REGIONAL DEVELOPMENT POLICY OF THE EUROPEAN UNION IS A SOLUTION FOR THE REGIONAL DEVELOPMENT OF BOSNIA AND HERZEGOVINA

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Abstract

One of the objectives of the research in the work is to determine the role of the European Union’s pre-accession assistance policy (IPA) which, based on the results of the analysis of the research in the paper, directly or indirectly influenced regional development in Bosnia and Herzegovina, and remains one of the key development levers in overcoming regional and general underdevelopment. The subject of the analysis in the paper is to bring closer the significance of regional development in the function of overall economic development, with a special emphasis on Bosnia and Herzegovina. The main goal of this paper is to assess the level and pace of regional development of Bosnia and Herzegovina on the one hand, and the Euro-Atlantic path of Bosnia and Herzegovina as a potential candidate for EU membership on the other. The primary research of regional development and assessment of the level of development as well as the scope of structural policies in overcoming the key political, social and economic problems that hinder the development and improvement of the economic integration of Bosnia and Herzegovina towards the European Union are limited to the territory of Bosnia and Herzegovina. The basic scientific methods used in the work and giving answers to research questions are historical and comparative methods. They consist of methods and indicators of statistical analysis (indices, growth rates, participation rates, coefficients, averages). Specific scientific methods used in the process of work are: method of analysis, synthesis method, induction method, descriptor method, deduction method, classification method, comparison method. The empirical results of the research confirm that Bosnia and Herzegovina is faced with the problem of regional development with a pronounced imbalance between the areas within the whole territory of Bosnia and Herzegovina. This confirms the need for systemic policy as well as regional development policy at the level of Bosnia and Herzegovina that would be in line with the policies of the European Union.

Keywords: regional development policies, integration into the EU.

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1. Introduction

Regional policy of the European Union is a matter of growing interest in candidate countries and potential candidates for full membership, because the preparation has already started due to the use of pre-accession funds for structural funds and cohesion funds, which are only available to member states. In Bosnia and Herzegovina, regionalization is also necessary in the context of joining the European Union. Establishing a regional structure is one of the prerequisites for inclusion in the EU's regional development policy, and access to development funds that stimulate the country's balanced economic development.

The necessity of establishing a regional development policy at the level of Bosnia and Herzegovina is one of the key factors for successful economic development and overcoming or alleviating regional imbalances at the level of development, especially from the point of view of local units as bearers of economic development. Therefore, in the following, we will show in greater detail the importance of regional policy at the level of Bosnia and Herzegovina with a focus on the EU.

The subject of the analysis in the paper is to bring closer the significance of regional development in the function of overall economic development, with a special emphasis on Bosnia and Herzegovina. Some of the research questions that arise in the analysis of regional development have a spatial and economic character, so we highlight: how important is spatial allocation in overcoming regional underdevelopment?, what are the causes and consequences of regional underdevelopment?, the importance of EU integration to the regional development policy of Bosnia and Herzegovina?, the importance of adopting regional development policy at the level of Bosnia and Herzegovina, as well as other issues of relevance to the subject of study. One of the objectives of the research in the work is to determine the role of the European Union's pre-accession assistance policy (IPA) which, based on the results of the analysis of the research in the paper, directly or indirectly influenced regional development in Bosnia and Herzegovina, and remains one of the key development levers in overcoming regional and general underdevelopment.

2. Review of literature on regional development

In the economic development of any area, branch or structural dimension, a spatial component is also very important. In general, the region is a territory that has a recognizable local, administrative, cultural, political significance or economic power and cohesiveness. The region can therefore be defined as a territory in which the interaction between market actors and streams creates a regional economic system, and the boundaries determined by the point at which the magnitude of these interactions and flows is changing from one direction to another (Cooke, 2004). The significance of the regional component A. Bogunović connects
with the need of, (Bogunović, 1991): coordination of sectoral and regional policy for more efficient development of the whole economy; continuous interregional cooperation from which production specialization results in relation to the comparative (competitive) advantages of certain areas; effects in better exploitation of regional potentials.

M. Šverko, in efficient management of regional development, identifies, (Šverko, 1995): possibilities to mitigate regional inequalities (economic, social); the need to accelerate the development of regions and national economies; possibilities for optimal use of specific development and other potentials at local and regional levels; the possibility of establishing a rational sectoral and territorial division of labor.

The importance of regional development, M. Kantalić sees in "increasing the efficiency of national economic development and achieving balanced development among the regions. He points out that regional policy should create optimal conditions for the development of regions in order to increase the economic power of the entire regional area. "The lack of the current regional policy towards Kantalić is that "the emphasis on economic development is increasingly focused on the regional balance and the exploitation of development factors in order to improve the economic situation of the lagging regions" (Kantalić, 2005).

The policy of regional development according to K. Rubić implies "building and defining the concepts, strategies, goals, tasks and current economic policy measures and their realization at different territorial levels. It is based on the compatibility of regional, branch and global policies. Regional economic policy is characterized by a system of coherent relations that directs regional development, and works to stimulate development processes that improve the region's economy "(Rubić, 1999).

If we look at Bosnia and Herzegovina, it can be seen that the market transformation is reduced to macroeconomic stabilization, that country only enjoys the stability of the so-called nominal economic indicators (stability and convertibility of the domestic currency, fixed exchange rate and low inflation rate). However, even this kind of stability is, on the one hand, handicapped by the entity structure that denies the state of macroeconomic policy, and on the other, it does not correspond with real economic progress. In contrast to the nominal, real economic indicators show the economic lagging of the country (the constantly high unemployment rate, the high deficit of trade and balance of payments, the sustainability of external debt with international assistance and transfers from abroad, and, hopefully, the rate of economic growth insufficient not only for the immediate closure of the economic gap according to the EU, but also to reach the level of income of countries from the last fifth enlargement of the EU), (Hodžić, 2010). Successful economic development in Bosnia and Herzegovina according to Hodžić would focus on two directions: "anticyclical policy and the opening of a new approach to Bosnian and Herzegovinian integrity with a changed theoretical-ideological paradigm and the concept of integrating economic and social
Regional development policy of the European Union is a solution for the regional development of Bosnia and Herzegovina (Hodžić, 2009). Osmanković differentiates the motives of regional policy into economic and political ones. They are economically identified in realizing the need for balanced development, solving unevenness and optimizing profits on the basis of an adequate allocation of capital in production. They are politically manifested in eliminating dissatisfaction of the population of underdeveloped areas, reducing population migrations and others (Osmanković, 2001).

3. Bosnia and Herzegovina from the aspect of regional development

In theoretical analysis of the research, many authors point out whether regionalization is a cause or consequence of some regions developing faster than others, that there are significant differences in the level of social, economic and overall well-being of the region. According to the above, it is clear that these issues are also present in Bosnia and Herzegovina (Barbić, 2010). Regionalization of Bosnia and Herzegovina can be classified into three basic groups: scientifically founded regionalizations presented in the works of Bosnian authors, military-political regionalization prepared by international experts and administrative regionalization as a kind of economic and regional policy. Regionalization and Centers of Socio-Economic Development in Bosnia and Herzegovina "is a proposal for the division of Bosnia and Herzegovina into four macro-regions and sixteen regions, (Osmankovic, 2002): 1) macroregion Bosnian krajina with five regions; 2) macroregion northeastern Bosnia with four regions; 3) macroregion Sarajevo-Zenica with three regions; 4) macroregion Herzegovina with four regions: Mostar, Trebinje, Konjic and Livno.

Bosnia and Herzegovina in the process of integration into the European Union is facing the challenges of regionalization, interregional cooperation with neighboring countries, as well as the possibilities of economic and social development of the country through the support of the Structural Funds offered by the European Union. Regionalization is not only a prerequisite for accessing the European Union's funds for regional development but also an increasingly important factor in the process of overall European integration, which Bosnia and Herzegovina is also a part of. Acceptance and application of the Euroregion concept in Bosnia and Herzegovina, in addition to opening up the possibility of accessing EU funds for regional development, would contribute to the internal political and economic integration of BiH, as well as the fulfillment of conditions for admission of the country to EU membership.

The regionalization of Bosnia and Herzegovina must be considered in the context of the modern integration processes of the European Union based on the nomenclature of statistical territorial units of the NUTS region. Respecting the EU criteria on the region and regionalization, Bosnia and Herzegovina could be regionally regulated at the hierarchical level of the NUTS - 2 regions. It is possible to regionalize Bosnia and Herzegovina according to European NUTS standards in the Banja Luka macro region of 15,210 km² with 1,078,099 inhabitants or 28,4%, the Tuzla macro region of 10.393 km² with 1,260,059 inhabitants or
33.2%, the Sarajevo macro region 10.495 km² with 955.477 inhabitants or 25.1%, Mostar macro region 15.031 km² with 497.987 inhabitants or 13.1% of the total population in Bosnia and Herzegovina.

NUTS regionalization of Bosnia and Herzegovina is an imperative of the process of integration into the European Union. The European regional-geographical concept applied in the territory of Bosnia and Herzegovina must, among other things, respect the cross-border regional-geographical division of neighboring countries in full compatibility capacity (Spahić, 2014).

If we observe the level of regional development for the territory of Bosnia and Herzegovina or all of its municipalities, it can be said that out of the total number of municipalities in the category of developed there are 47 municipalities, while in the category of moderately developed there are 35 municipalities and the Brčko District, on the other hand the category of underdeveloped ones belongs to 32 municipalities, and extremely underdeveloped are 28 municipalities. According to the results of the survey in Bosnia and Herzegovina, each fifth municipality is extremely underdeveloped and every fourth is underdeveloped, and every third municipality is developed, i.e. from the total number of municipalities, about 33.1% belongs to developed municipalities, moderately developed 24.6% underdeveloped encompass about 22.5%, and extremely underdeveloped around 19.7%. By comparing only developed (developed + moderately developed) and underdeveloped municipalities (underdeveloped + extremely underdeveloped), we have the proportions of the levels developed at the level of 57.7%, while the representation of the underdeveloped is at the level of 42.3%. This ratio shows a high level of representation of underdeveloped municipalities, that is, over 40% of Bosnia and Herzegovina is underdeveloped.

Analyzing the gross domestic product achieved on the territory of Bosnia and Herzegovina in the period from 2006. to 2017., the realized GDP grew at a rate of 4.0%, i.e. from 20.0 billion BAM in 2006, to 29.9 billion BAM in 2017. The growth rate in the period 2006. - 2011., is around 5.5%, and in the period 2012. - 2017., it is slightly less than about 3.3%. Considerable differences in the employment dynamics are observed in municipalities. The data show that around 71.6% of the labor force is concentrated in the developed municipalities of Bosnia and Herzegovina (not mentioning moderately developed municipalities) and only 10.4% in underdeveloped ones (underdeveloped + extremely underdeveloped). If we look at the investment dynamics in the municipalities of the Federation of Bosnia and Herzegovina in 2017., a total of EUR 2.4 billion was invested in the economy of the Federation of Bosnia and Herzegovina, which represents 58.9% of the investments realized at the level of BiH.

Of this, in the economy of underdeveloped municipalities, only 174.5 million BAM or 7.0% were invested, while 1.7 billion BAM or 89.8% were invested in the economy of developed ones, while 34.4 million BAM were invested in the extremely underdeveloped ones or 1.3%, and in the moderately developed ones 391.5 million BAM were invested, which is 15.8%. All
this shows the different levels of participation of municipalities in the realized investments and the different economic effects in these areas. If we look at the investment dynamics in municipalities in the Republic of Srpska in 2017., a total of about 1,6 billion BAM is invested, which makes 39,9% of investments realized at the level of Bosnia and Herzegovina. Only 46,2 million BAM or 2,7% were invested in the economy of underdeveloped municipalities, and 1,4 billion BAM or 88,0% were invested in the economy of developed ones, while 19,5 million BAM were invested in the extremely underdeveloped ones or 1,1%, and 188,2 million BAM was invested in the economy of moderately developed ones, which is 11,2%. By comparing the volume and dynamics of the realized investments in the territory of the Federation and Republic of Srpska, it is confirmed that the participation of the Federation of Bosnia and Herzegovina is significant (58,9%) in relation to the Republic of Srpska (39,9%).

Developed municipalities of the Federation of Bosnia and Herzegovina participate with 89,8% in investments of Bosnia and Herzegovina and municipalities of Republic of Srpska with 88,0%. On the other hand, the extremely underdeveloped municipalities of Federation of Bosnia and Herzegovina participate with 1,3%, and in Republic of Srpska, this group of municipalities participates with 1,1%. This comparison points to an economic advantage in the level of development of the Federation of Bosnia and Herzegovina in relation to the Republic of Srpska entity.

At the level of Bosnia and Herzegovina, the foreign trade volume was 25,5 billion BAM in 2017. Total goods were imported in the amount of BAM 16.1 billion, while total exports amounted to BAM 9,4 billion. The coverage of import by export in the same year was 58,3%, which is in favor of imports of -6,7 billion BAM. In the period from 2006. to 2017., the volume of foreign trade of Bosnia and Herzegovina grew from 16,5 billion BAM to 25,5 billion BAM and on the other hand coverage in 2006., amounted to 45,0% while for 2017., it was at the level 58,3%. According to the data, Germany is first-ranked with 1,9 billion BAM of imports, which is 12,4% of the total realized imports to Bosnia and Herzegovina in 2016. Below Germany is Italy with 1,8 billion BAM or 11,8%, Serbia 1,8 billion BAM or 11,3%, and Croatia with 1,6 billion BAM or 10,0% share, and other countries. According to the available data and analyzes, Bosnia and Herzegovina has a developed export-import network.

It is important to distinguish the countries where Bosnia and Herzegovina exported most to: Germany, 1,4 billion BAM or 15,7% of total exports, followed by Italy with 1,1 billion BAM, which represents 12,0% of participation, Croatia with 985,3 million BAM or 10,5%, Serbia 822,8 million BAM or 8,7% participation, and others.

These analyzes of the research clearly indicate that there is uneven economic development in Bosnia and Herzegovina and that the condition of development level of some regions continues to expand, which has a negative effect on the overall development of Bosnia and Herzegovina. All this points to the need to adopt a regional development policy harmonized with the policies of the European Union which, in the path of integration, will result in a
higher level of economic development in Bosnia and Herzegovina and a reduction in the level of regional disparities.

4. Integration of Bosnia and Herzegovina in the European union and the nationality for regional development policy

Bosnia and Herzegovina is focused on meeting the guidelines - the Roadmap conditions, set by the EU as the first phase of the country's preparation for its full involvement in integration processes. The Roadmap is a document adopted by the EU Council of Ministers in 2000., which defined 18 guidelines, that is, the conditions for the inclusion of Bosnia and Herzegovina in the European integration process and the transition to the next stages of the Stabilization and Association Process, i.e., the elaboration of the Feasibility Study and the opening of negotiations on the stabilization and association. The goal of integrating Bosnia and Herzegovina into the structures of the European Union and eventual membership in the EU achieves widespread support in Bosnia and Herzegovina. However, in order to achieve this goal, countries should first and foremost demonstrate that they share the fundamental values of the EU, as well as the capacity needed to fulfill the commitments stemming from the Stabilization and Association Agreement.

In 2016., Bosnia and Herzegovina submitted an application for EU membership. The application was accepted. Then, in December 2016., the European Union delivered a questionnaire to Bosnia and Herzegovina with 3,242 questions that the state institutions need to complete within six months. On 28 February 2018., Bosnia and Herzegovina submitted replies to the Questionnaire to the EU Delegation. When the answers to questions in the questionnaire are accepted, the European Commission's opinion will follow whether Bosnia and Herzegovina fulfilled the conditions for obtaining the status of candidate for EU membership (Pejanović, 2018:45-68).

According to the findings of the 2014., Progress Report, Bosnia and Herzegovina has achieved a high level of trade integration with the EU, and remains the main trading partner (EU) of Bosnia and Herzegovina, and further strengthened by Croatia's accession to the EU from 1 July 2013. Consequently, the share of exports to the EU increased to 73,5%, while imports from the EU slightly decreased to 60% of total imports. The most important trade partners from the EU are Germany and Croatia. CEFTA countries remain the second most important trading partner and account for 16% of exports of goods and 11% of imports. The establishment and successful operation of regional development policy is not only a requirement that is placed before Bosnia and Herzegovina in the process of European integration, but also one of the basic mechanisms for more effective implementation of development policies in all relevant areas that have a direct impact on the quality of life of citizens. The current situation in Bosnia and Herzegovina is characterized by slow economic growth, insufficient support of the governments of Bosnia and Herzegovina in overall
development, unemployment, slow development of the private sector and small and medium-sized enterprises, and insufficient use of available credit and donor funds, including funds from the EU.

European integration and the acquisition of candidate country status should further motivate policy development towards regional development. In this context, the obligation to accept the principles of European regional policy, that is decentralization and subsidiarity, in partnership with the creation and implementation of regional development policies, should be the basis of a strategic commitment in this area. Priorities of the regional policy of Bosnia and Herzegovina should respect the priorities of the European Union. A regional approach in a range of segments, such as: the financial, legal or institutional segment can be more quickly contributed to a whole range of adjustments, in particular activities focused on the regional development and regional policy of Bosnia and Herzegovina. The introduction and application of EU standards in Bosnia and Herzegovina in the field of regional development and cooperation will enable access to special programs for support to regional development.

5. Conclusion

Undoubtedly, Bosnia and Herzegovina has a long and very difficult path to overcome in order to make it to the European integration. In a country with high unemployment and major social problems, eliminating the gray labor market is one of the priorities. Low competitiveness of the economy is also one of the biggest problems. Typically, the available resources are insufficient for successful functioning, especially for local development and capital investment in infrastructure and economy at the local level.

The empirical results of the research confirmed that Bosnia and Herzegovina faces a problem of regional development with a pronounced imbalance between the areas within the whole territory of Bosnia and Herzegovina. This confirms the need for systemic policy as well as regional development policy at the level of Bosnia and Herzegovina that would be in line with the policies of the European Union. EU assistance policies towards Bosnia and Herzegovina are multiple, and one of these is the creation of five regions that combine historical, geographical, cultural, economic and other links of municipalities important for development. This is certainly a temporary solution to regionalization in Bosnia and Herzegovina, since the accession to the Structural Funds of the region will have to be regulated according to the Eurostat nomenclature, which implies NUTS 2 nomenclature for Bosnia and Herzegovina.

Derived data and results of empirical research point to the facts: there is a big disproportion in terms of the share of underdeveloped areas in the population and participation in GDP, which means that this area lacks the capacities of economic activity that would affect new products and services, i.e., significantly increased effects in gross social product. The second is a
disproportion, truthfully significantly smaller between participation in the total number of employees and the share of GDP, which confirms the insufficient efficiency of the labor force of this area in relation to the economically developed ones.

The third indicator is related to the comparison of the share of the underdeveloped area of Bosnia and Herzegovina in the realized investments and the share of GDP. The data indicate the need for more effective investment in this area of Bosnia and Herzegovina compared to the rest.

European integration, as a basic strategic and political commitment and as a strategic framework for the overall democratic and economic development of the country, means the continuation of European integrative flows and the fulfillment of numerous, complex and interconnected conditions.

The empirical results of the research confirmed that Bosnia and Herzegovina faces a problem of regional development with a pronounced imbalance between the areas within the whole territory of Bosnia and Herzegovina. This confirms the need for systemic policy as well as regional development policy at the level of Bosnia and Herzegovina that would be in line with the policies of the European Union. According to the preceding one, we can conclude that the correct regionalization and decentralization established on the one hand, according to the conditions and possibilities of Bosnia and Herzegovina, and on the other hand with the standards and policies, and especially the instruments of European Union assistance, would enable economically balanced development of all territorial units in Bosnia and Herzegovina, overall development and greater competitiveness of Bosnia and Herzegovina.

Regional development policy and processes of Bosnia and Herzegovina should be part of a strategic development plan that must be created on the basis of the joint action of state authorities and municipal / local units. This would create an environment for a successful regional policy, a greater absorption of funds from EU funds, as well as strengthening the competitiveness, institutional and legal capacity of local units and the country as a whole.

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Regional development policy of the European Union is a solution for the regional development of Bosnia and Hercegovina