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## Relevance and justification of the regional development agency approach for the Brcko district of BiH

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## **Relevance and Justification of the Regional Development Agency**

### **Approach for the Brcko District of BiH**

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#### ***Abstract***

Still facing the consequences of a post-war and a post-communist transition, BiH is trying to consolidate the strategies for a sustainable peace, based on institutionalisation of a pluralistic democracy – less obsessed by the ethnic questions – and a socio-economic development - that does not necessarily have to rely on the international assistance. Bosnia and Herzegovina is far from being an unitarian institutional, political and social subject and the differences that have marked the years of the war have got consolidated in a constitutional structure that is for sure one of the most complicated that are currently existing in the world.

The lack of the presence of a State in the policy making process, is often filled up in Bosnia by the emerging role of local authorities. The case of Brcko District of Bosnia and Herzegovina is rather unique and is a sort of paradox in the paradox of the BiH situation. After getting an autonomous status which was a result of a long and tiring political mediation, Brcko District is now facing the challenge of building a regional development strategy, which has not only to be «politically correct» (like almost all the decisions that have been recently regarding this little but strategic territorial area, so crucial for the BiH peace stability) but has as well to match the difficulties of achieving a future sustainability.

The following paper aims to give an answer to the following crucial questions:

- ❑ Does it make sense to promote a regional development strategy and the institutionalisation of a Development Agency for a limited territorial area like Brcko, created as a consequence of a war scenario?
- ❑ What is the specificity of Brcko and what – on the contrary- can be used to build up a model replicable elsewhere in BiH?

## **Introduction**

Brcko District of BiH (BD) represents a microcosm of all positive and negative elements and movements in Bosnia and Herzegovina. It has a unique strategic location:

- ❑ It represents communication link between the eastern and the western part of the Republic of Srpska (RS),
- ❑ It represents a significant center of communication between Federation of BiH (FBiH) and Croatia and other European countries.

Prior to the establishment of the District, its territory was divided into two parts; one third of the territory was controlled by the Republic of Srpska (the central residential area, and town), and the remaining two thirds of the territory belonged to the Federation of BiH. The main advantage of the region lies in its location, which is determined by the following factors:

- ❑ Proximity to the Zagreb-Belgrade Highway (European Corridor X), the main commercial land route between Central and Southeastern Europe,
- ❑ The port on the Sava River, the biggest river port in BiH, important for the transport of imported and exported goods.

The Dayton Peace Accords of December 1995 (Annex 2) required that the region be put under international supervision, and called for the establishment of an Arbitration Tribunal for Brcko, tasked with making a decision on the future of Brcko. The Final Award on Brcko was published on March 5, 1999, and it stipulated the establishment of the District that would encompass the entire prewar territory of Brcko Municipality, to function as a condominium area controlled by both Entities and subject to international supervision.

The level of social and economic performance of Brcko District and in the surrounding regions was low due to a number of specific factors that can be divided into four groups:

1. Unfavourable initial conditions in the region undergoing transition, an economy with an unbalanced industrial structure, underdeveloped and insufficiently integrated institutional system and social structures.
2. Weak and inconsistent policies with regards to structural reforms, resulting in Brcko District lagging behind others in the privatization process.
3. A recent war and smoldering ethnic discord.
4. A cluster of unfavorable economic elements, like an unfriendly business environment, a weak and transitional political system, and inconsistent macro-economic policies that

have a negative influence on the economic integration of the region with the neighboring areas.

### **1. Why the BDDA was established on a District base?**

For the International Assistance Strategies in general, BiH represents with no doubts a unique scenario which has often led to the question of the need to redefine – fully or partially – the models of TA as they have been consolidating in transition countries over the past decade. The Brčko District is – on his own – one of the main cases of the unique BiH constitutional/institutional structure, as it has been defined under the Dayton Agreements. This specificity plays an inevitable consequence on the definition of the strategies and actions of the International Community assistance, including on the efforts to promote Regional Development in Brčko.

As part of its assistance to BiH, the EC has allocated an amount of 1.0 million € to support a Project of TA to Regional Development in Brčko. Among the different activities and steps foresaw in the ToR of the Project, there was the establishment of a REDA (Regional Economic Development Agency) in Brčko, which had to lead to the creation and adoption of a Brčko economic development strategy. This having being set as a priority, however, there is a need to make some more clarity over the decision to move towards a Brčko District Development Agency, given the Brčko specificities.

There are a number of :

- a) political-constitutional, and
- b) institution building issues

which led to the consideration that the creation of a District Development Agency for Brčko was – if not the ideal theoretical solution – certainly the only possible step to be undertaken in order to promote effective regional development policies.

#### ***Political and Constitutional Aspects***

Since the Dayton Agreement has been signed at the end of 1995, the real open question in the Bosnian public opinion has been the future status of “Brčko”, a town considered crucial and extremely visible for its geo-political position. At that time, several political commentators

and observers (international and local) have repeatedly outlined that a bad management of the Arbitration could have led to a new *casus belli* between the two Entities and deeply affect the consolidation of the State level institutions. In that atmosphere, dominated by political aspects and considerations rather than economic ones, the Arbitration decision has been finally taken, suffering the need to find a full compromise between the different extreme options present at that time and proposed by the Governments of FBiH and RS.

A legal regulatory environment has been created, which gave to Brčko an extremely wide autonomy (from the creation of the BD statutes to the creation of the District Assembly with legislative attributes; from the competences of the Government and Police to the autonomy in the field of the judicial system). While the State legislation is applied in the BD, the entity laws may be overridden by District laws.

But the issue of the *application* of the status of Brčko still remains open today, and there are some attempts from radical wings in the two Entities to come back on the decision and to put the question again on the top of the political BiH Agenda.

This is facilitated by the fact that starting from the BiH Constitutional organisation at State level and lower, only few people in Bosnia and Herzegovina consider that the current political and institutional situation will resist with no changes in a near future, giving thus new hopes to the discontents. Periodically, both sides are still trying to demonstrate that Brčko *de facto* belongs to one of the two Entities, by instrumentally using minor episodes (this is not difficult in such a symbolically charged country like BiH, where national issues are still sensitive and even the smallest episodes might have a political relevance in the daily relationships).

Perceiving this risk, the International Community has been very unanimous in supporting the idea of a Brčko District as autonomous local self-government in BiH, equally distanced from the two Entities, putting the efforts – eventually – in promoting a closer integration directly with the State institutions. For these reasons, it would be extremely dangerous and lead to political miss understandings if – hierarchically – the policy making of the local self-government of the Brčko region would depend from structures (public or private) based in one of the two Entities.

Regional development policies don't make exception to this consideration and – for the time being – economy is still largely influenced by political decisions, not only those of the international community. In other words, taken the decision to create a Development Agency

as a strategic tool to undertake and facilitate local business development, this should definitely be based in Brčko and have competencies over the District territory. Different solutions might still lead to new political speculations over “to who *really* belongs Brčko”.

There is an emerging orientation in the District towards a “we-could-do-it-ourselves” feeling, reinforced by the consideration that objectively integrating with the rest of BiH (the South of the Country) would be in the short term more difficult than immediately open to a strong linkage with the other side of the river-border.

In order to avoid these easy temptations, the horizontal communication among Brčko and the neighbouring political and economic regions in FBiH (Tuzla Kanton, Posavina Kanton) and in RS (Bijelina Municipality) is a priority, not to fall into an isolationism that would be even worst than the development of an a-symmetrical relationship with one of the two Entities. In this sense, the Brčko District Development Agency (BDDA) is an ideal flexible subject to promote an easier institutional horizontal communication with the neighbouring regions both in FBiH and RS. From the achievement of an equal development of these contacts in both entities, depends the credibility of the results of this networking. The ease in moving towards the neighbouring regions through the business promotion activities gives the BDDA the possibility to be one of the factors that will help avoid a “golden-isolation” of the Brčko District.

Territorial dimension is a relative concept in Bosnia, if compared to most of the EU and US standards. The Balkans have become famous over these years for their radically different scenarios, often divided only by few kilometres. Therefore, the “size” of Brčko does not seem to be the major aspect in analysing its potential political and economic role in BiH, as a natural gate towards the main transport corridors and towards the inter-entity co-operation.

Finally, today the Government of the Brčko District is the only self-government unit directly under the influence of the BiH Council of Ministers. This still largely remains an unexpressed potentiality (it is not clear yet who in the BiH Council of Ministers is responsible for dealing with BD) that will have to be explored more in the future and could see a strong role of the BDDA, as one of the connecting elements between these two levels.

The whole BiH experiment of assistance is still constantly playing on the double field of promoting stability and development, the two thing not always being reciprocally coherent. One of the specificities of the BiH scenario has been the overload of international missions

present locally in forms and with mandates that are quite different from the main previous experiences of assistance to transition countries.

### ***Institution Building Aspects***

If it is generally accepted that business support services are usually not managed directly by Local Authorities and that rarely they can do more than promoting politically and administratively the consolidation of an environment favourable for business. This is even more true in the case of Brčko for the following Institution Building aspects:

*Representativeness rather than decision making.* The institution building of the Municipal Government in Brčko (like the process of *constitutionalisation* of the BiH State) has been inspired by a general principle of participation and inclusiveness, emphasising all aspects related to the *representativeness* of the institutions, rather than to their capacity of *decision making*.

The proportional principle of representation has been preferred to the majoritarian one as a logical consequence to adopt an idea of “taking-in” of almost all political-ethnic parts in the new State and Administrative machinery in the post war. Of course, this has frustrated the efficiency of the political and administrative levels in making effective decisions and, later on, in implementing them.

Under this point of view, the Brčko District Development Agency – as a subject co-operating with the Public administration and its elected officials, but remaining legally an external body – conquers an additional flexibility and more task-oriented management, being obliged to respect, but not necessarily to depend on, the political equilibrium of the public sector.

*The advantage of a “late-comer” institution.* The Government of Brčko – as a case of “*late comer*” institutional system – still is in a structuring phase of its relationships with the numerous administrative levels present in BiH and is now developing its policy making structure. In terms of institution building, Brčko District has still to develop most of its internal levels, but in term of governance efficiency, it demonstrates to have a greater potential than the rest of BiH – because of the minor presence of institutional residues from the previous regime.

The leadership of Brčko seems aware of these possibilities, and has autonomously managed to sensibly reduce the political internal tensions.

Moreover, as recently demonstrated during the process of establishing the BDDA and preparing the Development Strategy, Brčko can play on the physiological advantage of being quite a “compact” territory to administrate, so that the linkage with its local social and economic factors will probably be easier than in other parts of BiH.

This environment will facilitate the achievement for the BDDA of a dynamic relationship with the local government structures and officials.

## **2. Why BDDA was established as an Agency with prevailing public interest?**

However, complementarities between Public and Private sector are relatively a new concept and have been moving on significantly only after the end of the war. For long time the Public sector had to give answers to any kind of issues emerging in social and economic life, including the relatively weak small business sector.

Over-structuring and over-staffing of the public administration offices were the main consequence of this attitude and still today the Public sector – animated by a political game which is often very personalised – approaches any new policy and administrative initiative more from the perspectives of the structures that it will create rather than of the policies and activities that it will generate.

The BDDA status on one side avoids new hyper-structuring and uncontrolled multiplying of offices and sub-offices, keeping its functions in a cost-benefits logic; but on the other side, remains strictly linked to the orientations of the Local Government, being perceived as an external complementary tool for the implementation of its policies.

The ease to deal with a Development Agency (DA) is therefore not only from the side of the international donors but from the Local Government as well, so that it maintains full legitimacy over the main strategically important decisions, without the need to internalise the DA services within the Municipal-District offices.

Regarding its sustainability, it is highly probable that – given this linkage with the Local Authorities policies and the morphologically new situation described above – the Brčko Government will actively support in the future the sustainability of the BDDA, both through a political and financial support.

Soon after the signing of the Dayton Peace Agreement in November 1995, the international donors developed a policy framework for the country that prioritised SME development, making available both technical support, policy advice and massive financial resources. At the time, the straightforward neo-liberal approach was proposed, with the state being advised to “get out of the way” (World Bank, 1997b, p 12). In fact, taking into account the political conditions of the post-war BiH, the state was expected to play a minimal role in the reconstruction and development of the country.

Justification offered to back up this approach was weak. For example, in a key strategy document (World Bank *et al*, 1996), the main donors argued that because recovery in post war Europe and Japan was very much “spearheaded by the private sector” (p 43), the new post-war government in BiH ought to forget right away about there being any direct state intervention to promote economic development and just leave it to the private sector to articulate a successful reconstruction and development initiative. This was completely overlooking the successful experience of Marshall Plan investment co-ordination and strategic state support in Europe, as well of the MITI-inspired industrial policy support in Japan.

The key instruments identified by the international assistance agencies after 1995 for implementing their TA were the Non-Governmental Organisations (NGO), while the most common model for SME development was the business support centre (BSC) concept. BSCs were generally conceived as independent, non-profit, private sector-led organisations, designed to survive mainly on future commercial income. Very quickly a large number of BSCs were established in the major towns of both entities.

ILO and UNDP took the lead in establishing local BSCs in BiH. The ILO established an Enterprise Development Agency (EDA) in Brčko in November 1997, drawing on funds from the Italian government, which also allowed to establish two additional EDAs in Mostar and Livno. With ILO support, the UNDP then took the lead in establishing two EDAs in Banja Luka and Bihać.

Some other enterprise development initiatives started, such as TALDI in Tuzla and ALDI in Goradze. Meanwhile UNIDO and the Regional Chambers of Commerce set up two Regional Business Development Centers (RBDCs) in Banja Luka and Bihać, and a third in Zenica operating independently of the Regional Chambers.

While some of these initiatives managed to take off and reach an acceptable level of sustainability, the majority of them have faced major difficulties once the donors' fund have come to an end. In fact the reality was that very little business clients were ready to pay fees. Several project extensions were organised for the RBDCs in order to attain sustainability, but they have failed.

While the ILO-supported EDA in Brčko is practically closed, the EDAs in Banja Luka and Bihać appeared to fare a little better. According to the final evaluation on the project undertaken by the ILO itself, the two EDAs were able to reach “full financial sustainability, a rare occurrence for small enterprise development agencies” (ILO, 2001, p 3). But, in order to survive, they had to move to a number of activities that are only tangentially related to SME development work and even less to the typical work of a BSC. They had mostly to react to whatever market and donors' opportunities were available.

Also the successful Oxfam-supported ALDI initiative in Gorazde was forced to urgently seek any form of commercial work once its core Oxfam funding ended in 1998. Other activities taken on by ALDI may actually undermine their mandate to support small enterprises. For example, ALDI forged close business ties (including a seat on the board) with a large local fruit processing company, but this has put it at odds with local soft fruit producers who had previously been asking ALDI to do something about the low prices they were being offered.

Summing up, the local SME support structures established in BiH have largely failed to achieve their objectives because their demand-driven nature was not adequate to the need of offering support to the industrial SMEs and start-ups. A pro-active industrial policy approach was missing, and no attention was given to growth potential sectors, nor to SME support measure such as incubators, long term finance, technical help for manufacturing initiatives.

In fact the basic needs of the industrial sector could not be supported by the commercially-minded support structures put in place by the international assistance agencies. In order to “*earn their keep on the market*” many of the BSCs have been able to survive by addressing market niches which have little to do with offering support to SME development programmes. On top, the NGO approach has exacerbated the incapacity of the public sector to offering support for the economic development processes.

As in the EU countries themselves, effective SME and economic development require a public infrastructure of support. Ten years of EC-funded projects for SME development in

Central-Eastern Europe have demonstrated that no real sustainability can be achieved without strong government support. In fact, with no secure funding base for their work once the international aid funds come to an end, the vast majority of SME development institutions very quickly lost sight of their original mission to promote SME development.

In most of the EU candidate countries, after an initial illusion that the private sector could cater for itself – mostly cultivated by the international donors in the early 1990s – there is now a considerable move back to having the state fully involved in SME development support. The most recent example is Poland where, from 1<sup>st</sup> January 2001, the “independent” *Polish Foundation for SME Promotion* has been transformed into the *SME Agency* of the Polish Government, in full agreement with Phare and the EC, and as a move towards European harmonisation.

We had then to avoid repeating these previous mistakes in BiH. Building up an SME support structure which is sustainable and genuinely supportive of SME development in the long run can be done, but realism is required.

Some Phare support structures managed to convert into a Regional Development Agency (RDA) and were thus able to tap into additional funds this way. This might be a useful development for BiH to keep in mind.

A nation-wide network of Regional Economic Development Agencies must be instrumental both to the short-term objective of quick-starting an effective SME support and economic development policy, as well as to the longer-term objective of BiH to join the EU.

If REDAs are to become the backbone of this process – as we would advise – they need to be built around a common model which will secure their coherence with the needs required by the EU for the regional planning and implementation of the Pre-Accession and later on of the Structural Funds.

EU priority is to decentralise responsibility to local and regional tiers of government. A core development in the EU countries is the increasing decentralisation of economic development responsibility to regional and local tiers of government. This is in line with the EU’s subsidiarity principle that envisages decision-making responsibility located at the lowest level possible in order to strengthen democracy and popular participation.

Successful integration with Europe will therefore demand that BiH adopts such decentralising principles. In practice, the BiH government must work to strengthen local and regional tiers of government, and encourage greater responsibility for local economic development activity at these levels. We believe this principle is particularly relevant to this SME development project.

An important determinant of success here will be the extent to which local and regional tiers of government in BiH begin to accept the responsibility to offer support for “their” SME development infrastructures.

This mission of REDA, with respect to developing an healthy market for Local Service Providers, should therefore comprise the following specific functions:

- ❑ developing service packages which are of particular interest to the local small businesses
- ❑ organising the test delivery, for a limited period of time and with a light and flexible consultancy staff, of the service packages developed
- ❑ training the local consultants to develop local capacity for full scale delivery of the tested service packages
- ❑ setting up a formal accreditation scheme, with regular updating, whereby SMEs are addressed to trained and reliable consultants, who commit in advance to provide quality services for a reasonable fee
- ❑ mobilising funds for a fee-rebate scheme, whereby enterprises who benefit from support and advisory services from accredited providers are partly reimbursed for the costs incurred
- ❑ developing an internal capacity to delivery more sophisticate type of services (e.g. technology and innovation- related advice) until the relevant offer in not available through the market

Each REDA must strive to operate in a professional and business-like manner. In order to instil confidence in the community with regard to the objectives of the REDA, only the highest standards of professionalism and probity will be acceptable to the local clients and stakeholders.

REDAs must set high standards of efficiency and effectiveness as well as of quality of service. They must strive at being as business-like as the best business.

### 3. How the BDDA experience can be elsewhere replicable?

The Brčko experience is replicable for the functional and the regional development planning model, while – on the other side – the institutional set-up of Brčko is unique, and therefore the institutional background for more REDA in BiH need to be adapted to varying local conditions.

Given the current situation and without considering possible changes in the institutional set up of BiH, we recommend that REDA are established on a Cantonal basis in FBiH (with the possibility to explore a collaboration between two or three Cantons in a couple of cases) and around the main Municipalities in RS, possibly in collaboration with the smaller surrounding Municipalities.

The sustainability of the activities promoted and carried out by the Regional Agencies will be sought mainly through:

- ❑ the consolidation of a local capacity to deliver effective support programmes and services to the business community as well to their institutional “clients”
- ❑ establishment of long-term partnerships between public institutions, private sector operators, and the international business community
- ❑ sponsorship of initiatives from local institutions, bilateral donors, and other interested parties
- ❑ full and responsible involvement of the local government counterparts since the outset of any initiative, so to conquer their enthusiastic and long-lasting support

This mission of a REDA should therefore be articulated into the following list of functions:

- ❑ to take the lead in developing new *initiatives*, *institutions* and *special projects* designed to support the sustainable development of the SME sector in the immediate locality
- ❑ to continually scan the business environment in order to understand the key legislative, tax, regulatory and other possible *obstacles* to business

- ❑ to provide schemes, such as training, service packages, accreditation as well as fee-rebates, which can foster the emergence of a competitive market for **local service providers**
- ❑ to **liase** with national and international bodies in order to maximise support for local SME development activities, as well as to pass upwards the practicalities of business “on the ground”
- ❑ to promote the educational and training system in the direction of greater **understanding** and **acceptance** of entrepreneurship
- ❑ to engage with local large enterprises in order to maximise the **leverage** on the local SME sector and thereby also underpin large enterprise competitiveness through effective **sub-contracting**
- ❑ to develop **clusters** and other forms of horizontal linkage between SMEs, based on the understanding that business success today is as much because of effective co-operation as competition
- ❑ to appreciate the key **social aspects** that underpin effective SME development and develop strategies and initiatives that help to promote a cohesive and supportive local **social environment** for SMEs

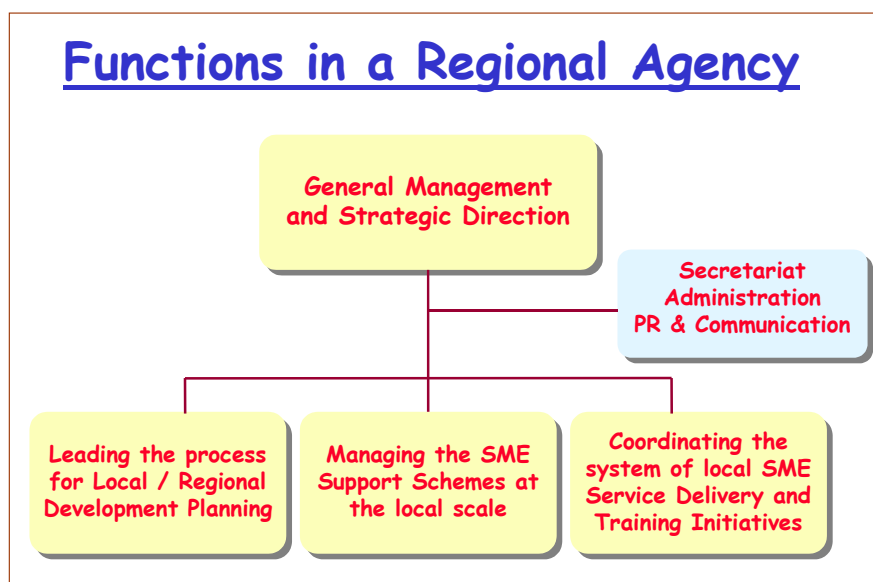
As for the optimal organisation of the Regional Agencies, we think they should be a small and flexible unit, capable to react quickly to evolving needs (e.g.: implementation of new projects upcoming in the region).

Each Regional Agency must be able to cover the following broad functions:

- ❑ leading the local development planning process
- ❑ implementation of local development initiatives
- ❑ training of the trainers, consultants and – possibly – also of the SMEs
- ❑ mastering and monitoring of the local service providers accreditation scheme
- ❑ implementation of SME support policies at the local level (e.g. consultancy fee rebate scheme, incubators, credit and guarantee schemes, ...)
- ❑ PR, communication and dissemination of useful information to the local business community

In the next chart we try to outline a possibly uniform draft of the functions that each Regional Agency will need to develop.

*Figure 1. A very tentative organisational chart*



It is evident that the REDA staff must be capable of working well together and versatile enough to fill different positions at one time, according to the dynamic needs of a relatively small organisation. We also recommend that the structure of REDAs be kept as light and as elastic as possible. Their functioning will be project-based, i.e. dimensioned time to time according to the volume of paying clients, and – especially in the initial phase – of projects and funds that they have managed to be awarded. In a longer term perspective, the REDAs must be prepared to become the engine of the regional planning process that will required for attracting and using the EU Structural Funds effectively and efficiently. If they are shaped as an embryo of the future regional structures that will deal with the EC Structural Funds, than their sustainability will be largely supported also by these regional development programmes and funds. An efficient Regional Agency will work as a magnet for attracting government and aid funds for its own region. No doubt in fact that in the near future both government and especially the donors' agencies operating in BiH will look for ready-made project ideas, possibly supported by local consensus and suitable implementing conditions, for allocating their budget for SME and regional development programmes.

The Regional Agencies will be ideally placed to provide all these conditions at once, and also to become the natural implementing and/or coordinating body for most of these projects.

The process of attracting additional funds will naturally stem from the Regional Development Planning process, which will set the priorities and define a list of actions (projects) that the regional authorities are willing to get funded. Out of this list of priorities (e.g.: incubators, SME credit and guarantee funds, start-up support services, self-employment incentive schemes, etc.) which need to be well grounded in the territory and enjoy unanimous local support, the central government and the donors are likely to choose the projects that they are going to fund.

But local governments must be much more than mere “stake-holders” in the local institutional support structure, because otherwise this leads to a situation of responsibility without power. As UNIDO was forced to report, (*A comparative analysis of SME Strategies in Central Europe*, 1997, Vol 1, p20), “Merely having representatives of “stakeholder” agencies on the board of local or national enterprise development institutions does not solve (the sustainability) problem and indeed may exacerbate it”.

Developing a suitable policy dialogue and constructive engagement between the municipalities and the REDAs will be a critically important aspect of the proposed approach, and the key to ensuring sustainability. Therefore, in a longer-term perspective, we would envisage the partial or whole incorporation of local support structures into the orbit of local responsibility, with central government and donor financial support easing this transition.

## **Conclusion**

The unique institutional set up of BiH defined by the Dayton Peace Agreement, as well as the special status given to Brčko with the Brčko Final Award, were not permitting to establish in Brčko any institution, having a regional economic development goal, that would have territorial competence beyond the Brčko District itself. This would have led to re-opening extremely dangerous disputes on whether Brčko is more orientated towards one or the other of the two entities. Therefore the word “regional” had to be interpreted in the local context as referring to the “District” dimension of Brčko. To reinforce the rationale for this interpretation, even in the two entities, the “regional” dimension should have been interpreted respectively as “Cantonal” in FBiH, and “Municipal” or “Multi-Municipal” in RS. It was

therefore evident that the regional dimension needed to be read in the context of the institutional set-up existing in different parts of BiH. Having said that, it is also worth mentioning that, once established, the BDDA has immediately started to promote collaboration between Brčko and neighbouring areas for a coordinated approach to the regional development of a much wider territory.

The main reason for having the BDDA established by initiative of the Brčko District Government, and therefore with a dominant public interest (though well balanced by the substantial presence of the main local socio-economic actors in its Board) was to secure its sustainability and relevance of action in the longer term. In fact ten years of EC-funded and other aid programmes in Central Eastern Europe have consistently demonstrated that Local Development Agencies fail to become financially sustainable if they are not strongly linked with, and consequently supported by, the local authorities once the aid funds are over. On top, any other legal form (e.g. private association, NGO, and the likes) would not be appropriate for becoming the implementing agency for future EC Structural Funding, which is certainly one of the long term goals of a REDA.

The Brčko experience is certainly replicable in other areas of BiH as for the functional and the regional development planning model which have demonstrated to function in the BDDA. On the other side, the institutional dimension of Brčko is unique, and therefore the institutional background for more REDA in BiH need to be adapted to varying local conditions. In general however – given the current *status quo* and without considering changes in the institutional set up of BiH, which are certainly possible and even desirable in many respects, but not immediately foreseeable now – we suggest that REDA are established on a Cantonal basis in FBiH (with the possibility to explore a collaboration between two or three Cantons in a couple of cases) and around the main Municipalities in RS, possibly in collaboration with the smaller surrounding Municipalities.