a possibility of establishing rational division of labor among sectors and territories (Šverko 1995, p. 11-13).

3. **Structural characteristics of economy as a development factor for the undeveloped areas of the Tuzla Canton**

The Tuzla Canton is the *engine* of the economic development, especially of industrial of the Federation of Bosnia and Herzegovina (FBiH) and Bosnia and Herzegovina (BiH) as a whole.
Bearing in mind the size of its population (500,000 residents, that constitutes 20% of the population of FBiH or 13% of the population of BiH) it can be concluded that the Tuzla Canton is one the most important regional areas in BiH, in both demographic and economic terms. Overall structure of the economy is characterized by different contribution of the main sectors in key economic aggregates.

Correspondingly, the secondary sector plays the dominant role in the number of employees (55.7%) and in the value of fixed assets (66.9%). Tertiary sector of the TK economy is recognizable for a high share in the number of businesses (71.1%), generated revenues (55.6%) and added value (43.1%). Industry is one of the key economic sectors of the Tuzla Canton. If we take a look at the pre-war position of this area i.e. its participation in certain economic aggregates of the TK, its high share in GDP can be observed (49.3%) as well as in the number of employees (45.8%), total investments (72.3%) and fixed assets (73.3%).

In the post-war period this economic activity goes through restructuring, when some unprofitable and environmentally hazardous economic capacities were closed. The following table illustrates the dynamics of the industrial production of the Tuzla Canton for the period 2003-2015.

| Table 1 Indices of industrial production in Tuzla Canton for 2004-2015 year |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Mining          | 104,80 | 98,80 | 99,40 | 111,70 | 98,7 | 100,7 | 111,9 | 94,1 | 87,4 | 99,4 |
| Process manufacturing | 112,10 | 108,80 | 112,20 | 106,20 | 77,1 | 111,8 | 101,1 | 115,9 | 104,7 | 107,4 |
| Electricity generation | 104,80 | 91,30 | 104,40 | 122,30 | 92,6 | 96,3 | 121,6 | 74,1 | 113,6 | 102,8 |
| Industry TK     | 107,20 | 102,20 | 106,80 | 110,40 | 87,2 | 105,2 | 108,5 | 100,9 | 102,7 | 104,2 |
| Industry FBiH   | 106,10 | 110,40 | 108,60 | 107,90 | 95,0 | 109,0 | 102,5 | 95,6 | 102,4 | 106,7 |

Sources: (1) Statistical Yearbook of FBiH, various years, (2) Federation in numbers, various years, (3) Tuzla Canton in figures, various years, FZS Sarajevo

The dynamics of the development of industrial production shows that according to indexes for the period 2004-2015 electricity generation had the most dynamic growth, followed by process manufacturing and mining. The industry of the Tuzla Canton in total had a lower growth than the industrial production of the FBiH in this decade. The data suggests that process manufacturing of the Tuzla Canton along with mining and electric power industry has had a growing trend in the number of businesses with 1.381 in 2003 and 2.649 in 2015, which constitutes an increase of nearly 47% that is also reflected by the increase in the contribution to the FBiH from 14.4% to 19.8%. A slight decline in the contribution to the number of businesses from 12.1% in 2003 to 10.6% in 2015 can be observed, when compared to the overall economy of the TK. According to this, the TK takes the second place among the cantons of the FBiH, after the Sarajevo Canton, which has the highest number businesses registered (21.5%). In the period 2003-2015, significant investments of 2.1 billion KM (Cumulative) were realized in the industry of the TK, which makes around 47% of the total investments in the economy of the TK.
Table 2 Industry* in the economy and TK same activities FBiH in the period 2003 – 2015

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2003.</th>
<th>2015.</th>
<th>Cantons in 2015 (FBiH = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TK</td>
<td>% FBiH =100</td>
<td>TK</td>
<td>% FBiH =100</td>
</tr>
<tr>
<td>Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.38</td>
<td>12.1</td>
<td>14.4</td>
</tr>
<tr>
<td>Employment</td>
<td>28.1</td>
<td>63</td>
<td>40.7</td>
</tr>
<tr>
<td>Realized Investments</td>
<td>Cumulative (2003-2015)</td>
<td>2.160.828.000</td>
<td>TK = 100</td>
</tr>
<tr>
<td>Paid to investments</td>
<td>Cumulative (2003-2015)</td>
<td>1.633.121.000</td>
<td>38.9</td>
</tr>
<tr>
<td>Per capita (per annum)</td>
<td>327.1</td>
<td>38.9</td>
<td></td>
</tr>
</tbody>
</table>

Sources: (1) Statistical Yearbook of FBiH, various years, (2) Federation in numbers, various years, (3) Tuzla Canton in figures, various years, FZS Sarajevo

* Included: mining, manufacturing and electricity generation.

The industry of the TK contributes to the industry of the FBiH with 216 million KM annually or per capita 432 000 KM. The industry of the TK records a slightly lower level of return on investments that reached 1.63 billion or 38.9 % for the same period with other indicators also showing lower values, hence it would amount to per capita 327 000 KM. The level of employment in the industry of the TK for the period 2003-2015 records a slight decline in the number of employees by 6 %.

Comparison of the TK with other cantons confirms that the industry of the TK is leading industry in FBiH in contribution to employment in the year 2015 (26.1 %). According to the state of investment the TK holds the second position, after Zenica-Doboj Canton, with 25.6 % of realized investments and in the participation in return on investments it ranks third after the Sarajevo Canton (23.7 %) and Zenica-Doboj Canton (20.3 %) (Table 2).

According to its participation in several economic aggregates, Commerce is the second most important economic activity in the Tuzla Canton area after industry. This is especially mindful of internal trade, which achieved the fastest post-war growth in the number of businesses and the number of employees in the Canton. In the period of 2003-2015, 4 258 new businesses were registered in the commerce activity of the Canton. At the same time, impact on employment has been remarkable: about 5,000 new employees, which constitutes an increase of about 39.0%, this data puts trade on the top of the list of economic activities in the Canton (Table 3).

If we look at commerce, as the main driving factor of the economy, in terms of investments realized for the period 2003-2015 (Cumulative), they amount to 822.0 million KM or 17.8% of the economy of the TK. Per capita investments realized of the commerce sector of the Tuzla Canton reach the level of about 164 000 KM. Applying the data analysis, we can see a lower growth of investments realized from the return on investments (850.8 million KM) that makes per capita about 170 000 KM. According to the analysis of these indicators in the year 2015, when compared to the commerce sectors of other cantons in the FBiH the commerce sector of the TK takes the second place (Table 3).
### Table 3 Store in the economy TK and the same activities FBiH in the period 2003 - 2015

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2003. TK % FBiH=100</th>
<th>2015. TK % FBiH=100</th>
<th>US PS TK ZD BP SB HN ZH SK K-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses</td>
<td>4.28 9 37, 5 17,1</td>
<td>8.54 7 34, 1 21,6</td>
<td>9.6 1.8 21.6 12, 1 0.3 9.2 12, 7 5.3 24, 2 3, 2</td>
</tr>
<tr>
<td>Employment</td>
<td>7.78 4 11, 2 15.1</td>
<td>12.7 89 15, 6 16.2</td>
<td>8.3 1.7 16.2 12, 2 0.8 10.8 11, 2 6.3 30, 3 2.2</td>
</tr>
<tr>
<td>Realized</td>
<td>Cumulative (2003-2015) 822.013.000 TK = 100 6.3 2.5 21.7 9.2 0.1 10.0 9.4 9.1 31.0 0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investmen ts</td>
<td>Annual average 82.201.300 17.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Per capita (per annum) 164.6 17.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid to invest</td>
<td>Cumulative (2003-2015) 850.860.000 20.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Annual average 85.086.000 20.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Per capita (per annum) 170.4 20.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: (1) Statistical Yearbook of FBiH, various years, (2) Federation in numbers, various years, (3) Tuzla Canton in figures, various years, FZS Sarajevo

Traffic sector takes the third place in the structure of the economy of the Canton. The level of investment in traffic sector at the level of the Canton differed from that of the FBiH. Due to its significance it has become one of the important development forces of the economy; hence in the developed countries a huge importance is given to this industry, which is reflected primarily in strong subsidizing of economic development through achieving a significant share of GDP.

The data suggests (Table 4) that traffic sector records a decrease in the number of employees for 367 that makes 6.7 % decrease. The traffic sector of the TK contributes to the employment in the FBiH with 23.1 %. One of the reasons for this is the growth in the number of businesses, 820 of them that constitutes a 42 % increase, another reason for this are investments realized worth 371.8 million KM or per capita 74 000. Per capita investments of the traffic sector of the TK reach the level of 8.7 %. Return on the investments had a level of 361.3 million KM that constitutes 8.6 % of the investments in the Canton.

### Table 4 Traffic sector in the economy TK and the same activities FBiH in the period 2003 – 2015

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2003. TK % FBiH=100</th>
<th>2015. TK % FBiH=100</th>
<th>US PS TK ZD BP SB HN ZH SK K-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses</td>
<td>1.12 5 9.8 16.8 1.94 5 7.7 24.4 7.0 1.8 24.4 15.2 1.5 9.1 9.1 2.7 27.0 2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>5.60 5 8.1 19.4 5.23 8 6.4 23.1 4.7 0.9 23.1 16.0 1.0 6.0 10.5 2.5 33.6 1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized</td>
<td>Cumulative (2003-2015) 371.820.000 TK = 100 8.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investmen ts</td>
<td>Annual average 37.182.000 8.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
When the construction sector is discussed, it should be noted that, in the post-war period, a total construction work realized has a value of 72 million KM annually, or 504 million KM for the entire period. The growth rate is more dynamic with 7.8 % when compared to that of the FBiH with 3.9 %.

**Table 5 Construction sector in the economy TK and the same activities FBiH during 2003-2015**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2003. TK %</th>
<th>FBiH=100</th>
<th>2015. TK %</th>
<th>FBiH=100</th>
<th>Cantons in 2015 (FBiH = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>US</td>
</tr>
<tr>
<td>Businesses</td>
<td>606</td>
<td>5.3</td>
<td>16.3</td>
<td>1.10</td>
<td>4</td>
</tr>
<tr>
<td>Employment</td>
<td>4.51</td>
<td>2</td>
<td>5.3</td>
<td>18.4</td>
<td>4.20</td>
</tr>
<tr>
<td>Realized investments</td>
<td>488.961.000</td>
<td>10.6</td>
<td>48.896.100</td>
<td>10.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Paid to investment</td>
<td>Cumulative</td>
<td>392.565.000</td>
<td>9.3</td>
<td>2.6</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Annual average</td>
<td>39.256.500</td>
<td>9.3</td>
<td>0.2</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td>Per capita (per annum)</td>
<td>78.6</td>
<td>9.3</td>
<td>0.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Sources: (1) Statistical Yearbook of FBiH, various years, (2) Federation in numbers, various years, (3) Tuzla Canton in figures, various years, FZS Sarajevo

During the period 2003-2015 the value of the investments realized in the construction sector reached 488.9 million KM or 10.6 % of the economy that makes per capita 97 000 KM. Return on the investments had a lower intensity than the investments realized reaching 392.5 million KM, or per capita 78 000 KM. When compared to the other cantons of the FBiH, the Tuzla Canton takes the fourth place in the investments realized (7.4 %), while the Sarajevo Canton has the highest level (48.1 %) and in the return on investments it takes the second place (25.7 %) after the Sarajevo Canton (28.7 %). The employment trend in the construction sector of the Canton for the period 2003-2015 is decreasing and the number of employees is lower for 309, which constitutes a decrease of 6.8 %. In the same period, the number of businesses increased by 45 %, or 498 of them.
The Tuzla Canton with 22.1% is behind the Sarajevo Canton with 24.1% in the number of registered businesses and the numbers are similar with respect to employment.

According to the results achieved, this economic activity occupies the eighth position in the group of 14 economic activities of the Canton, (Table 5). The above analysis of the most important economic activities of the TK (industry, commerce, traffic and construction sector) about the investments realized, that industry, as the most important factor affecting development and as an incentive instrument for other development factors, contributes the most with 2.1 billion KM in investments realized and 1.6 billion KM in return on investments, which is about twice the volume of investments into commerce.

In terms of number of employees and the number of businesses, commerce has achieved the highest share by far (37.5%), while industry has contributed the most to the employment (40.7%). Traffic as an economic activity, which in developed countries is given much more importance and which has 20% share of gross domestic product and employment, however, in the economy of the Tuzla Canton has a very symbolic share.

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Commerce</th>
<th>Traffic Sector</th>
<th>Construction Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ses</td>
<td></td>
<td>ses</td>
<td></td>
</tr>
<tr>
<td>2003.</td>
<td>12.1</td>
<td>40.7</td>
<td>37.5</td>
<td>11.2</td>
</tr>
<tr>
<td>2015.</td>
<td>2.649</td>
<td>28.147</td>
<td>8.547</td>
<td>12.789</td>
</tr>
<tr>
<td>Realized Investments (Cumulative 2003-2015.)</td>
<td>2.160.828.000</td>
<td>822.013.000</td>
<td>371.820.000</td>
<td>488.961.000</td>
</tr>
<tr>
<td>Paid to investment (Cumulative 2003-2015.)</td>
<td>1.633.121.000</td>
<td>850.860.000</td>
<td>361.386.000</td>
<td>392.565.000</td>
</tr>
</tbody>
</table>

Sources: (1) Statistical Yearbook of FBiH, various years, (2) Federation in numbers, various years, (3) Tuzla Canton in figures, various years, FZS Sarajevo

Commerce is an important development factor and it is going through a phase of intensive growth. One of the most important indicators of the commerce growth is certainly the dynamics of the employment, where this activity has made a significant progress for some 5 000 employees that constitutes a 40% increase for the analyzed period 2003-2015. According to this indicator commerce takes the first place, while it would be the second according to the investment volume. The estimates based on the facts (geographic market, the population, suitable major infrastructure factors, natural resources, etc.) that are a very good indicator of the existence of the preconditions that initiate constant and dynamic development of the commerce in the TK and the wider region.

It should be noted that in the future, the construction sector could be expected to contribute more to the development indicators since it is closely related to industry and the traffic sector that should cause more work for this economic activity. In order to overcome the above mentioned obstacles it is necessary to adopt objectives that would direct growth and development of this economic activity in such a way that it would allow more efficiency. Apart from these objectives, measures for their realization and implementation are necessary to fully implement the previously set objectives into practice.
The essential development objectives for development and promotion of the process manufacturing sector include: (Tulumović 2013, p. 126-127):

- Creating institutional and overall business environment that will continue to affect the development of the process manufacturing in accordance to the area and available potential;
- Improving the competitive power for long-term sustainability and development;
- Creating possibilities for export orientation of the domestic production;
- Identification of the leaders of the development in certain activities of the process manufacturing;
- Directing a higher level of investment in these (undeveloped) areas for the development of industrial activities based on new technologies;
- Ensure equal incentives for development in the sector of the process manufacturing;
- Linking process manufacturing with related activities (agriculture);
- Establish a process of rehabilitation and eventual privatization of processing facilities, as well as organizational and personnel restructuring;
- The optimal use of resources to achieve maximum efficiency;
- The modernization and standardization of production processes with an emphasis on environmental protection;
- Creating clusters and consolidation in order to achieve sustainable development;
- Establishing a unified policy on directing and incentives for the development of process manufacturing and different activities in this sector.

The following measures stand out as realistic for the implementation of objectives that could achieve those objectives and accomplish economic efficiency of the undeveloped area of the TK: (Tulumović 2013, p. 126-127):

- Conducting the analysis of the situation, in order to identify the possibilities of directing and development;
- Establishing agencies for scientific and financial direction of the development of the sector of process manufacturing;
- Establishing the Institute for Standardization;
- Promoting and encouraging clustering through incentives measures;
- Achieving competitive advantages through specialization of production;
- Analyze and apply previous experiences from other similar areas;
- Increased financial allocations for incentives and development;
- Adopting promotion activities and measures to attract foreign investment;
- The use of new technical and technological achievements and methods in production;
- Rationalizing the exploitation of the local potentials available;
- A higher level of educational activities concerning new developments in production.

Construction activity is an extremely important economic activity; at the same time it is also acts as a significant development factor in a certain region, which is reflected in its contribution to employment, creating added value, as well as the fact that it acts a significant consumer for the other production sectors of economy. Additionally, it is also an initiating force for a range of other economic activities, which adds to its importance.
Inadequate equipment, technical and technological outdatedness, and resultantly, inadequate level of quality, unadjusted market mechanisms, led to the creation of inefficient construction sector in the area of underdeveloped municipalities of Tuzla Canton. In the future, it is necessary to significantly promote the construction sector in order to contribute to creation of development effects in the undeveloped areas. This is also confirmed by the fact that there are resource capacities in the undeveloped areas necessary for the development of the construction sector.

In a series of research papers and development strategies the following objectives for the development of construction sector are defined: (Tulumović 2013, p. 127-128):

- Revitalization and reorganization of the capacities to match to the needs of the market;
- Modernization of equipment and facilities, and international standardization;
- Directing the development to those areas where the construction resources are present;
- Adoption of European norms for product quality and environmental protection;
- Strengthening the competitive strength through consolidation;
- Expansion and development of new product ranges;
- Developing a model of public-private partnership;
- Establishing the institutional capacities for directing and promoting the development of the construction sector;
- Adoption of incentive measures for development.

The above mentioned objectives for the development of the construction sector could be achieved by applying the following measures: (Tulumović 2013, p. 127-128):

- Introduction of new technological processes of production and construction;
- Allocation of funds for the purposes of revitalization;
- Realization of the program for promotion and investment strategy for attracting foreign investment;
- Greater utilization of domestic potentials;
- Incentives and programs of merging and increasing of capacities;
- Directing production to meet the needs (demand) of the market;
- Affirming the public-private partnership model;
- Directing funds to development projects and for sustainable development incentives.

Commerce and Traffic sector: (Tulumović 2013, p. 130):

- Improving commerce and catering activity, and linking them to other similar activities;
- Developing the process of commerce and catering based on local resources;
- Providing a high level of supply for the economy and population with necessary goods and services;
- Improving the trading network and innovate freight-service flows;
- Improving promotional activities for supply;
- Linking commerce and catering and other activities in a more efficient way;
- Constructing modern capacities in the catering industry;
- Expending the range of products on supply;
- Providing incentives for the development of the service sector as a means of sustainable development;
- Creating institutions for coordination and directing the service sector towards cooperation.
In order to achieve the objectives defined and implement them in a realistic and effective way it is necessary that the following measures are applied: (Tulumović 2013, p. 130):

- Increased financial allocations to boost the service sector;
- Improving the existing facilities through the revitalization and reorganization, on the basis of domestic and foreign financial resources;
- Statutory regulation of the functioning of the services sector;
- Modernizing the capacities of the service sector through the application of new technological accomplishments;
- Increasing the level of promotion of domestic supply and potential;
- Creating a unique network for coordination of services that would complement each other;
- A higher level of investment in accommodation, entertainment, cultural, exhibition and other facilities through its own allocations and by attracting foreign investment;
- A stronger directing towards the service sector and taking advantage of its benefits for the development of the area;
- Establishing a policy of the service sector that would enable a greater efficiency in this sector both within the underdeveloped areas and beyond.

These are only some of the most important economic activities that are necessary for the development of a certain area and without them there could be no results in development.

4. Discussion and results of research

The Tuzla Canton is rich in various resources that served as the basis for the development of a wide range of industrial productions. Coal and stone are the two most important mineral resources in the region. The salt deposits are the only ones of its kind in Bosnia and Herzegovina (BiH), while according to the coal deposits; this area is the most important for the energy sector in BiH.

Additionally, geographic location is another significant advantage of the Tuzla Canton for its effective development. The economy of the TK is a part of the economy of BiH and as such it is dependant of the actual trends in the economy of BiH, but it also contributes to them. Moreover, it is also influenced by the condition of the economy in the closer region as well as in the more distant one, which the economy of the Canton cooperates with. The physical volume of production and capacity utilization in the most of the companies goes through a growth trend. The most important economic sector is industry. The analysis confirms that own participation by means of buildings, equipment and money dominate in the provision of financial resources for investments, followed by bank loans, financial lease and other sources. In the post-war period the growth rate of investments in the TK is lower than the average growth rate of the investment in the FBiH. Overview of investments by economic activities shows that processing industry and commerce had the highest level of investment, while the lowest level was recorded in agriculture and catering. Concerning the FDI, these were mainly manifested through the influx of foreign investment in the form of ownership restructuring of domestic companies that is realized as privatization activity.

A higher level of FDI is more evident into already existing capacities and less for the new investments. These investment activities are focused on production capacities (around 55%) and financial sector (about 16%). In the structure of employment and GDP the share of the tertiary sector is growing, the share of the secondary is decreasing, while the primary sector has the lowest
participation. Exports and foreign direct investment are completely dominated by the secondary sector. The Canton is characterized by the low level of usage of agricultural land, as well as low average effects in primary agricultural production.

Low employment rate and high growth of unemployment constitute one of the most important problems the economy of the Canton is facing. In total number of employees, the highest percentage belongs to industry (40.7 %), followed by commerce (11.2 %), traffic (8.1 5) and construction sector (6.5 %), while agriculture, hunting and forestry contribute only about 2%. The cause of unemployment is mainly cyclical and partly of cyclical nature. There has been a drastic decline in employment in state-owned enterprises, while the privatization and restructuring of enterprises on one hand, and the emergence of new businesses, on the other, are too slow to absorb surplus labor.

Based on the above, dominant economic activities of the Canton, according to all indicators (contribution to employment, investment and GDP), are: process manufacturing, commerce, mining, construction sector and traffic. It is worth mentioning that the activities of the public sector (school sector, healthcare sector and public administration), contribute greatly to the employment. In the area of undeveloped municipalities of the Tuzla Canton, the manufacturing industry is presented by the activities that have evolved and have opportunities for development in these areas and those are: food industry, wood industry, building material industry, textile industry and other activities.

These activities have a significant contribution to the development of the areas in which they exist, but to a large extent, these capacities are not at the level they should be, due to disorganization / inconsistency of development policies, underutilization of available potentials and large disparities in development.

In order to overcome these obstacles it is necessary to adopt objectives that could focus the development and promote these economic activities in such a way that would enable greater efficiency. Apart from these objectives, measures for their realization that is implementation of the objectives that would fully implement the objectives set in practice are also necessary. These are just some of the most important economic activities that are necessary for the development of an area without which there could be no necessary development results. With these objectives and measures, and available resources the Tuzla Canton can create a very comfortable environment for socio-economic life of the population in these areas.

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