

Osmankovic, Jasmina

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Support to Local and Regional Development in Bosnia and Herzegovina

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**TITLE: SUPPORT TO LOCAL AND REGIONAL DEVELOPMENT IN BOSNIA AND
HERZEGOVINA**

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NAME: JASMINA OSMANAGIĆ, PHD

Faculty of Economics, Sarajevo

71000 Sarajevo

Phone: +387 33 27 59 19

E-mail: jasmina.osmankovic@efsa.unsa.ba

Mirko Pejanović, PhD

FPN University of Sarajevo

71000 Sarajevo

Tel: 387 61 29 58 59

Klelija Balta

UNDP

71000 Sarajevo

Tel: 387 61 10 42 20

SUPPORT TO LOCAL AND REGIONAL DEVELOPMENT IN BOSNIA AND

ABSTRACT

The paper is a review European Commission support for local and regional development in Bosnia and Herzegovina from 1999 to 2006.

In focus are The Quick Impact Facility Project Phase I (QIF 1) 1999-2002, European Union-Quick Impact Facility Project Phase II (EUQIF II) 2002-2004, European Union support for Regional Economic Development in Bosnia and Herzegovina Phase I (EU RED I) 2004-2005 and Europe Union support for Regional Economic Development in Bosnia and Herzegovina Phase II (EU RED II) 2005-2007).

The paper contents background information, previous assistance, other related programmes, European Commission funded projects, non European Commission funded projects, definition on participants, target groups or beneficiaries, employed domicile populations, start situation, objectives, scope of work, methodology and approach, transparency, visibility, expected outputs and indicators, funds or budget, reporting, monitoring and evaluation.

The paper presents knowledge transfer about local and regional theories and policies from experts European Commission to local experts.

The paper shows funds. (Regional Development in Tuzla 1.2 Million Euro, Regional Development in Brcko 1.0 Million Euro, Mostar Economic Development 500.000 Euro, Sarajevo Economic Region 200.000 Euro, Quick Impact Facility 5.5 Million Euro, Foreign

Investment Promotion 1.0 Million Euro, European Fund 55 Million Euro, specific activities 3,200.000 Euro and Project Fund 3,800.000 Euro, EUQIF II about 3 Million Euro, etc) and benefits for EU and B&H.

In the end, the paper presents cost-benefit analysis, and strengths, weaknesses, opportunities and threats this projects and message for future projects support for local and regional development in Bosnia and Herzegovina and other developing countries

1. Introduction

The first post-war document, that had the ambition to offer elements of consistent strategy on the macroeconomic development, in co-operation with the UNDP experts in 1996, clearly underlined the importance, needs and benefits of regional development. Experts, institutions and organisations from the European Union, Canada, United States, as well as several other countries, expressed their interest in the local and regional development in Bosnia and Herzegovina. Therefore, the BH and international scientific institutions and individuals recognised this issue as both interesting and profitable. Bosnia and Herzegovina, like many other developing countries, was offered the “regional development” as the new brand, new product and a new instrument.

Without the intention to name all those who turned up in Bosnian market in this context, this paper will try to give an overview of some of the programmes. The intention is to present the correlation between money and value, intent and accomplishments, wishes and consequences.

Furthermore, as a starting point it uses the pre-war experiences in regional development of Bosnia and Herzegovina, its current territorial organisation and presence of regional development in strategic documents. Further on, it will offer an overview of the projects EU QIF and EU RED I, within the limited space given to the authors.

One should bear in mind that, in short, the project of regional development is being implemented in the environment of multiple and successive transitions, where the conditions are determined by the facts that 19,5% of the population lives below poverty line of 1 USD per day, the unemployment rate is as high as 43%, according to the official statistical information, all or at least most of the critical issues regarding the Constitution and territorial organisation are being discussed, the differences in development within the country are evident and visible development is not balanced nor harmonised.

2. The experience of Bosnia and Herzegovina

Until the early 1990s, Bosnia and Herzegovina was one of the six socialist republics within the Socialist Federative Republic of Yugoslavia. As given in the name itself, the country was socialist, or more precisely a self-governing socialist republic in a federation with five more republics. It is a social system in which the management of all or most issues were entrusted to the equal members of an organisation or community. It is often being identified with a socialist state. The system was characterised by the state being in charge of property, planning, management and disposition of the results, the certainty of a gotten permanent employment, public health, social and retirement security, right to acquire proper housing, and availability of all levels of education (Lexicon of Economics). The right to be involved in governing and decision-making according to one's work, as the only determining factor of

value (the labour theory of value). According to the last census, the population in Bosnia and Herzegovina numbered around four million. If the reached level of development is measured by traditional economic indicators, which would, by the World Bank records, put the country in the group with higher middle income.

The first complete scientific research on regional component in development of Bosnia and Herzegovina was the work by H. Hadžiomerović “Regional component in economic development of Bosnia and Herzegovina” from 1963/64. It points out that the regional component has its place and role in determining the optimal economic development of a whole, which is made by regions. The starting point of this research is the optimal economic development of a whole, the system that includes the regions. In interregional relations the emphasis is on the justification and the need to identify the areas of priority that offer the best territorial conditions for development, which means, using the current terminology, offers competition to the development. Based on balance or harmonisation of the development of priority or complementary zones according to the suggestions from 1963/64, it would be possible to generate a development competitive in the Yugoslav market. The proposed model offered elements for connecting the local, regional and republic level with the Yugoslav environment, in order to achieve a more “harmonised” development of Bosnia and Herzegovina, and maximise the economic and social effects.

Bošnjović in 1969 and 1979 turns the attention of the policy creators and the scientific community to the correlation between regional and economic development. He opens the issue of priority: centre or periphery, region or the whole (Republic of Bosnia and Herzegovina, i.e. the state at the time). As the solution he proposes the polycentric system as the model of development. The regional development is clearly and unequivocally highlighted

as the phenomenon which could move towards integration, start the social and economic development of the regions, but also of the whole. The need to harmonise regional and global development is also emphasized.

By the early 1980s the concept of regional development evolves from its notion and definition as simply one of the development factors, into a concept of regional development as the major factor of development, social and economic integration and national harmony (Bošnjević, 1979).

From 1945 until 1992 the problem of unequal territorial development was so large, that regional development was identified with the development of the underdeveloped areas. This problem was especially evident in the context of the promises given during the war, which are integrated in the core values of social and economic system (equality, equity). The actors and leaders of the partisan movement mainly came from the extremely underdeveloped and/or underdeveloped areas. The regional development policy was reduced to the policy of a quicker development in the underdeveloped areas and extremely underdeveloped areas.

In the early 1990s the regional development was in the centre of ethnic and political relations. Proposals for regionalisation, based primarily on ethnic criteria, are being presented through daily printed and electronic media, various researches and projects to the BH public. Regional development was given a task to maintain, and not disturb the co-existence of different national and ethnic groups living in Bosnia and Herzegovina (Bošnjović, 1992, p5).

During the period from 1992 to 1995 all attention was given to ending the aggression. In this context, many regionalisation proposals were prepared, presented and discussed (Begić).

3. Transition

When it comes to Bosnia and Herzegovina, the first half of the 1990s is marked by parallel and successive transitions. By the decision of its people, on a referendum held on 6 April 1992, Bosnia and Herzegovina became an independent state, recognised as a member of the United Nations. From a republic within Yugoslavia, it becomes an independent state. The one-party system is abolished, and a multi-party system is adopted. From self-governing socialism it turns into a market economy, starts a radical reorganisation of economy and society and harmonisation with the accomplishments of the highly-developed countries and requirements. Transition is determined by liberalisation, privatisation, restructuring of the economy, dissolution of the so-called Big systems. There are changes regarding ownership, market, state, companies, macroeconomic environment and the political system. Key role goes to private property, open market, liberal entrepreneurship and a multi-party parliamentary democratic political system.

All of these processes are made more complicated by the aggression on Bosnia and Herzegovina 1992-1995. Many persons killed, wounded, raped, massive migrations by force, both within B&H and to other countries, all of these resulted in, among others, fear, insecurity, stress, frustration, war and post-war trauma. The human resources as one of the main factors is jeopardised in its spiritual and physical capacity and potential. Destruction of the development infrastructure had severe consequences on the economic security of the population, possibilities for employment, earning for a living, education, health care, retirement and social security, loss of savings etc. Regional development in this period is highlighted as the possible solution.

A research conducted in 1996, with the support from leading international experts and the UNDP, shows that the reconstruction of regional development mechanisms is possible. Arguments to support this come from the mutual economic interest in many areas and a significant potential that comes from the intraregional and interregional co-operation. This research suggests that the local and regional development is based on a liberal and unique market, correlation with territorial and economic development, investment policy, urbanisation, centre development, population policy, reconstruction of public utilities and urban infrastructure. Proposals for modelling the regional development consider the ethnic interests, but also the economic interests as well as the economic and political situation in the region. It shows the need for an ex ante cost-benefit and other relevant analysis of the proposed model of regional development. Proposals which are verified also include the “aggressiveness” in usage of potential, active planning, implementation and monitoring of the strategies and plans. Aggressiveness considers the need to include the state in solving the problems of regional development. Unlike the classical and neo-classical theories that the market will on time, and in the best possible manner, ensure the allocation of all resources (population, capital etc.) in the whole territory, this proposal suggests a balanced and cautious state involvement in the corrections of the market’s “weaknesses”, that manifest through the underdeveloped or extremely underdeveloped areas. This was an attempt to determine the point of making the change, point of transformation from concentration into the dispersion of development with a cost-benefit analysis. The 1996 research underlines the need to respect positive experiences and the doctrine of regional development of the European countries (Bošnjović, 1996, 1992).

Regional development was observed in its full meaning and complexity. That includes regionalisation, regional centres, poles, nucleus of development, periphery or centres of gravitation, functions of settlements, underdeveloped areas, point of integration of the area, national identity and political and ethnic relations.

4. Territorial organisation

Bosnia and Herzegovina's declaration of sovereignty in October 1991, was followed by a declaration of independence from the former Yugoslavia on 3 March 1992 after a referendum boycotted by ethnic Serbs. The Bosnian Serbs - supported by neighboring Serbia and Montenegro - responded with armed resistance aimed at partitioning the republic along ethnic lines and joining Serb-held areas to form a "Greater Serbia." In March 1994, Bosniaks and Croats reduced the number of warring factions from three to two by signing an agreement creating a joint Bosniak/Croat Federation of Bosnia and Herzegovina. On 21 November 1995, in Dayton, Ohio, the warring parties initialed a peace agreement that brought to a halt three years of interethnic civil strife (the final agreement was signed in Paris on 14 December 1995). The Dayton Agreement retained Bosnia and Herzegovina's international boundaries and created a joint multi-ethnic and democratic government. This national government was charged with conducting foreign, diplomatic, and fiscal policy. Also recognized was a second tier of government comprised of two entities roughly equal in size: the Bosniak/Croat Federation of Bosnia and Herzegovina and the Bosnian Serb-led Republika Srpska (RS). The Federation and RS governments were charged with overseeing most government functions. The Office of the High Representative (OHR) was established to oversee the implementation of the civilian aspects of the agreement. In 1995-96, a NATO-led international peacekeeping

force (IFOR) of 60,000 troops served in Bosnia to implement and monitor the military aspects of the agreement. IFOR was succeeded by a smaller, NATO-led Stabilization Force (SFOR) whose mission was to deter renewed hostilities. European Union peacekeeping troops (EUFOR) replaced SFOR in December 2004; their mission was to maintain peace and stability throughout the country.

War, Dayton peace accord (1995), the “Washington consensus”, the acts of domestic politicians, and the lack of institutions have transformed B&H from a republic of former Yugoslavia into an independent state (or semi-protectorate) with a new economic system of wild capitalism.

Administrative divisions: 2 first-order administrative divisions and 1 internationally supervised district* - Brčko district (Brčko Distrikt)*, the Bosniak/Croat Federation of Bosnia and Herzegovina (Federacija Bosna i Hercegovina) and the Bosnian Serb-led Republika Srpska; note - Brčko district is in northeastern Bosnia and is an administrative unit under the sovereignty of Bosnia and Herzegovina; the district remains under international supervision

The Dayton Agreement or Dayton Accords is the name given to the agreement to end the war in the former Yugoslavia or in the B&H that had gone on for the previous three years, in particular the future of B&H. It marked the first occasion when three-dimensional satellite image technology and digital cartography was used to determine and delineate borders in an official treaty.

The present political divisions of B&H and its structure of government were generally agreed upon as part of the Dayton accords.

Political division¹**Political Divisions of Bosnia and Herzegovina****Entities of Bosnia and Herzegovina**

Republika Srpska | Federation of Bosnia and Herzegovina

Federal Districts of Bosnia and Herzegovina

Brčko

Cantons of the Federation of Bosnia and Herzegovina

Bosnian Podrinje | Central Bosnia | Herzegovina-Neretva | Posavina | Sarajevo | Tuzla |

Una Sana | West Bosnia | West Herzegovina | Zenica-Doboj

Regions of Republika Srpska

Banja Luka | Bijeljina | Doboj | Foča | Sarajevo-Romanija | Trebinje | Vlasenica

Cities of Bosnia and Herzegovina

Banja Luka | Istočno Sarajevo | Mostar | Sarajevo

Municipalities of Bosnia and Herzegovina

Banovići | Berkovići | Bihać | Bijeljina | Bileća | Bosanska Kostajnica | Bosanska Krupa

| Bosanski Brod | Bosanski Novi | Bosanski Petrovac | Bosansko Grahovo | Bratunac |

Brod | Bugojno | Busovača | Bužim | Čajniče | Čapljina | Cazin | Čelić | Čelinac | Centar,

Sarajevo | Čitluk | Derventa | Donji Žabar | Drvar | Doboj | Doboj Istok | Doboj Jug |

Dobretići | Domaljevac-Šamac | Donji Vakuf | Foča | Foča-Ustikolina | Fojnica | Gacko |

Glamoč | Goražde | Gornji Vakuf | Gračanica | Gradačac | Gradiška | Grude | Hadžići |

Han Pijesak | Ilidža | Ilijaš | Istočni Drvar | Istočni Mostar | Istočni Stari Grad | Jablanica

¹ See www.answers.com

| Jajce | Jezero | Kakanj | Kalesija | Kalinovik | Kasindol | Kiseljak | Kladanj | Ključ
 | Kneževo | Konjic | Kotor Varoš | Kozarska Dubica | Kreševo | Krupa na Uni | Kupres
 | Kupres Republike Srpske | Laktaši | Livno | Ljubinje | Ljubuški | Lopare | Lukavica
 | Lukavac | Maglaj | Milići | Modriča | Mostar | Mrkonjić-Grad | Neum | Nevesinje | Novi
 Grad, Sarajevo | Novo Sarajevo | Novi Travnik | Odžak | Olovo | Orašje | Osmaci | Oštra
 Luka | Pale | Pale-Prača | Pelagićevo | Petrovac | Petrovo | Posušje | Prijedor | Prnjavor
 | Prozor | Ravno | Ribnik | Rogatica | Rudo | Šamac | Sapna | Šekovići | Šipovo | Široki
 Brijeg | Skelani | Sokolac | Srbac | Srebrenica | Srebrenik | Stari Grad, Sarajevo | Stolac
 | Teočak | Tešanj | Teslić | Tomislavgrad | Travnik | Trebinje | Trnovo | Trnovo Republike
 Srpske | Tuzla | Ugljevik | Usora | Ustiprača | Vareš | Velika Kladuša | Višegrad | Visoko
 | Vitez | Vlasenica | Vogošća | Vukosavlje | Zavidovići | Žepče | Živinice | Zvornik

Political divisions of Bosnia and Herzegovina:



Map from www.answers.com

Bosnia and Herzegovina map²

- Federacija Bosne i Hercegovine
- Republika Srpska
- Brčko district

The **Federation of Bosnia and Herzegovina** is primarily inhabited by Bosniaks (Bosnian Muslims) and Bosnian Croats, which is why it is informally referred to as the *Muslim-Croat Federation*. However, by decision of the Constitutional court in 2001, the Serbs were declared the third constituent ethnic group of the Federation. The same happened to Bosniaks and Croats in the Republika Srpska.

The Federation was created by the Washington accords signed on 1994.

Administrative divisions

The Federation of Bosnia and Herzegovina is divided into ten cantons³:

- Una-Sana, *Unsko-Sanski Kanton*
- Posavina, *Posavski Kanton*
- Tuzla, *Tuzlanski Kanton*
- Zenica-Doboj, *Zeničko-Dobojski Kanton*
- Bosnian Podrinje, *Bosanskopodrinjski Kanton*
- Central Bosnia, *Srednjobosanski Kanton* or *Županija Središnja Bosna*
- Herzegovina-Neretva, *Hercegovačko-neretvanski Kanton* or *Hercegovačko-neretvanska Županija*
- West Herzegovina, *Zapadnohercegovačka Županija*

² Taken from www.answers.com

³ Taken from www.answers.com

- Sarajevo, *Kanton Sarajevo*
- Canton 10, *Zapadnobosanska / Hercegbosanska Županija*

Five of the cantons (Una-Sana, Tuzla, Zenica-Doboj, Bosnian Podrinje and Sarajevo) are Bosniak cantons, three (Posavina, West Herzegovina and Canton 10) are Croat cantons, and two (Central Bosnia and Herzegovina-Neretva) are 'ethnically mixed', meaning there are special legislative procedures for *protection* of the constituent ethnic groups.

A significant portion of Brčko district was also part of the Federation; however, when the district was created, it became shared territory of both entities, but it was not placed under control of either of the two, and is hence under direct jurisdiction of Bosnia-Herzegovina.

Currently the Federation of Bosnia and Herzegovina has 79 municipalities.



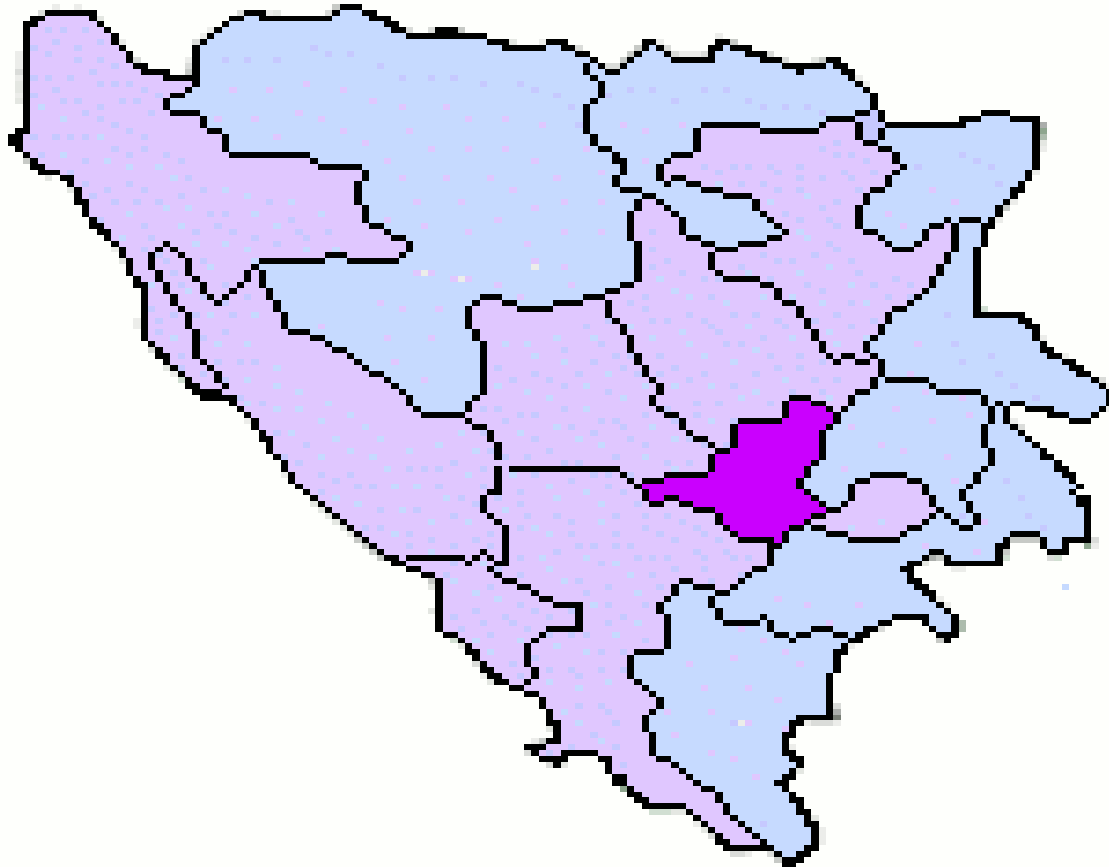
BiH Federation map. Internal borders are not determined on natural geographical features of the region. Its borders were postulated as part of the political agreement that was based on ethnic division and are used to determine the extents of political jurisdictions within entities. On the ground there is no active border between RS and FBiH and one would generally not know the difference when crossing from one entity into another.

Cantons are provincial units used in the Federation of Bosnia and Herzegovina.

Bosnian cantons were created by the Bosniak-Croat Accords in 1994, and their boundaries were defined by the Dayton Accords in 1995. The previous provincial unit, the *Općina*, used in the former Yugoslavia, is now a sub-division of a canton.

Each canton has its own government, headed by a Premier. The Premier has his own cabinet, and is assisted in his duties by various regional ministries, agencies, and canton services.

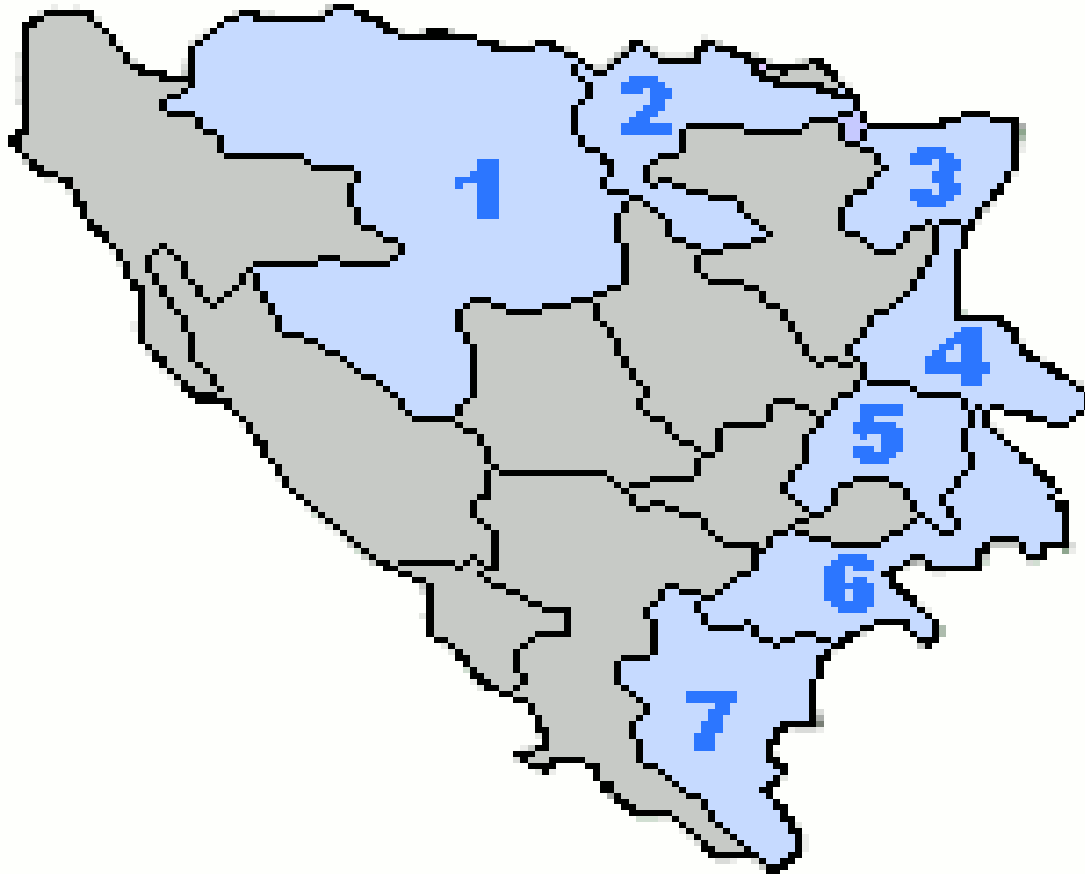
In the Republika Srpska half of Bosnia and Herzegovina, there are no cantons and instead the municipalities are grouped into regions. The ethnically diverse Brčko District is a division of its own under the direct jurisdiction of Bosnia and Herzegovina.



Map showing Canton within Bosnia and Herzegovina⁵

Republika Srpska is divided into municipalities. There are sixty-three municipalities within Republika Srpska. These are grouped into seven regions:

⁵ Taken from www.answers.com



Map of the Regions of Republika Srpska⁶

⁶ Taken from answers.com

1. Banja Luka
2. Doboj
3. Bijeljina
4. Vlasenica
5. Sarajevo-Romanija or Sokolac
6. Foča
7. Trebinje

5. Support to local and regional development

Many experts from Bosnia and Herzegovina and abroad were involved in profiling the local and regional development in the country. To this date, among the projects that were implemented or are still in the process, it is not possible to gain a complete view of the used funds, implemented projects, effects on development, scientific, expert and professional evaluations using the criteria for economical, environmental, technological, socially sustainable, humane, complete and competitive development.

As a project with a certain positive role we can point out the EU QIF. Work was done within this project to transfer the knowledge of planning and managing local and regional development, mapping strategies, affirmation, encouraging BH researchers and politicians to use the previous knowledge and experience in planning the development that is harmonised with the European doctrine of local and regional development, transfer of knowledge in

application-writing, fundraising, business incubators and registration, business counselling, finance and grants for local and regional development.⁷

This project provided significant assistance in raising awareness on the importance of local and regional development in the first steps towards institutional and other forms of establishment and reaffirmation of this idea.

If we are looking for a less successful example of assisting the local and regional development, we may find one in the creation of strategies implemented through the EU RED I project. Based on the assessment of the Institute for Economics in Banja Luka, the Government of Republika Srpska rejected the project in 2005.⁸

This project, very expensive in Bosnian terms, did not offer a strategy for regional development that would ensure a sustainable, humane, complete and competitive development in its full capacity (Todaro-Smith), and it did not answer the question why is the proposed territorial organisation in fact the right framework for realisation of development based on current regional development doctrine. Furthermore, it did not offer elements or even clues to the relations between the region's centre and the periphery; there are no elements of intraregional and interregional relations, even in forms of suggestions, no indicators of an innovative approach, and the traditional indicators are only sporadically present in some documents.⁹ It is impossible to recognise the main flows of human and general resources inside the region or between the regions; no suggestions were made for cross-border co-operation; projects were not evaluated from the point of sustainability; as the

7 See the website of EU QIF BiH

8 See the conclusions of the Government of Republika Srpska 2005

9 Five documents have been made (for Sarajevo, Mostar, Zenica, Banja Luka and Tuzla)

authors themselves pointed out, these documents are “not entirely in accordance to the EU requirements”, and only in some future phase should the Bosnian authorities offer “economic clarifications for public interventions ... , proposals for the inclusion of private financing (public-private partnership), ... in order to ensure that proposals are harmonised with the EU policies, especially when it comes to environment protection and equality”.¹⁰

The realisation of this strategy is in its final year, and even in the last semester no monitoring results were presented to the public, or the results of implementation of these documents. The focus is not on admitting errors, but on lessons learned for the preparations of a national action plan according to the EU requirements for the accession countries, and for preparing a regional development strategy.

Another positive example can be found in the co-operation with the University of Trent in the exchange of knowledge on local and regional development, education and successful joint application for Erasmus Mundus Action 3.

Positive results should be expected from the COMPART project, which is in the process of implementation, Seenet on projects of developing tourism and strategies of rural development.

Bosnian researchers received full support from the European Regional Science Association, OHR in Sarajevo and Mostar, University College London, professor Michael Safier from DPU UCL in deliberation and development of the idea for a scientific and research institution for local, regional and urban development, professor Vesna Bojadžić from LSE London for developing the undergraduate and masters programmes on regional development, professor

¹⁰ Regional Economic Development Strategy for the Economic Region Central B&H (2004) REZ consultants EU RED, p.7

Hugues Sachtera from University ... France, professor Pete Stanovnik from the Institute for Economics in Ljubljana, professor Ivo Lavrač from the Faculty of Economics in Ljubljana, European Commission for research and exchange of information, DFID and LSE EPPU support to poverty reduction policies in Bosnia and Herzegovina.

It is important to underline the positive experiences from co-operation with professor Sofija Adžić from Faculty of Economics in Subotica, professor Branislav Derić from University in Belgrade (until his death), Ph. D. Todrović Mirna, Ph. D. Tošić Branka, Ph. D. Branislav Stojanović from University in Belgrade, associations for local development and Euro-regions, that includes in its membership municipalities and cantons from Bosnia and Herzegovina etc.¹¹

6. Conclusion

Despite the efforts in this phase of the project implementation, which provided the basis in preparations for activities, it is not possible to present the cost-benefit analysis of the EU assistance to local and regional development, especially in the quantitative form, and also the qualitative in means of money-value.

Research in this direction will continue, and it will probably be presented at the next conference in 2007. The assistance and support from researchers outside Bosnia and Herzegovina would be greatly appreciated. This support should be motivated by interest and willingness to justify the expertise and reputation of regional science.

¹¹ Euro-regions Dunav-Drava-Sava, Drina-Sava-Majevica and the Adriatic Euro-region

As one of the conclusions of this conference, we propose the formation of a specific body, group, commission or a sub-commission that would evaluate all projects with regional attribute or prefix, European Union's assistance to the regional development in transitioning and developing countries, and conclude whether these countries received the true value of the money that comes from EU taxpayers and/or taxpayers in their own countries.

Conclusions must highlight the positive experiences of the author in co-operation with this association and other associations and individuals regarding the issues, education and research on local and regional development, but also a few disappointments.

7. Resources

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