

**Federation of Bosnia and Herzegovina / FBiH
Ministry of Physical Planning and Environment**

**The Republic of Srpska / RS
Ministry of Physical Planning, Civil Engineering and Ecology**

**Federation of Bosnia and Herzegovina / FBiH
Ministry of Trade**

**The Republic of Srpska / RS
Ministry of Trade And Tourism**

**Japan International
Cooperation Agency (JICA)**

**The Study on Sustainable Development
through Eco-Tourism
In Bosnia and Herzegovina
Final Report**



VOL.2
**Review of Current Situation and Formulation of
Master Plan**
March 2005
PADECO Co., Ltd
in association with
Pacific Consultants International

Ministry of Physical Planning and Environment
(Federation of Bosnia and Herzegovina / FBiH)
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**The Study on Sustainable Development through Eco-tourism
in
Bosnia and Herzegovina**

Final Report

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AND FORMULATION OF MASTER PLAN**

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Abbreviations and Acronyms

AE	Average Elevation
ALS	Average Length of Stay
ARTCHEOSITES	Spatial Integrated Enhancement of Archaeological Sites
AVNOJ	National Antifascist Liberation Council of Yugoslavia
B&B	Bed & Breakfast
BETA	Bosnian Environmental Technologies Association
BHMAC	Bosnia and Herzegovina Mine Action Center
BiH	Bosnia and Herzegovina
CAP	Common Agriculture Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilization
CATV	Cable Television
CBBH	Central Bank of Bosnia and Herzegovina
CBO	Community Based Organization
CEFA	European Committee for Training and Agriculture
CIS	Commonwealth of Independent States
CL	Country Lodging
CMS	Contents Management system
COA	Conservation Orientated Area
CORINE	Coordinate Information on the Environment
CPNM	Commission to Preserve National Monuments
CTF	EU/ Bosnia and Herzegovina Consultative Task Force
CZ	Conservation Zone
CoM	Council of Ministers
DTM	Digital Terrain Model
DXF	Drawing Interchange Format
EC	European Commission
EEA	European Environmental Agency
EFC	Extent for Forest Cover
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
EPA	Eco Pliva Association
ETRP	Transport Reconstruction Program
EU	European Union or EURO
EUFOR	European Union Force
EU RED	European Union Regional Economic Development

EUPM	European Union Police Mission in Bosnia and Herzegovina
FAO	Food and Agriculture Organization of the United Nations
FBiH	Federation of Bosnia and Herzegovina
FVO	EC Food and Veterinary Office
GDP	Gross Domestic Product
GFAP	General Framework Agreement on Peace
GIS	Geographical Information System
GNI	Gross National Income
GOBiH	Government of Bosnia and Herzegovina
GOJ	Government of Japan
GPA	Green Pliva Association
GPS	Global Positioning System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HNK	Herzegovina-Neretva Kanton
<i>HPT</i>	<i>Hrvatske Posta i Telekomunikacije d.o.o Mostar</i> (Hrvatske Post and Telecommunication Company in Mostar)
ICMPD/RIC	International Center for Migration Policy Development/ Repatriation Information Center
ICT	Information and Communication Technology
IDA	International Development Association
IEE	Initial Environmental Examination
IF	Interpretation Facilities
IFAD	International Fund for Agricultural Development
IFOAM	International Federation of Organic Agriculture Movements
IMF	International Monetary Fund
ITF	The International Trust Fund
IUCN	International Union for Conservation of Nature and Natural Resources
JICA	The Japan International Cooperation Agency
JKP	Javno Komulano Preduzece (State enterprise for utility services)
KM	Konvertibilna Mark
KfW	German Development Bank
LAC	Limits of Acceptable Change
LE	Local Entrepreneur
LIFE	The Financial Instrument for the Environment
MIP	Mission Implementation Plan
MPCE	RS Ministry of Physical Planning, Civil Engineering and Ecology

MPPCEE RS	Ministry of Physical Planning, Civil Engineering and Ecology of the Republic of Srpska
MSW	Municipal Solid Waste
MTT RS	Ministry of Trade and Tourism of the Republic of Srpska
MoA	Ministry of Agriculture
MoE FBiH	Ministry of Physical Planning and Environment of Federation of Bosnia and Herzegovina
MoFTER	Ministry of Foreign Trade and Economic Relations
NATO	North Atlantic Treaty Organization
NCC	National Council of Churches
NCP	Natural Conservation Grade Point
NEAP	National Environmental Action Plan – Bosnia and Herzegovina
NGO	Non Governmental Organization
NYI	Nevesinje Youth Initiative
OECD	Organization for Economic Co-operation and Development
OHR	Office of the High Representative
OIC	Organization of Islamic Conference
OSCE	Organization for Security and Co-operation in Europe
PCLA	Pliva Country Lodging Associations
PDM	Project Design Matrix
PE	Private Enterprise
PET	Polyethylene terephthalate
PHARE	Preparation of the Legal Regulations for the Environment Protection in Bosnia and Herzegovina
PIC	Peace Implementation Council
POA	Preservation Orientated Area
PP	Pilot Project
PPP	Purchasing Power Parity
PRA	Participatory Rural Appraisal
PRSP	Poverty Reduction Strategy Paper
PSA	Pliva Sport Association
PZ	Preservation Zone
PfD	Partners for Development
PfP	Partnership for Peace
QOL	Quality of Life
RD	Road Density
RDA	Regional Development Agency

RS	the Republic of Srpska
S-M	Serbia-Montenegro
S/W	Scope of Work
SAP	Stabilization and Association Process
<i>SARENICA</i>	Telegraphic Agency of New Yugoslavia
SEA	Strategic Environmental Assessment
SEGIR	Support for Economic Growth and Institutional Reform
SFOR	Stabilization Force in Bosnia and Herzegovina
SG	Slope Gradient
SIPPO	Swiss Import Promotion Program
SL	Secondary Legislation
SME	Small and Medium-sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TC	Tourist Community
TEM	Trans-European North-South Motorway
TEN-T	Trans-European Transport Network
TM	Thematic Mapper
TNCP	Total Natural Conservation Point
UEMP	Urban Environmental Management Forum
UHT	Ultra High Temperature
UMCOR	United Methodist Church on Relief
UNDP	United Nations Development Program
UNEP	United Nations Environmental Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
USAID	US Agency for International Development
USDA	United States Department of Agriculture
UXO	Unexploded Ordnance
VA	Velez Adventuring
VAT	Value-Added Tax
VFR	Visit Friend and Relatives
VTA	Velez Tourism Activities
WBA	Water Body Area
WHO	World Health Organization
WTO	World Trade Organization or World Tourism Organization
ZAVNOBiH	Earthly National Antifascist Liberation Council of Bosnia and Herzegovina

VOL.2 - PART A

REVIEW AND ANALYSIS OF NATIONAL AND SECTOR SITUATION



Chapter A 1. Introduction

1.1 Background of the Study

In response to the request of the Government of Bosnia and Herzegovina (hereinafter referred to as “GOBiH”), the Government of Japan (hereinafter referred to as “GOJ”) decided to carry out “The Study on Sustainable Development through Eco-tourism in Bosnia and Herzegovina (hereinafter referred to as “the Study”).

The Japan International Cooperation Agency (hereinafter referred to as “JICA”), the official agency responsible for the implementation of technical cooperation programs of GOJ, contracted a consortium of PADECO Co. Ltd. and Pacific Consultants International for the execution of the Study in November 2003.

On the part of GOBiH, Ministry of Physical Planning and Environment of Federation of Bosnia and Herzegovina (hereinafter referred to as “MoE FBiH”), Ministry of Physical Planning, Civil Engineering and Ecology of Republic of Srpska, (hereinafter referred to as “MPPCEE RS”), Ministry of Trade of FBiH, and Ministry of Trade and Tourism of RS (hereinafter referred to as “MTT RS”) have been designated as the Counterpart Agencies for the JICA Study Team, and also as the coordinating bodies in relation with other governmental and non-governmental organizations concerned for the smooth implementation of the Study. State Ministry of Foreign Affairs has been in charge of coordination of the counterpart agencies throughout the study period.

This Final Report has been prepared to describe all the output of the Study since its inception in November 2003 till December 2004, including the review of current situation of national and regional development, the results of six pilot projects, and a master plan and an action plan for the target areas. The final report will be issued in March 2005, incorporating comments on this report received from various concerned persons.

1.2 Subject Areas and Methodology

The Study covers two specific subject areas, one in the north referred to alternatively as Pliva Study Area, and one in the south referred to alternatively as Velez Study Area. A national map follows below, as do maps of these two Study Areas.

The planning method adopted in this Study is one of participatory approach. A large number of workshops have been carried out involving various stakeholders such as residents in the study areas, administrative personnel concerned with the development of the study areas within and without the areas, and others. In this way local knowledge can be exploited to a full extent in coming up with the most suitable master plan in combination with experts' knowledge of the JICA Study Team. It also gives a sense of ownership to the local stakeholders so that sustainability is guaranteed.



Figure A 1.1 Map of the Two Study Areas

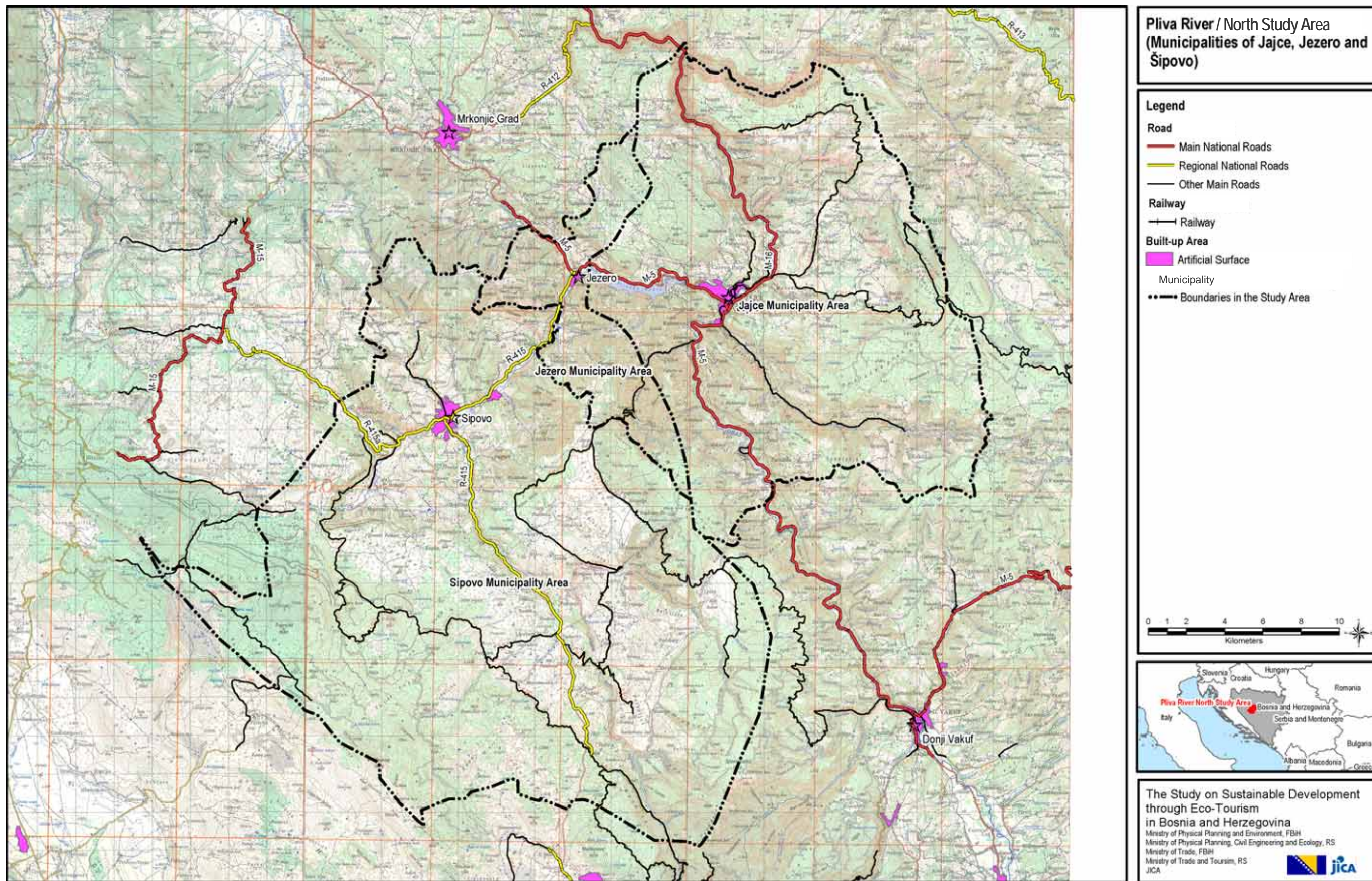


Figure A 1.2 Map of Pliva River/ North Study Area

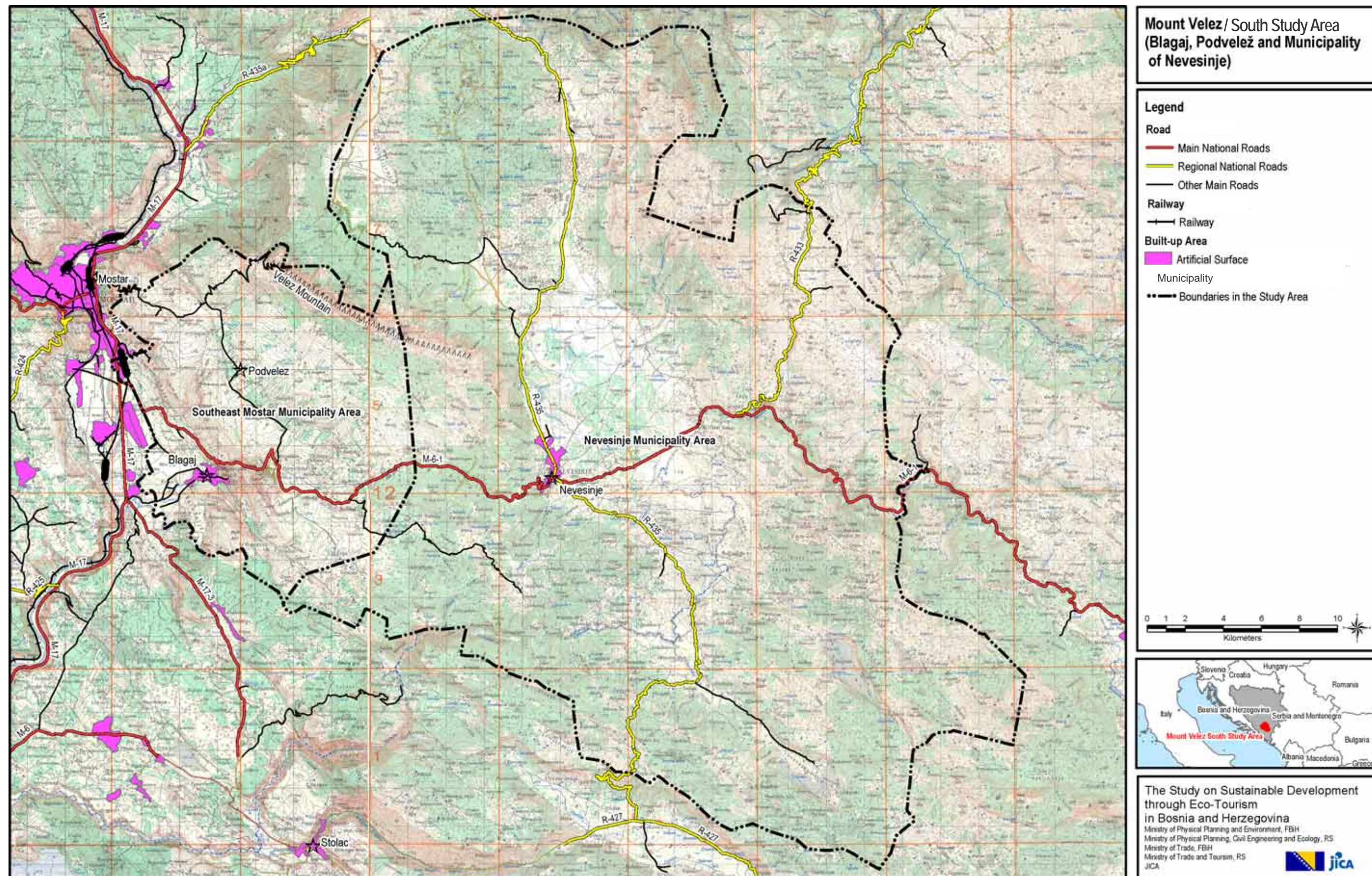


Figure A 1.3 Map of Mount Velez/ South Study Area

Chapter A 2. General Information of the Nation

2.1 General Situation of BiH

2.1.1 Institutional Systems

(1) Existing Institutional Systems of BiH

Under the General Framework Agreement for Peace in Bosnia and Herzegovina (hereinafter BiH) of 14 December 1995 (Dayton Peace Agreement) to oversee implementation of the civilian aspects of the Peace Agreement, the institutional system of BiH is composed of two levels of government, a state government (BiH) and two entity governments (Federation of Bosnia and Herzegovina (hereinafter, FBiH) and Republic of Srpska (hereinafter, RS)) under the Office of the High Representative (hereinafter OHR). The position of OHR was organized under the institutional system of BiH. In pursuit of the mandate and in the peace implementation stage, the mission of OHR is to work with the people of BiH and the international community.

The institutional system of the state government is organized from four bodies of the BiH House of Representatives (42 elected members), the BiH House of Peoples (15 appointed delegates), the BiH Presidency (three elected members), and the BiH Council of Ministers (one chairperson and nine ministers) at present. Based on the unification policy of both entities, ministries from the two entities in each sector, including military forces, coordinate policy, strategy, execution systems, are in the unification process under the direction of OHR.

The hierarchy of the institutional system in FBiH is currently composed of three levels-entity, canton (region), and municipality. On the other hand, RS is simply composed of two levels-entity and municipality. Institutional system of FBiH entity is organized from four bodies of Federal House of Representative, Federal House of People, Federal Presidency, and Federal Government (16 ministries) at present. The institutional system of RS entity is also organized from four bodies of RS National Assembly, Council of Peoples, RS Presidency, and RS Government (16 ministries).

Members of the legislative organizations in FBiH and RS are elected or delegated as follows:

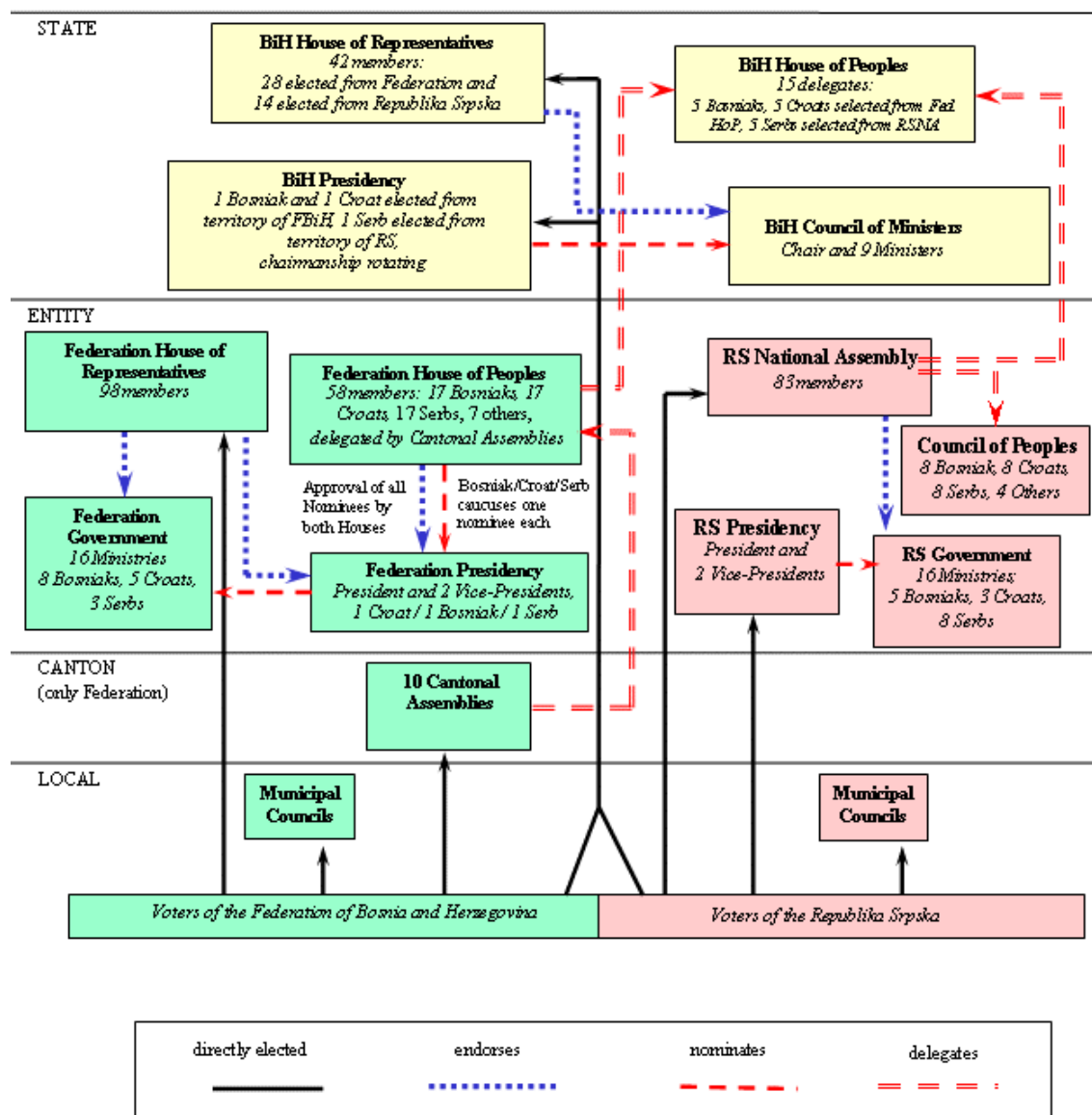
Table A 2.1 Legislative Organizations of the Two Entities

Organization	FBiH	RS
FBiH House of Representative or RS National Assembly	Directly elected 98 members	Directly elected 83 members
FBiH House of People or RS Council of Peoples	Delegated 58 members from canton assembly	Delegated 28 members from RS National Assembly
FBiH/RS Presidency	President and two Vice Presidents: Nominated through the House of Peoples and endorsed by the House of Representative / People	Directory elected President and two Vice Presidents
Cantonal Assemblies	Ten members directly elected	-
Municipal Councils	Directly elected	Directly elected

The institutional system of BiH is still in a transitional period from a dual-entity system to a unified state institutional system.

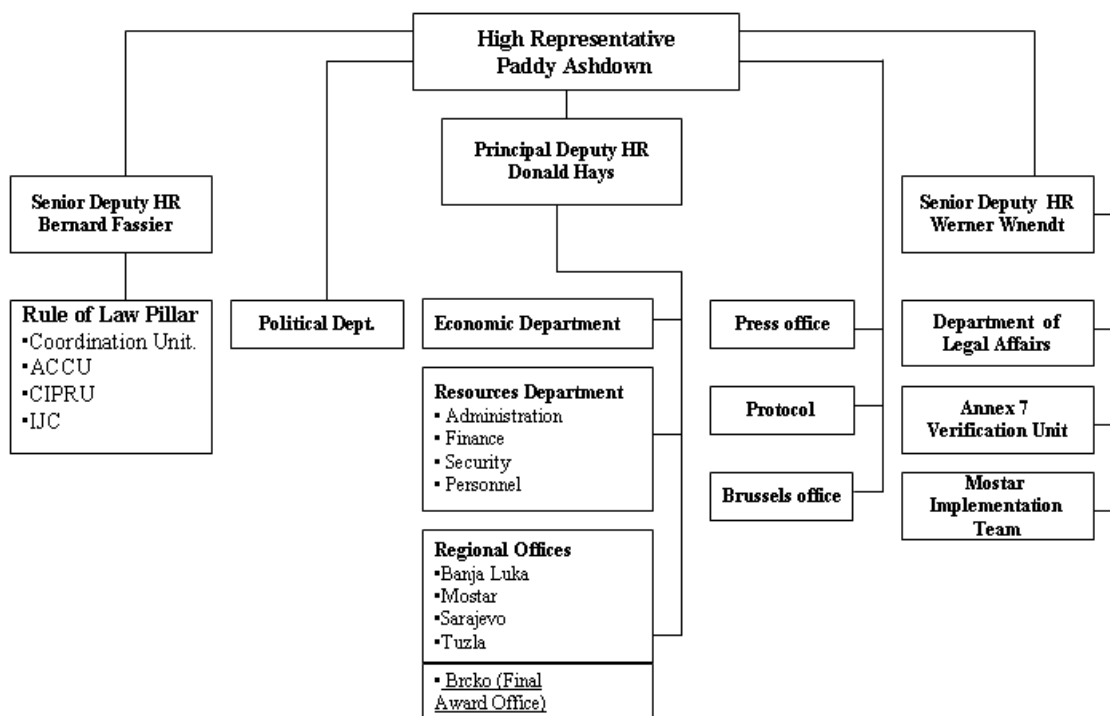
(2) Policy of OHR

Following an extensive study carried out by OHR at the request of the Peace Implementation Council, the coordinating structure of the International Community in Bosnia and Herzegovina was "streamlined" in 2002 so as to eliminate overlapping effort and responsibilities and increase effectiveness. As part of this process a Board of Principals was established, under the chairmanship of the High Representative, to serve as the main coordinating body of International Community activity in BiH.



Source: OHR homepage 2004

Figure A 2.1 BiH's Legislative and Executive Bodies



Source: OHR homepage 2004

Figure A 2.2 OHR Organizational Chart January 2004

The Board of Principals of OHR meets once a week in Sarajevo. Its permanent members are OHR, SFOR, OSCE, UNHCR, EUPM, and the European Commission. International financial institutions such as the World Bank, the IMF, and the UNDP are also regular participants at the Board of Principals.

The objective of OHR is to ensure that BiH is a peaceful, viable state on course to European integration. In order to accomplish this objective, it sets out six core tasks for the organization with several programs under each task:

- 1) Entrenching the rule of law;
- 2) Ensuring that extreme nationalists, war criminals, and organized criminal networks cannot reverse peace implementation;
- 3) Reforming the economy;
- 4) Strengthening the capacity of BiH's governing institutions, especially at the State-level;
- 5) Establishing State-level civilian command and control over armed forces, reforming the security sector, and paving the way for integration into the Euro-Atlantic framework; and
- 6) Promoting the sustainable return of refugees and displaced persons.

(3) Progress of Institutional Formation

Unification of Ministries in both entities: Monthly meeting between both ministries in FBiH and RS were held for unification. However, unification program has not been scheduled on the Federal Ministry of Environment and Ministry of Ecology RS and Federal Ministry of Trade and Ministry of Trade and Tourism in RS yet.

Southeast Mostar Municipality, which was covering the study areas of Blagaj and Podvelez, had been unified as Greater Mostar Municipality with other 6 municipalities in the last April. Six months of transitional period was officially allocated to Establish Greater Mostar from April till October.

Security Issue: Serious security issue and related criminal were not raised in the past study periods without incidence of unexploded shell in Podvelez area.

Democratization Issue: Democratization program for BiH is implemented by OSCE. Results of the program could not reach sufficient level of democratization as follows:

- Less than 50% of voting ratio for elections of head of central and local governments and its congress and assembly; and
- Main political parties in each ethnic group are same as before the previous war.

2.1.2 Public Administrations at the Municipality Level

(1) Power and Jurisdiction of the Municipality

The most salient difference in local administration between Federation of Bosnia and Herzegovina (FBiH) and Republic of Srpska (RS) is the presence of Canton Government in FBiH.

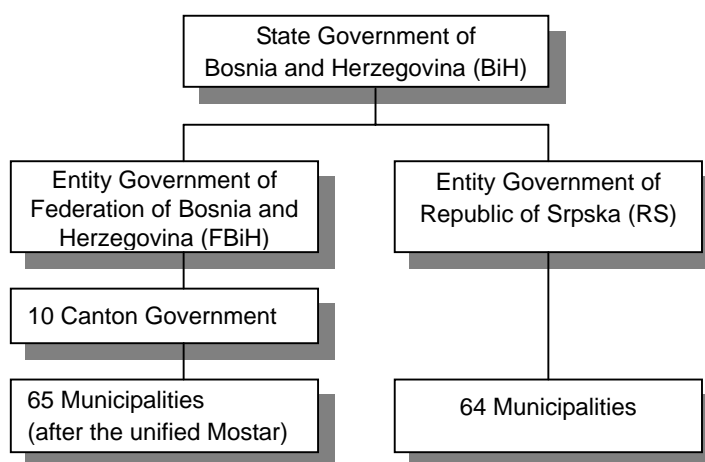


Figure A 2.3 Public Administration Structure

Power and jurisdiction of the municipalities are as follows. There are few differences between those of FBiH and RS. Listed activities can be given to companies, institutions and other legal entities. Because of the limited financial and human resources, some of the activities are not operated in full scale as they are intended.

- 1) Undertakes all measures needed in order to protect human rights of the citizens in accordance with laws and its by-laws;
- 2) Approves by-laws of the Municipality;
- 3) Provides conditions for development of economic, social, and other activities that are of importance for the area of the municipality;
- 4) Approves budget and financial reports;
- 5) Secures conditions for urban planning and takes a lead in the issues of urban planning that are of importance for the territory of the municipality and its development. It is also in charge of environment protection;
- 6) Takes care of urban planning, secures establishments of technical documentation and cadastre of land and records on the real estate, quality of accommodation, infrastructure and other related services;
- 7) Takes care of building, maintenance and use of local roads, streets and bridges, as well as other public buildings that are of interest for the municipality;
- 8) Regulates local traffic;
- 9) Determines violations and penalties for violating municipal regulations;
- 10) Manages the property of the municipality;
- 11) Creates material conditions for effective use, improvement and protection of urban land and business premises of the municipality;
- 12) Initiates referendum;
- 13) Initiates public loan and decides on the debt of municipality;
- 14) Assigns names for the inhabited part of the municipality (streets, squares, etc.);
- 15) Addresses needs of the local population in the fields of education, work, employment, culture, sports, protection of flora and fauna, unless differently regulated by laws;

- 16) In cooperation with canton, addresses needs of local population in the fields of children care, accommodation of vulnerable children and orphans, children with special needs, children without parental care, disabled population, old people without care and other persons in need;
- 17) Conducts inspection/supervision in the infrastructure service, urban planning and construction, environment protection and local traffic;
- 18) In cooperation with cantonal and federal organs, takes care of reconstruction damaged buildings and process of return, in accordance with the laws;
- 19) Makes and maintains lists of displaced persons and refugees, in accordance with the special laws;
- 20) Creates work conditions for local radio and TV stations and other media;
- 21) Determines politics of tourism development and takes care of tourism resources of the municipality;
- 22) Provides maintenance of personal data of citizens and election lists;
- 23) Plans tasks and undertakes measures in case of natural and other disasters and provides conditions for their replacement;
- 24) Establishes public (state owned) companies, institutions and another legal entities in accordance with law for meeting specific economic, social, communal and another social interests and needs of citizens;
- 25) Establishes bodies of municipal administration and organizations for needs of the municipality and regulates their structure and activities;
- 26) Performs duties transferred by law from competences of upper governments;
- 27) Ensures conditions for realization of local self-management; and
- 28) Undertakes measures in order to ensure humanitarian activities.

Municipalities and governments of upper levels (Canton, FBiH, and RS) define the demarcation upon agreement in area of education, culture, tourism, local business, humanitarian activities as well as radio and television. Police is not under the jurisdiction of municipality.

There used to be five municipalities in the Study Areas, i.e. Sipovo, Jezero, Jajce, Southeast Mostar, and Nevesinje when this Study started in November 2003. However, the Southeast Mostar Municipality has been integrated into Mostar municipality since 15th March 2004. The Jezero municipality was expected to merge with other municipality in October 2004. However, at the time of this writing, this merger has not been taken place.

(2) Organization and Finance

1) Case of Jajce

Jajce Municipality has one Mayor as executive authority and municipal council as legislative body. It has five departments; department of 1) Economy, 2) Construction / Urban Planning, Geodetic and Property Ownership issues, 3) Infrastructure services, Reconstruction and Development, 4) General Management and Community Activities, 5) Finance, and 6) Civil Protection.

Municipal Administration is financed from the Municipal budget. Municipal council adopted regulations on municipal taxes (communal taxes, agricultural tax, citizen's income tax, tax on property, tax on income based on property, cash penalties etc.), which represent main source of the municipal revenue. Administrative taxes, donations and other income can also represent a source of the municipal revenue. Municipality collects its income in accordance with cantonal and municipal tax laws. Taxes have been paid on prescribed accounts of Federal treasury and later distributed to cantonal or municipal specific accounts.

2) Case of Nevesinje

Nevesinje Municipality has four departments, i.e., Department of 1) Finance, 2) Urban Planning and Accommodation/infrastructure affairs, 3) Economics, and 4) General Management.

Municipal Administration is mostly financed from the municipal budget, and some additional funds come from the occasional grants from the RS Government budget. Municipality gets secured funds for executing its tasks, but main income is generated from taxes and other levies, use of natural resources etc. Taxes include:

- Sales tax (real estate, cars etc.);
- Levies of income;
- Taxes on public services;
- Turnover tax (that businesses pay on the entire value of business performed); and
- Penalties for law violations (traffic, late payments, etc.).

3) Local Administration for Tourism Development

Tourism development is dealt with by Economic Department of each municipalities. Except for Jajce, no municipality in the Study Areas has specific committee or program for the development of tourism. In FBiH, tourism development used to be managed by the Municipal Tourists Communities until 2003 when all the Municipal Tourists Communities have been abolished by law.

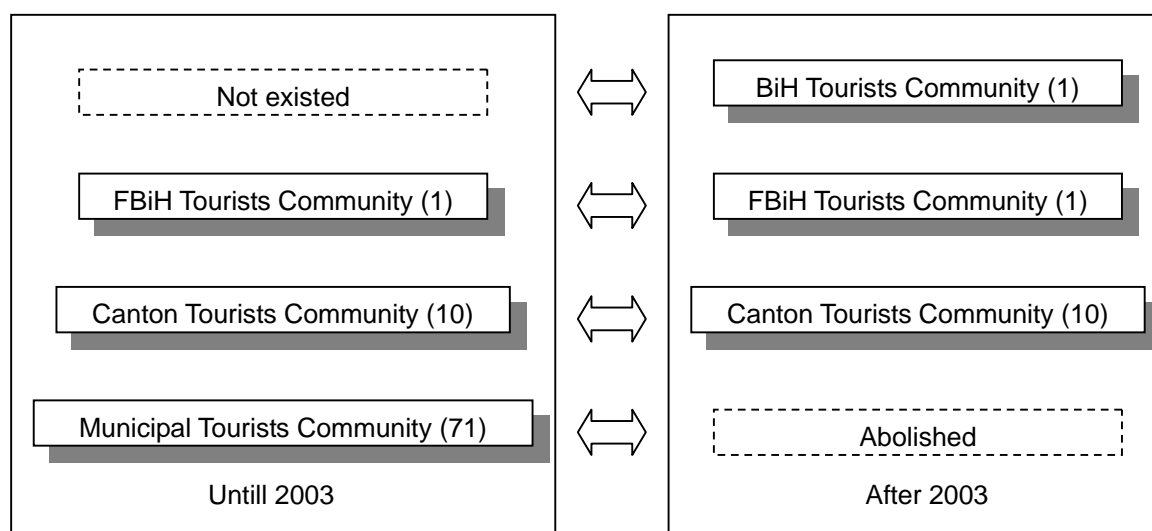


Figure A 2.4 Structural Change of Tourism Associations

The tourism associations are non-governmental associations that are funded via two means:

- Membership fees levied on business companies from 0.1% to 0.7% of their total income; and
- Accommodation taxes levied at a local level, KM 2 per guest per night.

The financial structure of the associations is set at giving 55% of the total membership fees to the municipality; 35% to the Cantons and 10% to the Federation. The collection of the taxes for the tourism association is very difficult. Most businesses evade membership payments and accommodation tax. There are only 3 inspectors at a Federation level - the inspectors fall under the jurisdiction of Ministry of Trade.

A new bulldozer committee amendment presented by the OHR eliminated all of the 71 municipal level tourists associations aiming to eliminate heavy administrative costs and duplicative work. The new structure is as follows:

- 10 Cantonal Tourists Communities (receiving 80% of the total funding);
- 1 Federation Tourists Community (receiving 20% of the total funding); and
- 1 State Level Tourists Community - no funding source.

The Cantons are now largely responsible for the development and promotion of tourism at the municipal level. Most Cantons assimilated the municipal heads into the new canton structure - so in most cantons there are representatives from each municipality.

Although several of the key persons from FBiH municipalities are still involved at municipal level there is no funding component within municipal budgets for the development of tourism. In Jajce, there is a tourism representative who works for the municipality.

On the other hand in RS, Ministry of Trade and Tourism ultimately has jurisdiction over tourism activities within the RS and has considerable influence over the municipalities. The tourism department is headed by Mr. Brane Milosevic and he has a team that is responsible for the strategic development of the tourism industry in RS.

The RS has recently adopted tourism laws similar to one in FBiH and is in the process of forming several municipal tourism associations - such as Banja Luka and Trebinje. There is no plan in the RS to have municipal tourism association entity wide - rather tourism information centers where they deem it necessary.

At the state level, FBiH and RS tourism representatives officially formed an umbrella association to represent the entire country last year. This NGO is called BiH Tourists Community and has no funding mechanisms and new laws on a state level are just now being introduced. Although they will probably have significant power in the near future their role right now is symbolic - as they have no financial or structural means for tourism development. This initiative is supported by the OHR.

2.1.3 Economic and Industrial Structure (Kanab)

(1) General Condition

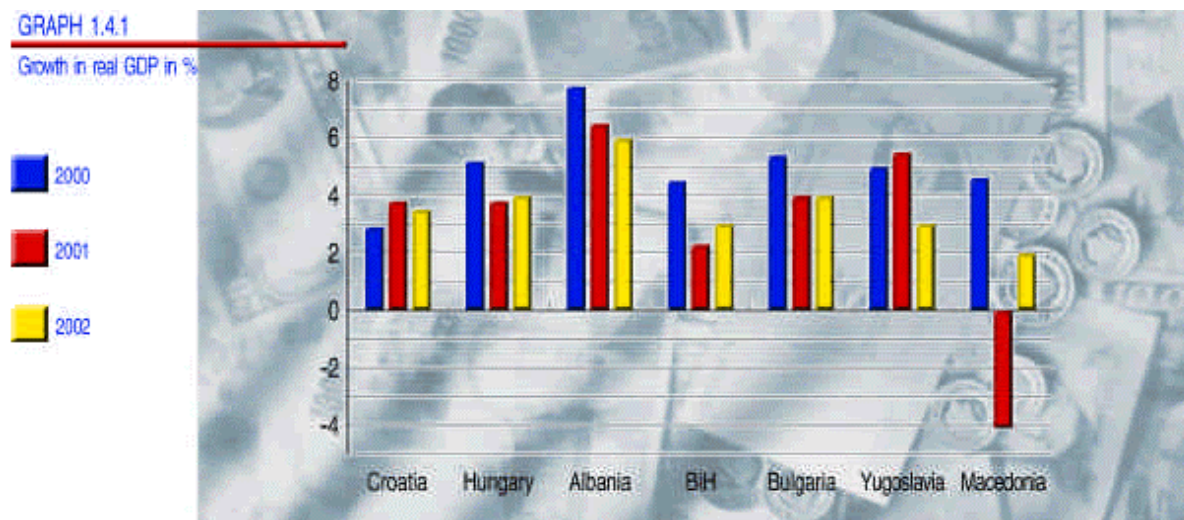
Before the economic crisis and independence of BiH, BiH had played a main role in basic metals and metal-processing industries based on the rich mineral resources in the Ex-Yugoslavia. However, basic and strategic state manufacturing industries were relocated from BiH to Serbia before the war. Furthermore, almost all of the major remaining state

manufacturing industries in BiH were also damaged and abandoned throughout the war, in which destructive activities ruined housings and buildings, as well as heavily-damaged economic and social infrastructures.

After the Dayton Agreement, international communities strongly supported reconstruction activities for damaged infrastructure and housing. The damaged infrastructure networks and a part of the damaged housing has been reconstructed and improved upon in the past half decade. Refugees and displaced persons from the war were and are returning and resettling in BiH. However, damaged and collapsed industrial and economic structures, through economic crises and war, still remain main issues at present. Based on the privatization programs of state based companies, industrial and economic restructuring has been implemented on schedule, yet have not been completed.

(2) Economic and Financial Conditions

After the war, GDP has grown from US\$ 4.3 billion in 1998 to US\$ 5.2 billion in 2002, with 4.9% growth per annum (from World Bank data). However, GDP growth rate in BiH did not achieve high growth compared with surrounding countries as shown by the OHR data below:



Source: OHR Webpage 2004

Figure A 2.5 Growth in Real GDP in % (OHR)

For this year, the IMF estimated the Real GDP Growth Rate of BiH as 5.1% per annum. The estimated GDP/capita was US\$ 1,132 in 1998 and 1,268 in 2002 (from World Bank data). As such, the growth rate of the GDP/capita is estimated to be around 2.9% per annum, which could be categorized as too low of an increase for the economy to catch up during this period.

On the other hand, World Bank data show US\$ 5,800 GNI/capita (PPP) in BiH, which could be categorized as a “not poor” country. Based on the IMF data, the government budget and expenditure in BiH is coordinated and balanced from the last year.

Table A 2.2 Economic Index of BiH

Economic Index		1998	2000	2001	2002	2003	2004	Source
GNI (Atlas method)	Billion US\$	4.3	-	5.1	5.2	-	-	World Bank
GNI/capita (Atlas method)	US\$	1,150	-	1,270	1,270	-	-	World Bank
GNI/capita (PPP)	US\$	-	-	-	5,800	-	-	World Bank
GDP	Billion US\$	4.3	-	4.8	5.2	-	-	World Bank
GDP/capita	US\$	1,132	-	1,171	1,268	-	-	World Bank
GDP growth / annum	%	15.6	-	4.5	3.9	-	-	World Bank
Real GDP growth / annum	%	-	5.5	4.4	5.5	3.5	5.1	IMF
Gov't Budget (revenue/grant)	% of GDP	-	53.7	49.7	48.1	46.7	46.1	IMF
Gov't Expenditure	% of GDP	-	60.7	53.1	50.4	46.3	46.0	IMF
Balance of budget/expenditure	% of GDP	-	-7.0	-3.4	-2.3	0.4	0.1	

Source: World Bank and IMF

(3) Economic and Financial Policies of BiH

The economic and financial policies for BiH, which were submitted to the IMF and others, were formulated with international community support from the Board Members of the Chair of Ministers Council, both Prime Ministers of the FBiH and RS and three finance ministers of the State, FBiH and RS. The economic and financial policies include the six major policies as follows:

- 1) Secure a smooth transition to a new CBBH (Central Bank of BiH) Board, provide for the succession of a new governor at the end of 2004, rationalize reserve requirements, and firmly restate our commitment to the currency board arrangement;
- 2) Strengthen banking regulations in regards to foreign exchange exposures and core capital requirements;
- 3) Commit to the implementation of wide-ranging reforms under the six-month Action Plan;
- 4) Agree to fundamental reform of indirect taxation, which will underpin customs unification and preparations for a VAT;

- 5) Prepare the reorganization of defense operations, anticipating rationalization, demobilization, and major cost savings; and
- 6) Maintain a strong budget execution and publish a plan for a comprehensive settlement of outstanding domestic claims on government.

2.1.4 Socio-Economic Situation

(1) Progress of the Peace Process

The general framework agreement for peace of 14 December 1995 (the Dayton-Paris Peace Accords) authorized to mandate OHR (Office of High Representative). OHR was given responsibility for coordinating the implementation of the civilian aspects of the agreement.

1) Performance and Results of the Office of High Representative (OHR)

In the past years since the end of the war, BiH has made substantial progress on restoring the damaged physical infrastructure, which includes housing, roads, bridges, and utilities that have been largely repaired. More than one millions refugees have returned to their home. Now BiH has a stable currency, and is developing normal diplomatic relations with its neighbors.

However, peace in BiH cannot be said yet to be wholly self-sustaining. BiH continues to face formidable challenges to build strong and effective institutions, to strengthen the role of law, and to transform its defense and intelligence structures.

In the last year, BiH with OHR support made progress towards that objective. Some of the key goals in Mission Implementation Plan have been accomplished: and progress was made on others. The achievement in the last year include as follows:

- Organizing a new defense structure based on civilian, state-level command and control and creating a state defense ministry;
- Endowing the Council of Ministers (CoM) with a permanent premier and new ministries;
- Launching fundamental reform of BiH's indirect tax system;
- Restructuring the judiciary and adopting new criminal codes;
- Establishing a State Court capable of dealing with complex and high-profile cases; and

Registering the near-total completion of Property Law implementation and the transfer of responsibility for refugee return to domestic governments.

2) Performance of Peace Implementation Council (PIC) under OHR

The PIC is comprised of 55 countries and agencies that support the peace process in many different ways - by assisting it financially, providing troops for SFOR, or directly running operations in BiH. The first PIC was held in London on December 8-9, 1995, to mobilize international support for the Agreement. Since the London Conference, the PIC has come together at the ministerial level another five times to review progress and define the goals of peace implementation for the coming period: in June 1996 in Florence; in December 1996 for a second time in London; in December 1997 in Bonn; in December 1998 in Madrid, and in May 2000 in Brussels. In London PIC Conference established the Steering Board of the PIC to work under the chairmanship of the High Representative as the executive arm of the PIC. The member of Steering Board are Canada, France, Germany, Italy, Japan, Russia, United Kingdom, United States, the Presidency of the European Union, the European Commission, and the Organization of the Islamic Conference (OIC), which is represented by Turkey. The Steering Board provides the High Representative with political guidance. In Sarajevo, the High Representative chairs weekly meetings of the Ambassadors to BiH of the Steering Board members. In addition, the Steering Board meets at the level of political directors every three months.

Under the performance of PIC, New Law of Civil Service in the Institution of State BiH had been legislated and enforced to organize the unified state level Ministry of Defense and Intelligence and Security Agency under civilian control in co-operation with the presidents, prime ministers of ministerial council, and armed/security forces in the both entities.

The state Ministry of Defense had been formed and employed top management officers. At present, young senior officers are being transferred and employed from the existing military forces in the both entities and given training to realize NATO standard forces in co-operation with NATO under the leadership of OHR and PIC.

Major decisions and communiqué of OHR and PIC in the past decade are as follows:

- June 1, 2004: Became operation the Security Agency of BiH and appointment Director General / Deputy Director General and forming Intelligence committee
- April 14, 2004: Enacted the Law on the Intelligence and Security Agency of BiH
- Feb. 4, 2004: Decision of OHR: Expand the mandate of the Defense Reform Commission

- Dec. 11, 2003: Communiqué of Steering Board of PIC: Appreciate the progress of Defense Reform Commission and the effort on Partnership for Peace
- Dec. 4, 2003: NATO Conference: Recognize BiH progress and effort on Joint Partnership for Peace (PfP)
- May 9, 2003: Decision of OHR: Defense Reform Commission was established
- July 3, 2002: Parliamentary Assembly: Adopted the Law on Civil Service in the Institutions of BiH
- Dec. 16, 1998: PIC Meeting in Madrid: Priority given to professional and apolitical civil services for Intelligence and Security
- Dec. 9/10, 1997: Agreement on PIC Conference in Bonn: The Civilian Implementation of the Peace Settlement

3) Program to Solve the Remaining Issues

OHR made and propose the Mission Implementation Plan (MIP), which is to set out clearly the remaining core tasks in January 2003. MIP was pledged to up - date it at the start of each year based on the progress in the recent year. The revised new core tasks and its programs are as follows:

- Core Task-1: Entrenching the Rule of Law** including programs of 1) Reform of key law/regulations/measures, 2) Develop judicial and prosecutorial service, 3) Build state level criminal justice institutions, 4) Restructure courts and prosecutors offices, 5) Built domestic prosecution of war criminal, 6) Provision of anti - crime and corruption assistance, 7) Reinforce the rule of law, 8) Reshape criminal law enforcement.
- Core Task-2: Reforming the Economy** including programs of 1) Create business environment, 2) Tax reform, 3) Introduce internal debt resolution, and 4) Restructure public utilities.
- Core Task-3: Strengthening the Capacity of BiH's Governing Institutions, Especially at State Level** including programs of 1) Reform of Ministers Council, 2) Strengthen accountability of elected officials, 3) Reform of public administration, 4) Establish state management of ID, 5) Support self-governing of Brcko, 6) Promoting regional stability and co-operation, 7) Reform of Mostar, 8) Municipality reform, 9) Support refugee return, 10) Reform of public broadcasting system, and 11) Establishing the intelligence and security agencies.

Core Task-4: Embedding Defense Sector Reforms so as to Facilitate BiH Integration into Euro-Atlantic Structure including programs of 1) Establish state level command/control, 2) Establish BiH parliamentary oversight of the armed force, and 3) Establish BiH security police.

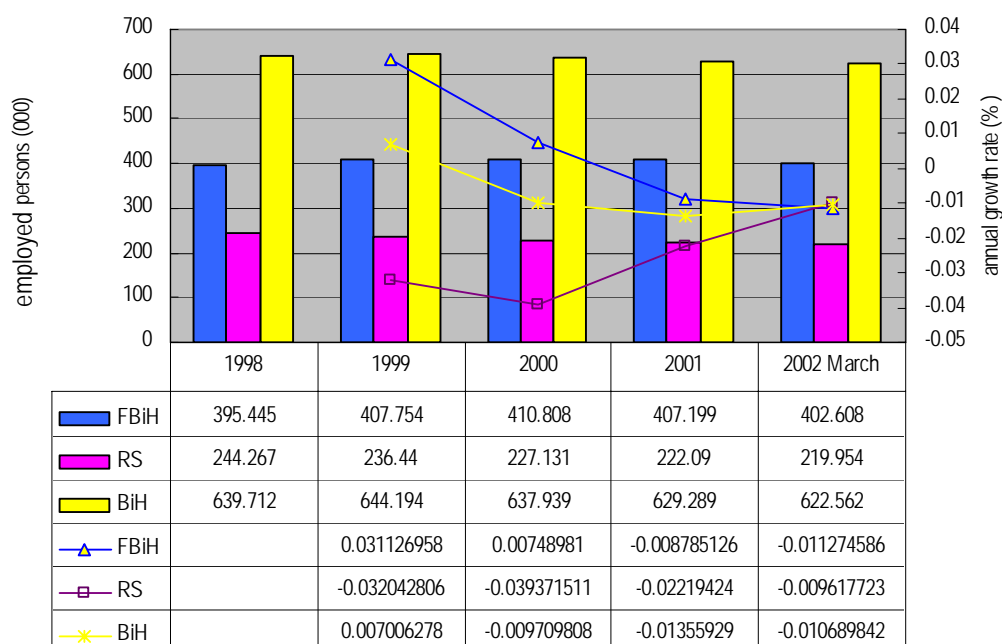
(2) Political, Socio-Economic Issues

1) Trend of Employment

In the 5 years after the end of war, number of employed persons in BiH slightly increased from 640,000 in 1998 to 644,000 in 1999, but after that, turned to decrease to 623,000 in 2002. In the period, average annual growth rate was estimated at around - 0.5% in BiH.

In the Federal BiH, number of employed persons increased from 395,000 in 1998 to 411,000 in 2000, but after the year, also turned to decrease to 403,000 in 2002. In the period, average annual growth rate was estimated at around 0.4%.

In Republic of Srpska, number of employed persons constantly decreased from 244,000 in 1998 to 220,000 in 2002. In the period, average annual growth rate was estimated at around - 2.0%. The numbers and growth rates of employed persons on National Statistical Bulletin are shown in the following figure.

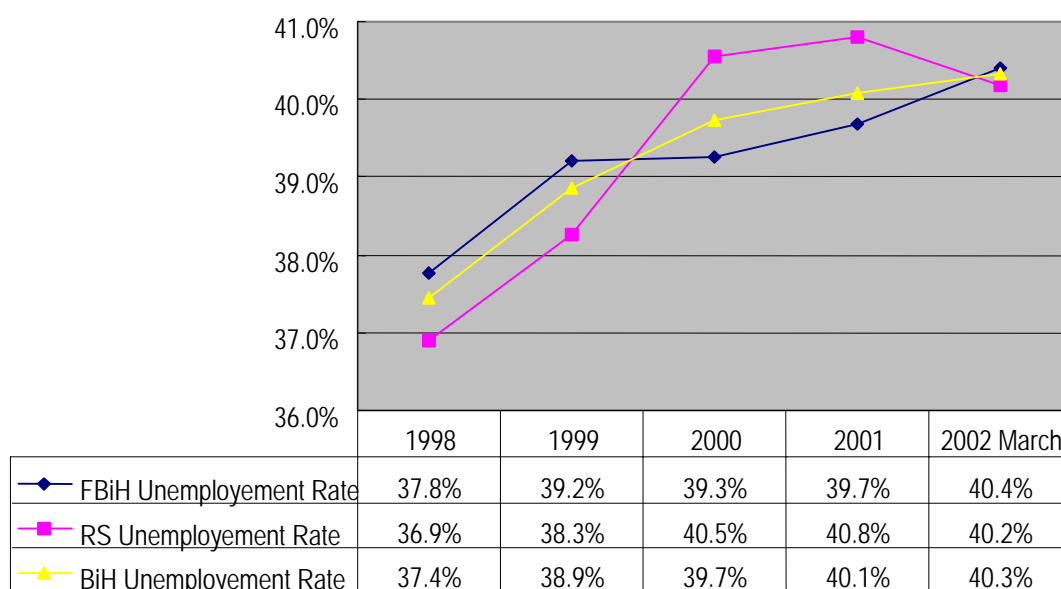


Source: National Statistical Bulletin BiH, 2003 (2004 is not available)

Figure A 2.6 Trend in Employment and Growth Rate

The stagnation was largely caused by the collapse of socialistic planned economic and industrial systems before the war, and also, damages on industrial facilities and economic infrastructure by the war.

Unemployment rate in BiH, the Federal BiH and Republic of Srpska, worsened from 37% in 1998 to over 40% in 2002. Under the circumstances, large number of educated and young labor force have been immigrating to developed countries, and there are also many instances of returned refugees going back to the receiving countries.



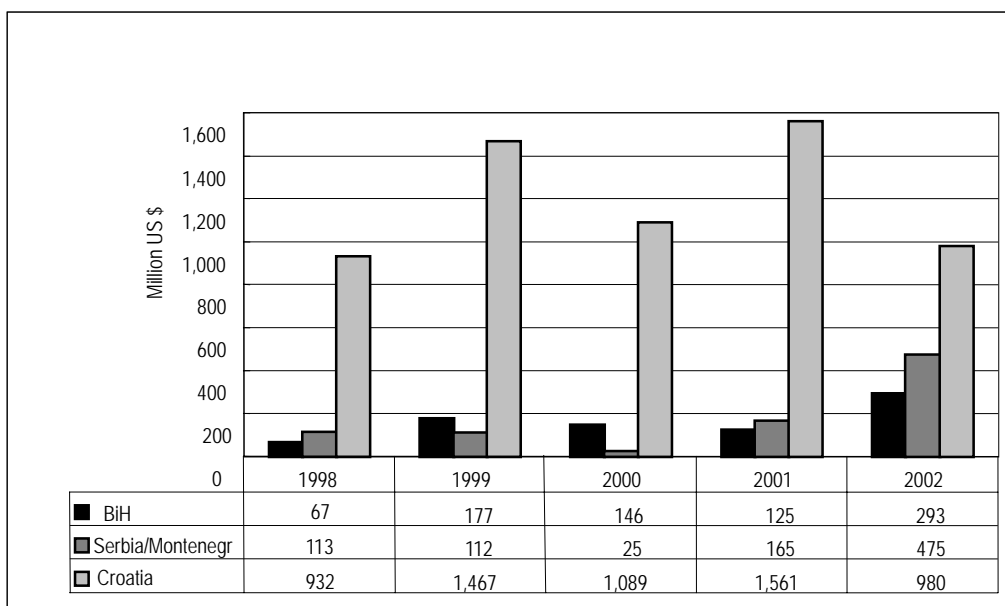
Source: National Statistical Bulletin BiH, 2003 (2004 is not available)

Figure A 2.7 Trend in Unemployment Rate by Entities and BiH

2) Trend in Foreign Investment (especially for tourism sector)

In the five years after the war, the amount of foreign direct investments for BiH steadily increased from US\$ 67 million in 1998 to US\$ 293 million in 2002. In the period, the cumulative investment amount was US\$ 808 million in total.

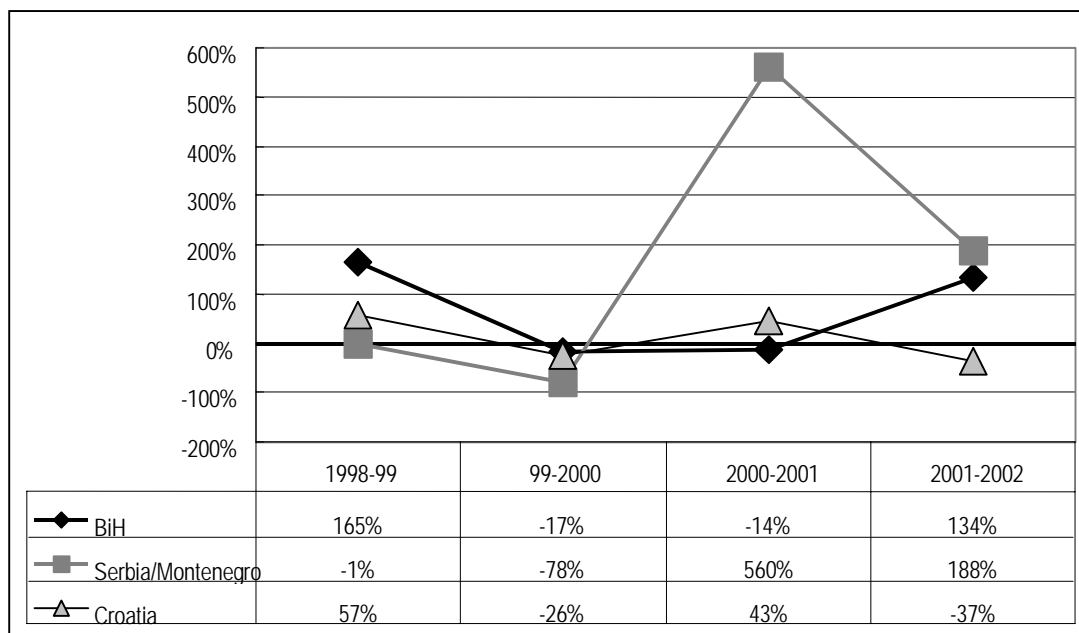
In comparison, the Republic of Serbia and Montenegro received US\$ 890 million, which was almost the same as for BiH in the period. On the other hand, the Republic of Croatia received US\$ 6,030 million, which was 7.5 times of foreign direct investment to BiH in the period.



Source: World Development Indicator Database on Web Site of World Bank

Figure A 2.8 Foreign Direct Investment (million US\$)

The annual growth rate of foreign direct investment in BiH and Serbia and Montenegro fluctuated and was unstable in the period.



Source: World Development Indicator Database on Web Site of World Bank

Figure A 2.9 Growth Rate of Foreign Direct Investment (%)

3) Remaining Major Issues

Issues on damaged infrastructure, refugees, and the safety have largely been solved by OHR, related commissions, and co-operation of international communities. However, the following remaining major issues will continue to await clear solutions.

Reform Economy: Economic systems have to be reformed and restructured to modern ones with proper economic infrastructure, business environment, taxation, reducing internal debt.

Establish New Laws, Regulations and Measures: New legal measures have to be established and introduced to support implementation of economic and institutional reform.

Establish State Government Institutions: Re-establishment of unified state level parliamentary and administrative systems is essential to keep stabilization and sustainable growth.

Finalize Defense and Intelligent Reform: The unification and civilian control process of the existing two military forces and intelligent systems has to be finalized into state level.

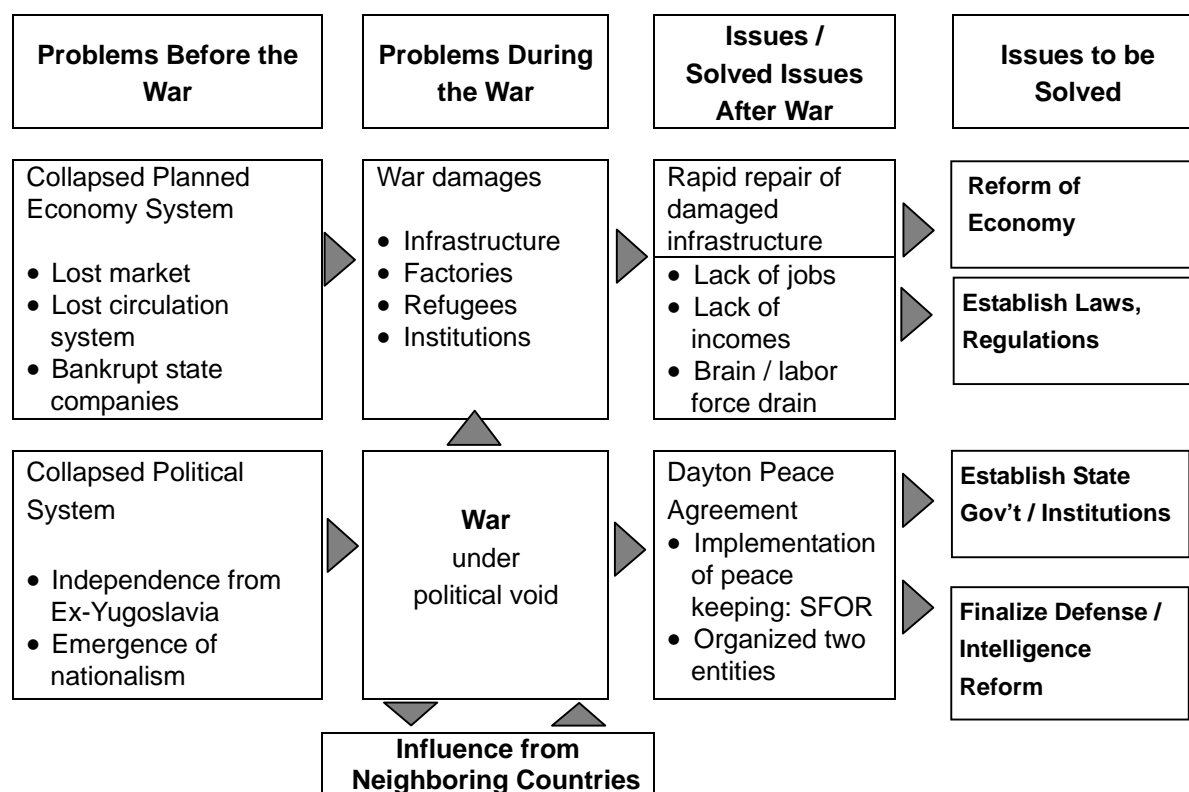


Figure A 2.10 Flows of Political, Socio-economic Issues

2.2 Review of the Development Policies and Relevant Plans

The following information is a result of research conducted with various BiH government agencies and international organizations active in BiH. It covers major development policies, the role of the tourism sector for the nation and the role of this Study. Selected plans, projects and studies are then reviewed.

2.2.1 Major Development Policies & Strategies

Highlights of the nation's key development policies and strategies are presented below. Because the nation is in a process of profound transformation this discussion covers major innovations in government that are intended to improve the environment for development in the short to medium term. The role of the EU as a major development partner is defined.

(1) The Bulldozer Committee

In this post-war period of very profound social adjustment, the international community has determined that a more aggressive push for additional reforms is needed. The Bulldozer

Committee, formed by OHR in late 2002, brings together private sector representatives and technical staff from the donor community to identify business obstacles and recommend remedies to the governments of both entities and State. By mid-2003, the Bulldozer Committee identified 50 obstacles and the governments enacted laws or regulations to lift these obstacles under OHR pressure. Fifty additional obstacles have since been identified, and are being addressed by the BiH Council of Ministers. The Bulldozer Committee has decentralized itself into 6 regional committees and an agriculture and forestry committee so that they can continue to operate as catalysts for public-private interaction and cooperation.

(2) The Council of Ministers of BiH and the EU

The EU plays a crucial advisory role in support of social institutions throughout BiH at all levels. The Council of Ministers of BiH (the Council) is in the process of establishing an "Economic Policy Planning Unit" with two million EURO assistance from the EU. The Unit will have two sub-units, "Economic Policy Research" and "Policy Implementation and Monitoring." The Unit will implement the national development agenda outlined in the "Poverty Reduction Strategy Paper" (PRSP), facilitating European integration. The Council is supported by the "Coordination Board for Economic Development and European Integration" (the Board), which is comprised of the Prime Minister of BiH, Prime Ministers of FBiH and RS, BiH Minister of Foreign Trade and Economic Relations, BiH Minister of Finance and Treasury, BiH Minister of Foreign Affairs, Ministers of Finance of both Entities, Mayor of the District of Brcko, and Director of Directorate for European Integration.

(3) The Major Role of EU Assistance

The overall objective of EC assistance is to support the participation of BiH in the Stabilization and Association Process (SAP), that has been applied all Western Balkans. Specific objectives of assistance to BiH are:

- 1) Democratic Stabilization;
- 2) Administrative Capacity Building;
- 3) Economic and Social Development;
- 4) Environment and Natural Resources; and
- 5) Justice and Home Affairs.

Various programs are to be formulated towards the above objectives.

Among them, of particular relevance to this JICA Study are the following:

- Sustainable local development including job creation activities;
- Trade development including corrective measures in norms, standards, certification and other controls;
- Social cohesion and development; and
- Support to Environmental Action Plan, to develop capacity to deal with environmental issues, and to better manage water resources and solid waste.

The EU RED program has made a grant facility available during 2004 for activities that are to be undertaken by local non-governmental organizations. Tourism is only one of several sectors to be supported by this fund.

(4) The EU Regional Economic Development Assistance

The EU has recently launched a 2-1/2 year, 9 million EURO RED activity consisting of a national level technical support facility (including both short- and long-term, local and international expertise) to provide a range of consultancy, training, and communication services to support the regional development process in each of the emerging regions, including:

- Formulation of regional and local development of strategies and action plans;
- Institution building and capacity strengthening of local bodies involved with regional development such as Regional Development Agencies (RDAs);
- Expert support to complement project funds for the implementation of specific interventions identified in the action plans and strategies;
- Mobilization of funding and different sources;
- Policy and regulatory support to create a more conducive environment for regional economic development to take place in BiH; and
- Creation of a network between emerging regions and a national forum for regional economic development.

The program envisions assistance through 5 RDAs once it is fully operational. It is open by periods for new applications and is providing grants of up to EU 120,000. The agencies are located in the major cities of each of five Economic Regions in BiH.¹

¹ These cities are: Banja Luka in North West Economic Region, Tuzla in North East Region, Zenica in Central Region, Sarajevo in Sarajevo Region, and Mostar in Herzegovina Region.

2.2.2 Role of the Tourism Sector

There have been no operative development policies directly in support of the tourism sector in recent years as the government's priorities have been elsewhere, and where they have focused on economic sectors up until recently they have not identified tourism as a priority sector of the economy. In addition, the donor community has generally bypassed the tourism sector until recently when organizations such as USAID and GTZ of Germany have undertaken some analysis of the sector. USAID has taken the position of supporting strategically defined sectors as an outgrowth of its cluster competitiveness approach.

The OHR in May 2004 undertook a promotional "Road Show" to five major European cities specifically for the purpose of creating a positive image for BiH in these five crucial European countries. This exercise underscores the OHR's policy from this point forward, strongly in favor of the tourism sector as a growing export for BiH. However, this undertaking is highly symbolic, led by the High Representative, of OHR, Paddy Ashdown himself, and does not represent a program or any long-term effort in itself. The awareness of the sector's potentials is definitely growing however as tourism is getting increased attention in the agencies and in the programs [see *Relevant Plans* below] alongside agribusiness and industry.

2.2.3 Role of This Study

The role of this Study is to demonstrate how nature-based and culturally motivated tourism, known collectively as eco-tourism, can serve as the basis for sustainable development in BiH, to generate socio-economic benefits for specific communities in the two defined study areas. The approach of the Study is to demonstrate how community interests can be successfully drawn into the supply-demand equation for eco-tourism to play a central role from the bottom up in expanding the range of services on which eco-tourism will rely. This is a community-based, bottom-up approach based on a variety of interest groups in all six communities.

Chapter A 3. Tourism Resources and Their Conservation in BiH

3.1 Institutional Setting for Environmental Issues

BiH is in the process of reconstructing respective environmental institutions of each Entity. Toward this end, the World Bank assisted a program, named “National Environmental Action Plan - Bosnia and Herzegovina” (NEAP). Its efforts produced an “Action Plan” formulated by the thematic groups of Air, Water, Nature, and Solid Waste.

In the legal domain, each Entity of BiH has established a Law on Environmental Protection. Under this law, respective environmental laws addressing to Air, Water, Nature and Solid Waste for each Entity are established. EU has assisted these efforts.

The above programs represent a major effort in establishing Entity-level environmental protection institutions, and indeed they give a big thrust to mobilizing each Entity’s environmental protection administration. Therefore, outcomes of the above two programs reviewed. In the final section the topic of visitor safety with respect to the minefield problem is addressed.

3.1.1 Review of Outcomes from NEAP

In this section major findings and outcomes from NEAP are summarized, in view of their significance to the “Eco-tourism Development Study”.

(1) Current conditions of environmental institutions in BiH

It is generally observed that environmental institutions in both Entities are not well staffed and are not fully functional. Even activities of monitoring environment - air quality, water quality and solid waste management are non-existent, or at a very low level, in many important locations in the country. Legal arrangements of environmental protection - networking environmental information, inspection, and enforcement - can only be in effect, backed by such fundamental activities of recognizing the current environmental situation.

The NEAP report summarizes that “it is necessary to provide strong **horizontal cooperation, not only on the entity level, but within the entities as well**. In order to achieve this, it is necessary to **establish a new institutional organization** (body or direction for

implementation of NEAP, or something similar to that) on the entity level, and in the later stage, on the country level as well”.

(2) Stated Goals of NEAP

Goals of NEAP are stated as follows:

- Goal-1 Environmental protection in Bosnia and Herzegovina based on the sustainable development principles with institutional and human resources development on all levels.
- Goal-2 Organization and implementation of horizontal inter-sector coordination and cooperation.
- Goal-3 Implementation of legislative and other international obligations for the integration of Bosnia and Herzegovina in the European Union.

(3) Necessary measures for BiH

NEAP points out necessary measures, among others, to achieve NEAP goals:

- Corrective analysis of the existing organization, diffusion of activity framework, strengthening of the system of the Environmental Protection Ministry, Physical Planning of FBiH and the Ministry of Urban Planning, Housing and Communal Services, Civil Engineering and Ecology of RS and responsible authorities in District Brcko;
- Passing of the laws and necessary by-laws harmonized with the EU legislation;
- Creation of predispositions for vertical strengthening of cooperation within entities and transfer of responsibilities on to local levels, with entities having the task of cooperation and monitoring; and
- Creation of predispositions for preparation of cantonal, regional and local environmental protection programs.

(4) Institutional Issues of Air Quality Management

Nationwide as well as local air quality monitoring systems are not put in place. In Bosnia and Herzegovina, major air pollutant emissions come from stationary sources - coal-fired thermal power plants and industry, and mobile sources, including traffic, as the main generator of emissions. Air quality monitoring and management institutions at the State, Entity, and local government level need to be established. The functions vested with those institutions shall include observation, inspection, analysis and enforcement.

(5) Institutional Issues of Water Resources and Water Quality Control

Water quality management under the concept “integrated river basin” is envisaged as advocated by the EU directives. To put water resources management in effect, water institutions’ coordination among the local and municipal authorities in the same basin is needed. To achieve water resources management river basin wide, all the institutional functions at the entity and municipal level, firstly be established - water quality monitoring, inspection of polluters and enforcement of emission standards along major river systems in the basin. Thereafter, vertical and horizontal coordination among institutions shall be strengthened.

(6) Institutional Issues of Solid Waste Management

Wastes discharged by households, medical, and other hazardous sources are not separated, but are disposed of on land fields and dumpsites (mostly of solid waste). Secondary legislations that define types of wastes or the manner of handling and management of hazardous waste are yet to be enacted. There is no established system of treatment and disposal of hazardous waste. This also includes medical and infectious wastes. Local governments are held responsible for collection, proper treatment and sanitary disposal of municipal wastes. Administration above municipal level shall be strengthened to establish respective standards of waste disposal operation and manner of landfill in compliance with sanitary engineering standards.

3.1.2 Recently Drafted Laws on Environmental Protection

(1) Background of Recently Drafted Laws on Environmental Protection

In the frame of the European Commission’s (EC) program under the title “Preparation of the Legal Regulations for the Environment Protection in Bosnia and Herzegovina” (PHARE), the experts from Federation of Bosnia and Herzegovina and Republic of Srpska, with the assistance of the international experts, were engaged in work on making the following laws for both entities:

- Law on Environment Protection;
- Law on Nature Protection;
- Law on Water Protection;
- Law on Waste Management; and
- Law on Air Protection.

The experts from Federal Ministry of Physical Planning and Environment were engaged in work on Project, particularly lawyers, as well as the professional assistants competent for some fields of work in the Ministry. The Project was realized by the adoption of the laws in the standard procedure.

(2) Laws in Gazette

The above laws have been published in official gazettes of Republic of Srpska (Official Gazette of RS, No. 50/02-Law on Nature Protection, No. 51/02-Law on Fund for Environment Protection and No. 53/02-Law on Environment Protection, Law on Air Protection, Law on Water Protection, Law on Waste Management), and Federation of Bosnia and Herzegovina (Official Gazette of FBiH No. 33/03-set of five environmental laws, Law on Fund for Environment Protection in FBiH). Texts of the environmental laws are the same in both entities, but divisions of competences are different, for the competences of Cantons are present in the Federation of Bosnia and Herzegovina.

The obligations that are coming from the mentioned set of laws are put in force, in both entities, and the Secondary Legislations are to be drafted to each law.

According to the Law on Environmental Protection, manufacturing plants and technical installations are mandated to undergo the environmental impact assessment procedure, and they can only be constructed and put into operation only after obtaining environmental permit. It also stipulates the procedure of environmental impact assessment and obtaining the environmental permit.

Other laws relevant for the Study include:

- Law on cultural, historical and natural heritage protection and use (Official Gazette of BIH No. 20/85) at the level of Bosnia and Herzegovina;
- Law on protection of cultural, historical and natural heritage proclaimed as the national monuments of BIH by the decisions of the Commission for the National Monuments Protection (Official Gazette of FBiH No. 2/02) and Law on changes and amendments of Law on protection of cultural, historical and natural heritage proclaimed as the national monuments of BIH by the decisions of the Commission for the National Monuments Protection (Official Gazette of FBiH No. 27/02); and
- The Commission for making the Law on national monuments of BIH protection and conservation has been established at the level of BIH.

3.1.3 Legal Provisions for Environmental Protection

(1) The Environmental Protection Law

As stated in the foregoing section, «The Law for Environmental Protection» (hereunder stated as «the Framework Law») sets forth the highest-level norms and standard procedures to be observed that have relevance to all environmental media - air, water, soil, flora and fauna, landscape, and built environment. (Article 2) The Law also regulates the framework for legal measures and institutions for the preservation, protection, and improvement of environmental protection. (Article 1)

The following sections represent excerpts of basic principles, norms, and procedures dictated by the Framework Law, which are deemed to be of relevance and significance to «Eco-tourism Development Plan in BiH».

(2) The Principles of Sustainable Development

The Law gives a definition of «Environmental Sustainability» in the following manner (Article 5):

- Maintaining the natural capital in a way that the rate at which we consume renewable material, water and energy resources does not exceed the rate at which the natural systems can replenish them, and that the rate at which we consume non-renewable resources does not exceed the rate at which sustainable renewable resources are replaced;
- That the rate of emitted pollutants does not exceed the capacity of the air, water, to absorb and process them; and
- Regular maintenance of biodiversity; human health; as well as air, water, and soil qualities at standards sufficient to sustain human life and well being, as well as animal and plant life, for all time.

The above concept does not indicate any unique features other than universally understood one and could be applicable in the context of «Eco-tourism Development Plan in BiH».

The Polluter Pays Principle (Article 11) designates that any polluter must pay to meet the cost of pollution control and prevention measures.

(3) Protection of Environmental Media

Necessity of measures and general scopes for conservation and protection of Land, Water, Air, Biosphere and Built Environment are stated. Protection against adverse impacts from

hazardous substances, solid wastes, noise and vibration and radiation are also stated. (Articles 12 to 21)

(4) Public Participation and Access to Environmental Information

The Law stipulates the public participation and access to environmental information. It is elaborated in the following articles. The public affected or likely to be affected by, or having an interest in, the **environmental decision-making** either because of the location of a project or because of a topic in the case of non-governmental organizations promoting environmental protection have rights to access environmental information. (Article 30)

The public shall have access to information, have the possibility to participate in decision-making and have access to justice in environmental matters without discrimination as to citizenship, nationality or domicile. Each public authority shall ensure that persons exercising their rights in conformity with the provisions of this law shall not be penalized, persecuted or harassed in any way for their involvement in the procedures. (Article 31)

The Federal Ministry of Education in collaboration with the Federal Ministry shall prepare annual **environmental educational plans** aimed at promotion of environmental education and environmental awareness among the public in environmental field. Educational environmental plans shall be included into the curricular and extracurricular activities. (Article 32)

(5) Environmental Planning and Strategic Environmental Assessment

The Law also stipulates the formulation of environmental plan and action plan by competent environmental authorities and local governments. Required contents of program and plans are designated to be as follows:

The system of environmental planning includes adoption of the following plans (Article 45):

- Inter-entity level environmental program;
- Federal level environmental strategy and Environmental Action plan; and
- Cantonal level environmental plan.

The main elements of environmental plans of Federal environmental strategy, plans and programs, among others, shall include (Article 47):

- The presentation of the given state of the environment, based on scientific experiences and information;
- The environmental goals and targets to be achieved in the planning period;
- Principles and guidelines of environment protection;
- The tasks and duties to be performed in order to achieve the goals and targets, the order and deadline of the implementation;
- The means and methods for the achievement of the goals set, including an indication of the planned resources needed to meet the financial needs; and
- The designation of areas in which special environmental instruments are required as well as the contents of such instruments.

(6) Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is also mentioned in the context of environmental planning. The Law stipulates that in the case that the plans involve detrimental regional impacts, the responsible body shall assess and evaluate the impacts and shall summarize them in a SEA. In the developing procedure of SEA, the environmental components, the quality of the environment or human health in connection with the environment shall be taken into the consideration. (Article 51)

The SEA shall cover, in particular, the following (Article 52):

- The extent to which the planned regulations and measures may influence or improve the state of the environment;
- In case the planned measures were not implemented, what could be the consequences for the environment or the population;
- The extent to which conditions are adequate for the introduction of the planned measures; and
- The extent of the capacities of the competent bodies for implementation of the planned measures.

(7) Environmental Impact Assessment (EIA)

The Law also gives a framework for implementation of EIA and mandated administrative procedure associated with EIA public hearings, citizens' participation, and review by the Competent Authority and permits. **The entire EIA procedure** is to be administered by the Competent Ministry (Article 55).

Competent Authorities are defined to be Federal Ministry and Cantonal (in the case of FBiH) Ministries responsible for environmental protection and preservation. (Article 40)

The plants and installations or significant changes of the existing installations listed in implementing regulation shall be subject to EIA in all cases. Environmental administrative procedures are outlined below.

1) Projects subject to EIA

The plants and installations or significant changes of the existing installations listed in implementing regulation shall be subject to EIA, if the competent ministry authority decides so.

Significant changes of installation and plants shall be considered as:

- Any modification of plants and installations;
- If the total of modifications exceeds 25% growth in production, energy use, water consumption, territory use, emission or waste production; and
- The (last) modification that leads to the excess of 25% growth (within ten years) shall be considered as significant.

Decommissioning the operation of the projects and demolishing the sites in connection with such decommissioning is subject to EIA. (Article 56)

2) Prior Impact assessment

The request for Prior Impact Assessment (Article 58) shall be submitted to the competent ministry. The request should be accompanied with the following documentation (Environmental Impact Statement, EIS hereinafter):

- A description of the project comprising information on the site, design and size of the project;
- A description of the measures envisaged avoiding, reducing and, if possible, remedying significant adverse effects;
- The data required to identify and assess the main effects which the project is likely to have on the environment;
- An outline of the main alternatives studied by the developer and an indication of the main reasons for his choice, taking into account the environmental effects;
- The regional planning consent; and
- A non-technical summary of the information mentioned in the previous indents.

The competent ministry shall send the request defined in Paragraph 1 of this Article and its attachments to the competent authorities and to the concerned subjects for comments. The comments shall be received within the period of thirty days after reception of the request. The decision on prior EIA shall be submitted to the applicant and the subjects defined in Paragraph 3 of the Article 58.

3) EIS Review by the Competent Authority

The Competent Ministry shall decide on development of EIS on the basis of the prior EIA procedure within further 30 days from the deadline for sending comments.

After adoption of the decision established in Paragraph 1 of this Article, the competent ministry shall determine the following (Article 59):

- The content of EIS taking into account the EIA-guidelines;
- Contractor assigned to prepare the EIS; and
- Fee for development of EIS.

4) Public Hearing

The Competent Ministry shall inform publicity and organize public hearing through newspapers disseminated Federation-wide with a public notification on the draft EIS.

The written comments and opinions resulting from public hearing shall be sent to the Competent Ministry within 30 days from the public notification. (Article 61)

The Competent Ministry shall organize a public hearing on the project -in the premises closest to the location of the project, notifying the public at least 15 days before the time of the hearing. The Competent Ministry shall prepare the minutes of the public hearing within 3 days after the public hearing. (Article 62)

5) Approval of EIS

The Competent Authority shall approve the EIS within 30 days after delivery of the final EIS. The approval of the EIS shall be refused if:

- There is a prediction of significant environmental pollution by the project or that the project will significantly endanger the environment;
- The project is not in harmony with the Environmental Protection Plans at state and entity level and Environmental Action Plans; and
- The project is not in harmony with the international environmental legal responsibilities of the State.

The decision on refusing the approval or Study approving shall be sent to the developer, and concerned subjects established in Article 58, paragraph 3 of this Law. (Article 64)

3.1.4 Legal Implications for the Eco-tourism Development Study

Activities to be generated from “Eco-tourism Development” have significant consequences from environmental and legal perspectives. In this section, several important implications are indicated.

(1) Necessity of Impact Assessment of Eco-tourism Development Plan in the regional context

Eco-tourism development plan mandates considerations for potential environmental impacts from the following viewpoint. Potential impacts from executing component programs/plans shall be reviewed from regional perspective, as the plan envisages multiple municipalities belonging to both Entities. This implies possible adoption of an approach through Strategic Environmental Assessment (SEA), as stipulated in the Articles 51 and 52.

SEA approach is suited for assessment of potential impacts arising from long-term programs with many project components, to be executed over the huge spatial dimensions.

However, before applying a full-scale SEA approach, it is more appropriate to have a prior assessment exercise (Initial Environmental Examination = IEE), as stipulated by JICA's revised “Environmental Guidelines” (in effect April, 2004) to see their impacts through preliminary screening. The results from such exercises are to be shown in the Section 9.7.1 of Chapter D 9. and Chapter F 9.

(2) Compliance with BiH's EIA procedure as well as updated JICA Guidelines

1) BiH's EIA Mandates

A standard EIA procedure is detailed in the Law on Environmental Protection. According to the EIA procedure, any initiator or investor of the programs/projects needs to seek the competent Authority whether proposed installations of the programs/projects are among the ones listed, followed by release of judgment by the Competent Authority whether it has a potential of significant environmental impact. If it is so judged, the proposal needs to go ahead with full-scale EIS exercise. However, the Secondary Legislations detailing EIA execution schedule are released recently. A comprehensive list of proposed project by industrial sector that mandates EIA is released in the gazette (No. 19) on 10th April, 2004. It

lists following projects that are mandated for environmental impact assessment. Listed projects are subject to obtaining an environmental permission from the competent Authority.

Table A 3.1 Objects that need EIA

<i>Objects that have to go through with the assessment (Article 4).</i>	
e. Agriculture / Forestry / Water Management	
39.	Projects of Restructuring Agricultural Land exceeding than 30 ha
40.	Projects of Using Uncultivated Land exceeding 30 ha
41.	Reforestation on Empty Land exceeding 30 ha
42.	Facilities for Intensive Breeding of Cattle
h. Infrastructure and Others	
50.	Ski Lift and/or Cables, whose development area exceeding 10 ha
<i>Other Objects (Article 6)</i>	
h. Tourism and Entertainment	
58.	Outside the Urban Area, Objects that exceeds 5 ha and/or 500 beds
59.	Permanent Camping Ground with a capacity more than 500 huts
	Parks for Entertainment exceeding 5 ha, and/or exceeding 750 car spaces

2) JICA's Updated Guidelines

JICA as a donor has recently updated its "Guidelines for Environmental and Social Considerations" to be effective from 1st of April 2005. The proposed investments in the present "Eco-tourism Study" need to go through with JICA's own screening process. Due screening review on potential (adverse) impacts from proposed pilots will be conducted. The results will be shown in the Section 9.7.1 of Chapter D 9. and Chapter F 9.

(3) Citizens' participation and access to environmental information

Citizens' participation in the environmental decision-making and access to such information is to be assured. (Articles 30, 31 and 33) The Study process involves lots of public participation through engaging citizens on stimulating and developing business ideas. This is partially done by workshops, informal gatherings and field interviews.

The above are, of course, not an exhaustive list of environmental legal implications, arising from eco-tourism development planning. During the course of further study with more plan details laid out, in the shorter and longer perspectives, full extent of implications will be identified and recommendations be made.

3.2 Current Situation of Natural Environmental Management

3.2.1 Natural Environmental Management Policies in BiH

(1) Policy Framework in BiH

In BiH, there used to be no national environmental policy, which includes natural environmental management to identify the management priorities. Without a national policy, natural environmental management policy in BiH was not prepared and not to identify the conservation priorities as well. Furthermore, each entity government did not harmonized direction in terms of inter-entity natural environmental management policies. This led to the lack of collaborative management policy, especially on trans-boundary environmental issues such as wildlife management and biodiversity conservation.

However, in 2003, under the partnership with World Bank, technical and policy experts in BiH and RS have collaborated as a consortium to prepare BiH's first National Action Plan (NEAP). The NEAP contains national environmental policy and action program for each environmental sector such as forest management, biodiversity, protection, use and management of land resources. However, the NEAP lacks clear implementing priorities of the action programs and financial sources.

(2) International Conventions and Agreements

BiH has ratified many international conventions related to natural environmental management. BiH is a signatory to the following important conventions and agreements at present:

- Ramsar Convention on Wetlands of International Importance (1971)
- Convention on Biodiversity (1992)
- Protocol on Specially Protected Areas and Biological Diversity in the Mediterranean (1996)

However, BiH has not yet signed other conventions and protocols that promote natural environmental improvement.

- Convention on the International Trade in Endangered Species (1973)
- Convention on the Conservation of Migratory Species of Wild Animals (1979)
- Protocol on Specially Protected Areas and Biological Diversity in the Mediterranean (1996)

In terms of Environmental Policy at State Level, the state constitutions delegate authority for environmental policy and management to each entity, but each entity has different constitutions, which define different obligations for environmental management. Therefore, there is no clear integrated environmental management policy in BiH that can be acted upon.

(3) Environmental Policy and Human Resources at Entity Level

1) FBiH

The FBiH has no clear natural environmental policies, strategies, or priorities of its own. This leads to uncertainty that decision makers and institutions with direct responsibility for natural environmental management have no firm basis for decisions on management policy, legislation, or programs.

The FBiH Ministry of Physical Planning and Environment has a total staff of only ten persons; four are in Physical Planning Department; six are in Environmental Department. The staff is in charge of natural environmental management, but none of the staff has professional ecology or biology background.

2) Republic of Srpska (RS)

The RS has also no clear natural environmental policies, strategies, or priorities of its own. This causes a similar uncertainty in decision making for the natural environmental management. The institutions, which have responsibilities for natural environmental of the RS, are not able to articulate management programs for conserving the natural environment.

(4) Environmental Policy at Canton Level

In the FBiH entity, there are 10 cantons (*Kantons*) as the second level administrative unit between the Entity and the municipality. The Canton governments share some natural environmental management responsibilities with the Entity government of the FBiH. However, each canton government has less capacity to address natural environmental management than the entity does. Also, the entity of the FBiH has no capacity to support each natural environmental management issue of the canton.

3.2.2 Each Natural Environmental Management Situation

(1) Ecosystems and Landscape

BiH is distinguished by its very diverse ecosystems, distributed from sea level near the Dalmatian to alpine mountain peak of Mt. Maglic at 2,386m. However, the relief is mostly mountainous, with an average altitude of approximately 700m.

Some 47% of the land is covered with forests, distributed throughout the central parts of BiH. In the central portions of the country, the vegetation types are similar to those in northern and central Europe. On the other hand, vegetation in the southern parts of BiH with large karstic areas is typical of the sub Mediterranean region, which is dominated by a narrow ecosystem of oak forests and rocky meadows.

However, the past intensive grazing and cutting trees for fire wood have severely damaged these oak, hornbeam forests, because responsible public sector for the ecosystem management has not functioned so far.

(2) Protected Areas

At present, only 0.55% of the territory of BiH (approximately 28,127 ha) is actually protected and more than half of that contained within the two national parks; one is Sutjeska National Park and the other is Kozara National Park. Because, the former Yugoslavian Law on Nature Protection of 1970, which is being used in BiH legislation for Framework Law on Nature Protection 2003, has still been the basis for designating protected areas of BiH.

On the other hand, there is a plan to expand the protected areas up to 16% of the territory of BiH, according to the Spatial Plan of Bosnia and Herzegovina in 2000. However, the process and the situations of the designation are still not clear. Also, the categories of the protected areas do not correspond completely with the IUCN categories of the protected areas.

Concerning the roles of the designation, in FBiH, the Cantons are responsible for designating new protected areas in IUCN categories III and lower. Each entity Ministry of Physical Planning and Environment designates the other IUCN categories for the protected areas. Protected areas management system in BiH is complicated, although the actual management capacities of the protected areas are very weak.

(3) Forest Management

Forests, which are mostly dominated by beech or beech-fir, cover more than half of the land in BiH. The beech and beech-fir forests are the most economically valuable forests in BiH, therefore they are commonly overexploited. The war also has led to significant degradation in forest resources; the major causes of the degradation are uncontrolled cutting, forest fires, lack of management, and military actions.

Approximately 80% of the forest area is state-owned, the remainder is owned by a large number of individual private owners. The forests are still managed by old laws/regulations and administrative systems.

Forest resources are damaged due to minimal enforcement of forest laws/regulations and weak management human resources.

(4) Biodiversity and Fauna/Flora

BiH represents one of the most interesting regions in Europe in terms of biological diversity. For example, BiH is very rich in flora. It is estimated that more than 3,000 plant species are present despite relatively small land area. BiH is among the five richest countries in Europe in terms of species density and diversity. The BiH also has a large number of endemic plant species, the number of which is estimated at more than 500.

However, flora in BiH has not yet to be fully inventoried. For example, a significant number of potentially endangered fungi species are collected as wild growing species. Very weak natural resources management led to deterioration of biodiversity level of BiH. Therefore, BiH has significant ratio of endangered plants compared with other European countries.

In terms of the fauna, much of the fauna is adapted to mountain habitats, because BiH is a mountainous country and has dense forests, which are good habitat for a rich diversity of fauna. For example, rare endemic animals such as snow vole, chamois, brown bear, and marten are found in BiH. Also, important and rare birds such as grouse, owls as well as ichthyofauna are confirmed in BiH.

Nevertheless, the level of habitat diversity is degrading, because insufficient wildlife management actions and weak management capacities of BiH.

3.3 Current Situation of Historic Heritage Conservation

3.3.1 Chronological Development of Heritage Conservation in BiH

According to the Commission to Preserve National Monuments of BiH, efforts of cultural and historical heritage conservation began as early as in 19th century. The following is a brief history on heritage conservation in BiH.

- 1885: Museum Society for Bosnia and Herzegovina was established and connected to a movement of protecting cultural historical heritage.
- 1991: The Assembly of Bosnia and Herzegovina passed a decree to make a state authority for the protection of historic monuments.
- 1914: There was an attempt to make a law on heritage protection, however, the confusion of the World War I made it aborted.
- Until 1941: Sarajevo National Museum was the center for protection of cultural, historical and national heritage.
- Feb. 1945: Decision on protection and preservation of cultural monuments and antiquities by the National Liberation Council of Yugoslavia was issued. The Republic of BiH was entrusted with this issue on its territory.
- July 1942: Federal Law on the protection of cultural monuments was adopted as a basis for the institutional network.
- 1946: National Institute for the Protection of Cultural Monuments of Bosnia and Herzegovina. Later the similar institutes were formulated in some major municipalities.
- 1947: A law to facilitate protection of cultural monuments and nature was adopted. This law was amended in 1978 and 1985.
- 1986: Republican Statistics Institute of BiH issued an Inventory of the Architectural Heritage. This list included 162 religious buildings, 52 residential buildings or building clusters, and 36 commercial and civil engineering properties.
- 1987: Law of Regional Planning requested to define protected sites with cultural and historical heritage in the regional and town plans. The Regional Plan for

BiH included 8,800 immovable cultural monuments and 2,267 of them had been registered.

3.3.2 Regal and Institutional Framework

The general framework agreement for Bosnia and Herzegovina (The Dayton Agreement 1995) ANNEX 8 defined “the Commission to Preserve National Monuments of BiH.” This commission has the authority to designate property having cultural, historic, religious or ethnic importance as National Monuments. The relevant law for historical conservation at the state level is “Law on the protection of properties designated as national monuments of Bosnia and Herzegovina by decision of the commission to preserve national monuments.” The commission has sessions in every two months with five commissioners. The secretariat is in Sarajevo with 14 staff.

3.3.3 On-going Major Activities for Historic Conservation

Major activities include:

- 1) Designation of national monuments;
- 2) Installation of notice boards for national monuments;
- 3) Listing, protection campaign, and fund raising for endangered monuments;
- 4) Archive development of national monuments;
- 5) Enhancement of legislative and institutional framework for heritage protection;
- 6) Integrated rehabilitation of cultural heritage (a European Union Program);
- 7) Enhancement of local initiative in protecting national monuments;
- 8) Participation to ARCHEOSITES project to preserve Stoiles Old Fort;
- 9) Cooperation with OHR, ministries, municipalities, religious communities, etc; and
- 10) International cooperation with UNESCO and relevant institutes and conferences.

In spite of the diligent efforts of the commission and its secretariat, financial constraint is too great for the tangible historic preservation in BiH. EU, Italy, and Sweden are major donors for the above-mentioned activities. Concerning the Pliva and Velez region, one conservation project is working on a guesthouse of the Velagicevina house in Blagaj, and another conservation plan has been prepared for Jajce.

3.4 Current Situation of Urban Environmental Management

In this review, urban area is assumed to be the area of agglomeration with high-density habitats at each municipality. Each area demarcated by the municipal administrative and jurisdictional boundary consists of the built-up area and the rural area.

Built-up areas of the municipalities, estimated by satellite photo, in the form of either urban fabric, industrial, commercial and transport units, and mining dump and construction sites, amount to more or less 0.4% - 0.6% of each municipal area.

Air, water, solid waste, soil and biota within the built-up area constitute the objects of monitoring and control in the context of urban environmental management. However, the most critical issues at both Pliva and Velez Region that largely dictate the quality of the environment (QOL) perceived by residents are water-borne issues and the solid waste issues, as the built-up areas are yet to be inflicted by heavy traffic and lack heavy industry base that discharges high waste-loads to the ambient environment, except a factory operating in Jajce. Therefore the following sections address on the management issue of the water and solid waste in the built-up area of the three municipalities in the Pliva Region and the two (Southeast Mostar and Nevesinje) in the Velez Region.

(1) Legal Provisions for Urban Environmental Management

At the Entity level, an integrated water protection strategy, applicable to respective "River Basin Districts" has been formulated in harmony with the Water Protection Law, in particular, designations of the "Water Protection Strategy" (Article 11). Further, a "River Basin District" protection plan has been formulated (Article 13). Under the Guidelines and strategy, the obligations of stakeholders to achieve water protection, in sub-river basin are shown below.

Table A 3.2 Obligations of Stakeholders concerning Water Protection

Subjects of water to be addressed at respective Sub-river Basin District - Pliva and Buna	Actions to be undertaken by respective stakeholders (Municipal Office, Citizens, and NGOs)
The protection of waters against pollutant load and improvement of their quality.	Identification of major sources of water pollutant loads and establishment of loads reduction measures (Municipal Office)
The preservation and adjustment of water quantities for the preservation of natural balance for the preservation of natural balance.	Actions to remove artificial interventions and maintain sound water recharge and recycle chain in the Nature. (Municipal Office, citizens)
The preservation and adjustment of water quantities to ensure the supply of drinking water and other use of water.	Strengthen monitoring against water pollution in the sub-river basin that might affect water quality at surface / ground intake points. (Municipal Office, citizens)
The effects and loads of surface and ground water resulting from human activity.	Strengthen monitoring against water pollution in the sub-river basin that might affect water quality at surface / ground intake points. (Municipal Office, citizens)
A designation of sensitive, vulnerable and protected areas.	All stakeholders to monitor water quality of those identified sensitive areas. (Municipal Office, citizens)

(2) Municipal institutions of urban environmental management

Each entity has a unique institutional setup for urban environmental management, reflecting the different administrative structure.

1) FBiH side

FBiH has an environmental administration of three hierarchical levels - Entity, Canton, and City (Grad) / Municipality (Opcina). In the study area, former Southeast Mostar Municipality falls under Herzegovina-Neretva Canton's environmental jurisdiction. And Jajce falls under Srednjobosanski Cantonal environmental jurisdiction. At the higher level of hierarchy, there are two layers of environmental administration - Entity and Canton - that have jurisdictions over environmental legal provisions and policy matters at respective levels.

They respond to latest environmental enactments, each on air, natural environment, water, and solid waste and issues directives to and receive reports from the lower levels of environmental administration, such as City (Mostar) and Municipality (Jajce). Among the major elements of environment - air, water, land (soil), noise, and biota - the fact is that only raw water for drinking water supply undergoes regular sampling and analyses. All other elements of ambient environment - air, land (soil), noise, and biota - are yet to be sampled nor monitored by any level of the above institutions.

Actual sampling and analyses of water quality seems to be done for drinking water, only by water-supply public service enterprise. However, ambient water - surface waters and underground water - seems not to be monitored regularly by any of the above authority. At the field level, officers (called inspector) either from Canton Office or City/Municipal Office are engaged in delivering respective jurisdictional functions - monitoring and inspecting environmental sanitation, ambient water quality and solid waste - on daily routine basis.

However, due to administrative transitions and reorganizations, taking place at all levels of FBiH, jurisdictional demarcations on environmental administration are yet to be confirmed.

2) RS side

RS has an environmental administration of two hierarchical levels - Entity and Municipality. In the study area, Sipovo, Jezero and Nevesinje Municipality are in the RS side. Their environmental jurisdictional structure is rather simple and straight. At the higher level of environmental administration hierarchy, RS Ministry of Physical Planning, Civil Engineering and Ecology (MPCE) has a jurisdiction over environmental legal provisions and policy matters.

MPCE executes latest environmental enactments, each on Air, Natural Environment, Water, and Solid Waste and issues directives to and receive reports from the lower level of environmental administration - Municipality (Sipovo and Nevesinje).

Among the major elements of environment - air, water, land (soil), noise, and biota - the fact is that only raw water for drinking water supply undergoes regular sampling and analyses. All other elements of ambient environment - air, land (soil), noise, and biota - are yet to be sampled nor monitored by any levels of the above institutions. Actual sampling and analyses of water quality seems to be done for drinking water, only by water-supply public service enterprise. However, sampling and monitoring of ambient water - surface water and underground water - are yet to be practiced regularly by any of the above authorities. At the field level, officers (called inspector) from Municipal Office are engaged in delivering respective jurisdictional functions - monitoring and inspecting environmental sanitation, ambient water quality and solid wastes - on daily routine basis.

However, due to administrative transitions and reorganizations taking place at all levels of RS, jurisdictional demarcations on environmental administration are yet to be confirmed.

3.5 Mines and Visitor Safety

BiH offers the tourist an enjoyable diversity of quality outdoor recreation experiences. There are, however, a variety of man made hazards and natural conditions that can potentially affect those experiences. In all cases, adequate knowledge and preparation can be applied to either eliminate or substantially reduce both the potential dangers and discomforts associated with those conditions. The purpose of this document is to:

- 1) Identify the types of natural conditions and man made hazards the visitor may encounter;
- 2) Identify precautionary measures and techniques that can be used to insure comfort and reduce danger; and
- 3) Planning and management techniques that can be applied to completely eliminate certain man made hazards.

3.5.1 Mines and Unexploded Ordnance - Understanding the Problems

During the war an extraordinary amount of land mines were hidden by the military forces throughout BiH. The majority of those mines were located in the vicinity of the lines of battle. In addition, enormous but indefinite numbers of unexploded ordnance (UXO) were scattered throughout the country. For many years since the end of the war the Bosnia and Herzegovina Mine Action Center (BHMIC) and international donors have worked very hard and devoted substantial investment to eliminate the mines and UXOs. Since the cessation of hostilities, BHMIC has diligently worked to identify the location of mines and UXO's, identify the location of accidental explosions, produce maps that accurately describe mine zones, post warning signs, and hire contractors to eliminate the mines. The efforts of the BHMIC and its donors have successfully eliminated many thousands of mines and UXO's every year.

Despite BHMIC's dedication, there is still a vast amount of land mines and unexploded ordnance (UXO) located throughout BiH. The BHMIC estimates that there are currently at least one million mines and UXOs located throughout BiH. The majority of the mines are anti-personnel weapons. This means that the primary purpose of the mine is to kill or seriously injure people. Mines are detonated in two ways. They will explode when a person steps on them or by tripping a wire that causes detonation.

In the BiH mine zones there is an average of 5 to 11 mines per hectare. Most of the mines were placed by small groups of military personnel and the locations were rarely recorded.

This has made it very difficult to locate the mines. The BHMAL must rely upon the memory of the combatants to create their baseline maps. Because ordnance was shot and traveled long distances or was hastily abandoned, there is no definite knowledge regarding the specific location of UXOs.

The BHMAL employs surveyors to produce detailed maps of the mine zones. The surveyors use conventional survey techniques and GPS technology to identify mine locations to within one meter accuracy. The more detailed zones are surveyed according to priority designations; such as proximity to human settlements, proposed economic development zones, infrastructure sites, and transport routes. The BHMAL is also responsible for warning people about mines. Signs are placed around the perimeter of all mine zones. The BHMAL posts and maintains the signs.

Upon completion of the mapping of the mine zones, the BHMAL employs contractors to actually clear the mines. There are currently 40 contractors doing the actual mine disposal work. Dogs and mechanical equipment are used to locate each mine. Disposal is accomplished by means of detonation or removal.

Numerous donor agencies are supporting efforts to locate and eliminate the mines and UXO. The International Trust Fund (ITF) is the largest donor. The ITF provides approximately 40% of the financial support required to sustain the mine disposal project.

Again, the size of the mine and UXO problem is enormous. At the current rate of mine disposal, it is estimated that it will take until the year 2060 to remove all of the mines from BiH.

Unfortunately, as time passes, the danger from mines and UXOs increases. The several reasons are as follows:

- The mines were concealed by burying them in the ground. As time passes, vegetation grows around the mines and they become more difficult to locate.
- The metallic and mechanical devices on the mines are steadily deteriorating and this causes the mines to become more unstable. They become more sensitive and thus easier to detonate. For these reasons it is easier to accidentally detonate the mines.
- There is a great reliance on the memory of the combatants to locate the mines. This knowledge is progressively being lost as the memory of the combatants fades, as they move from the country, or when they die.

- The weather conditions are causing some the explosive chemicals contained in the mines to become progressively unstable. This condition will produce spontaneous detonation. In other words, mines will explode without a person detonating them. Anyone in the vicinity of the exploding mine will potentially be injured.
- The shifting of the ground caused by erosion and flooding has relocated the mines to new locations. Thus the configuration of the mine zone changes and the maps may not accurately reflect new site conditions. The BHMAC is aware of this situation and tries to account for this movement by making the mine zone very large.
- People who are not familiar with the dangers of mines and the location of the zones, such as tourists, are especially at risk by unknowingly entering mine zones.

3.5.2 Mines and UXOs in the Study Areas

It is a fact that large numbers of mines and UXOs are located in both the study areas. All of the communities in both the study areas are located in the vicinity of mine zones. Velez Study Area has substantially more mines than Pliva Study Area, but both zones have a large number of mines. The general locations of the mines in both zones have been verified and mapped by the BHMAC.

Tragically, accidental detonations continue to kill and injure people in both the study areas. Perhaps more disturbing is the fact that many of those deaths occurred beyond the boundaries of mapped mine zones. By example, a UXO device killed two young boys in the immediate vicinity of the village of Podvelez and another UXO accidentally exploded south of the Town of Nevesinje.

3.5.3 The Process for Creating Safe Tourism Zones

The BHMAC wants to provide the essential assistance required to make the JICA Study Areas safe for eco-tourism. The BHMAC proposed a procedure for identifying and removing mines in the study areas. BHMAC has assured JICA that it strongly supports the creation of safe recreation zones and will give priority to insuring that those zones are surveyed and cleared. The process for obtaining BHMAC assistance is as follows:

- 1) The location of the tourism activities and developments supported by JICA must be accurately communicated to the BHMAC. This information must include the specific regions where eco-tourism activities will occur and where facilities are proposed to be

renovated or constructed. This can be accomplished when JICA provides maps of the project study areas to the BHMAL. These areas should be identified in terms of wide access routes, wide trail routes, a large perimeter surrounding facilities, and a large perimeter surrounding recreation activity zones. Specific examples of recreation activity zones that should be identified include: include fishing and boating locations, hiking and backcountry use areas, and wildlife viewing zones, and herb and mushroom collection zones;

- 2) Based on the accurate identification of all types of tourism activity zones, the BHMAL will then conduct detailed surveys to identify the specific location of mines;
- 3) When BHMAL has accurately identified the mine zones, then it will designate those areas as a high priority for the clearance of all explosives;
- 4) Given the importance of the JICA Project, the BHMAL will make every effort to obtain funds from BHMAL's donor agencies to have the mines removed;
- 5) Scheduling the disposal of the mines will depend upon both the availability of funds and the season of the year. Again, given the importance of the JICA Project, the BHMAL believes that high priority for mine disposal can be established. It should be noted that mine and UXO clearance can not be performed during the winter months;
- 6) The final step in the process is to create, publish, and widely distribute maps and other informative materials that identify the safe tourism and recreation activity zones. By example, brochures, trail maps, and web site information will assure the tourist that they are recreating in safe zones; and
- 7) The BHMAL contact person for implementing this process is Mr. Ahdin Orahovac, Deputy Director of the Bosnia and Herzegovina Mine Action Center (BHMAL), Sarajevo.

3.5.4 Tourist Safety

Safety of a tourist may be affected by many factors other than mine. A guidebook for tourists has been prepared for hazards of mines, weather changes, wildlife, snake bites, vegetation, and general preparedness, and it is included in Appendix 1 Chapter 6.

Chapter A 4. Regional and National Context of Tourism

4.1 Tourism Resources of BiH and Neighboring Countries

4.1.1 Internationally Recognized Tourism Resources in BiH

In order to assess Bosnia and Herzegovina's position in the international tourism marketplace, an exercise is made by examining how BiH and its tourism resources are highlighted in popular tourist guidebooks available in the major OECD markets.

Selection of the guidebooks examined is made by the following guidelines:

- 1) Selected guidebooks are those published in the OECD countries where BiH tourism expects for future market growth;
- 2) Those that are readily available in the OECD bookstores;
- 3) Those that are edited from the international market perspective; and
- 4) One guidebook specially edited for backpackers to be included, in consideration of its generally exhaustive coverage of available resources in the destination.

The following four guidebooks are selected that satisfy the above guidelines:

- **Lonely Planet:** [Eastern Europe 2003] (English language);
- **LET'S GO:** [Eastern Europe 2003] (English language);
- **Chikyu no Arukikata (Globe-Trotter):** [Central Europe 2003-2004] (Japanese language); and
- **Le Guide du Routard:** [Croatia 2003-2004] (French language aimed for backpacker readers).

Table A 4.1 summarizes how each guidebook chooses, describes and highlights tourism resources in BiH. The examination reflects how BiH and its tourism are seen and evaluated by the international tourist market represented here by professional editors of the four authoritative guidebooks.

All across the four guidebooks emerge some notes of interest as follows:

- 1) None of them are issued for BiH proper, in other words, BiH is included as just one of the several countries/destinations covered in one edition (e.g., Central Europe or Eastern Europe). In clear contrast to this, Croatia proper edition is available in Lonely

Planet and Le Guide du Routard, underlining popular appeal of Croatia as a mass tourism destination;

- 2) Seven major resources in BiH are featured: Sarajevo, Travnik, Banja Luka, Bihac, Mostar, Blagaj and Medjugorje. Those are considered to be the resources within BiH that are acknowledged as internationally appealing and worthy-of-visit sites and attractions;
- 3) In the two Areas of Pliva and Velez that this Study focuses on, Blagaj is the only resource mentioned in the case of Lonely Planet guide; and
- 4) The examination concludes that:
 - Except for Blagaj, numerous resources as identified in the two Study Areas are currently considered to be of minor importance and unworthy-to-visit from the perspective of general tourists that make up the majority of the international market; and
 - Those are mostly considered to be the resources that satisfy the curiosity/interest of domestic visitors in the nearby regions.

Table A 4.1 BiH Tourism Resources highlighted in the Four Guidebooks

Travel Guidebook	Introduction
Lonely Planet [Eastern Europe 2003] (English language)	<p><At a Glance (Highlights)></p> <ul style="list-style-type: none"> • Sarajevo - Colorful and lively cafes in a city recovering its vibrancy • Mostar - Old medieval buildings; charming cobbled streets; aqua-green Neretva River • Blagaj - Dervish monastery where the river Buna gushes out of mountainside <p><Detail Introduction (Things to See)></p> <p>- Sarajevo: Bascarsija (the Turkish Quarter) / Morica Han / Svrzo House / National Library / Eternal Flame / Orthodox Church / Gazi Husrevbey Mosque / Jewish Synagogue / Novi Hram Gallery / Bosniak Institute / Holiday Inn / National Museum / History Museum / Tree Line / Sarajevo roses / War Museum Tunnel</p> <p>- Around Sarajevo: Jahorina</p> <p>- Travnik: Historical town / Birthplace of Bosnia's best-known writer Ivo Andric</p> <p>- Banja Luka: local city life</p> <p>- Bihac: The Una River / Outdoor activities (rafting etc.)</p> <p>- Mostar: Medieval town / the Neretva River / 16th-century Turkish bridge</p> <p>- Medjugorje: Church and surroundings</p>

Travel Guidebook	Introduction
LET'S GO [Eastern Europe 2003] (English language)	<ul style="list-style-type: none"> - Sarajevo: Eternal flame / National Library / Turkish Quarter / Assassination Site Remnants of Siege (Marsala Tita, Sarajevo Roses, Parliament Building, First casualties bridge, Tunnel) Churches, Mosques, and Synagogues (Gazi Husrevbey Mosque, The Orthodox Cathedral, Church of St. Michael the Archangels, Cathedral of Jesus' Heart, The Old Synagogue, The Galerija Novi Hvam, The Sephardic Synagogue) National Museum / History Museum / Art Gallery of Bosnia and Herzegovina / Academy of Fine Arts - Travnik: Birthplace of Ivo Andric / Stari Grad (Old town) / The Multi Colored Mosque - Mostar: Old Bridge / Old town / Karadzobeg Mosque / Turkish House - Medjugorje: St. James's Church / Hill of Apparitions - Banja Luka: Church of Christ Savior / Kastel / The Ferhat Pasha Mosque
Chikyu no Arukikata [Central Europe '03-'04] (Japanese language)	<ul style="list-style-type: none"> - Sarajevo: Bascarsija (Old Turkish Quarter) / National Library / Latinski Bridge (Assassination Site) / Open Air Market / Grbavica Area / Zmaja od Bosne / National Museum - Around Sarajevo: Vrelo Bosne / Blazuj - Mostar: Old Bridge - Medjugorje: Church and surroundings
Le Guide du Routard [Croatia 2003-2004] (French language) - BiH edition NOT published -	<ul style="list-style-type: none"> - Medjugorje: Catholic pilgrim town

Source: Travel guidebooks as quoted above, JICA Study Team

4.1.2 Comparative Assessment of BiH's Internationally Recognized Tourism Resources with Those of the Three Regional Neighbors of Slovenia, Croatia and Serbia-Montenegro

This section tries to assess BiH's position in the international tourism market comparatively with the three regional neighbors of Slovenia, Croatia and Serbia-Montenegro by an exercise carried out under the following guidelines:

- 1) In order to ensure consistency of quantitative resource comparison, the same four guidebooks chosen in BiH resource analysis in the previous section 4.1.1 are referred to; and

- 2) Three indicators are chosen and counted:
- The number of pages devoted to a specific destination country (e.g., Slovenia);
 - The number of areas/sites featured in a specific destination country (e.g., Blejsko Lake); and
 - The number of resources featured in a specific area/site (e.g., Blejski Grad).

The result of the exercise is shown in Table A 4.2. Some observations gained from this exercise can be summarized as follows:

- 1) In the number of pages devoted to cover a specific destination, Croatia generally keeps 2-3 times more exposure compared to the other three neighbors (3 times in LET'S GO and Chikyu no Arukikata and 2 times in Lonely Planet);
- 2) In the number of areas/sites featured as well, Croatia maintains 2-3 times more coverage (3 times in Chikyu no Arukikata and LET'S GO and 2 times in Lonely Planet compared with Slovenia; 5 times in LET'S GO and 2.5 times in Lonely Planet compared with BiH); and
- 3) In the number of resources, Croatia holds 2-6 times more coverage (5-6 times compared to BiH, 2-4 times compared to Slovenia, 2-6 times compared to Serbia-Montenegro).

All three indicators underline excellence of Croatia as an established and well-recognized tourist destination in the international tourist market among the four. Slovenia ranks the second after Croatia, although its level of market recognition is way lower than Croatia. The examination proves that recognition is the lowest for BiH and Serbia-Montenegro.

Table A 4.2 Comparison of BiH Resources with Those of Slovenia, Croatia and Serbia-Montenegro

<Lonely planet: Eastern Europe Edition / 2003>

	Pages (Total of 912)	Areas / Sites	Resources
Bosnia and Herzegovina	22 (2.4%)	8	25
Slovenia	31 (3.4%)	13	59
Croatia	54 (5.9%)	20	120
Serbia and Montenegro	26 (2.9%)	21	51

<LET'S GO: Eastern Europe Edition / 2003>

	Pages (Total of 906)	Areas / Sites	Resources	Remarks
Bosnia and Herzegovina	21 (2.3%)	5	28	
Slovenia	21 (2.3%)	8	34	
Croatia	66 (7.3%)	24	132	
Serbia and Montenegro	-	-	-	No coverage

<Chikyu no Arukikata (Globe-Trotter): Central Europe Edition / 2003 - 2004>

	Pages (Total of 504)	Areas / Sites	Resources
Bosnia and Herzegovina	13 (2.6%)	4	12
Slovenia	24 (4.8%)	3	24
Croatia	38 (7.5%)	10	40
Serbia and Montenegro	10 (2.0%)	1	7

<Le Guide du Routard: Croatia Edition / 2003>

Originally issued as a Croatia-proper guide. Accordingly, Croatia coverage is dominant at 94.8%.

	Pages (Total of 420)	Areas/ Sites	Resources	Remarks
Bosnia and Herzegovina	4 lines only on Medjugorje	1	1	In the Southern Dalmatian Coast Section of Croatia
Slovenia	22 (5.2%)	-	-	At the end of Croatia Section
Croatia	398 (Dominant 94.8%)			
Serbia and Montenegro	-	-	-	No coverage at all.

Source: Travel guidebooks as quoted above, JICA Study Team

4.2 Infrastructure and Tourism Facilities in BiH

This section describes supporting facilities for tourism activities. Existing conditions and issues of infrastructure and tourism facilities in BiH are reviewed.

4.2.1 Existing Conditions of Infrastructure in BiH

(1) Road and Land Transportation

1) Current national road network

The non-local road network in BiH extends over 8,996 km. Significant improvements of major roads have been achieved after the Dayton Agreement by the implementation of the reconstruction program (ETRP). Major roads in the study areas have also been improved in general and continuous effort in rehabilitating trunk roads with two-lane capacity in the study area are being made.

Table A 4.3 Length of Existing Roads in the BiH

	Main Road	Regional/Cantonal	Total
FBiH	2,024 km	2,724 km	4,748 km
RS	1,991 km	2,157 km	4,148 km
Total	3,995 km	4,881 km	8,996 km

Source: Working Group of FBiH/RS for PRSP / WB in 2002

2) Road maintenance and rehabilitation

The road network of BiH is approximately 22,600 km in total length, with 3,995 km of main roads (of which about 96% is paved), 4,881 km of regional roads and 14,000 km of local roads. These roads run through two entities of FBiH and RS as shown in Table A 4.3.

The Transportation Master Plan² has identified that a significant part of the main road network is still in inadequate conditions requiring proper maintenance and rehabilitation. It recommended the following:

- To establish a strategy for road maintenance for long lengths of inadequate conditions of roads in BiH; and
- To allocate sufficient budget to road maintenance and rehabilitation, rather than to new road construction, especially in the FBiH.

3) Significant position of land transportation in BiH corresponding to the EU regional corridors

According to the EU transport development policy, a strategic regional road network for passengers and goods transportation in the Balkan region has been formulated as a part of

² The Study on the Transport Master Plan in Bosnia and Herzegovina, JICA-2001

Pan-European transport corridors linking with TEN-T (Trans-European Transport Network) for EU countries.

In accordance with the plan of the regional corridors, BiH and neighboring countries have implemented road improvement and rehabilitation work as a part of TEM (Trans-European North-South Motorway) project. It is expected to increase mobility by private cars and coaches/buses that are important for European holiday makers (Refer to Box column).

Table A 4.4 Pan-European Corridor and Core-road Network Relating to the Study Areas

Corridor / Route	Neighboring Countries	BiH	Study Area	
	International	Inter-entity	Pliva Study Area	Velez Study Area
Corridor Vc	Budapest (Hungary) Osijek (Croatia-N) Ploce (Croatia-S)	Samac (FBiH) Doboj (RS) Sarajevo (FBiH) Mostar (FBiH) Metkovic (FBiH)	---	(Sarajevo) (Jablanica) (Mostar) (Buna)
Corridor X linking with Vc	Zagreb (Croatia-C) Ljubljana (Slovenia) Belgrade (Serbia & Montenegro) Skopje (FYRMaced)	---	---	---
Core Road 2a	N.Varos (Croatia-N) to Corridor X	Bos Gradiska (RS) Banja Luka (RS) <u>Jajce</u> (FBiH) D.Vakuf (FBiH) Lasva (FBiH)	(Banja Luka) <u>Jezero</u> <u>Jajce</u> (D.Vakuf)	---
Core Road 2b	Niksic (Serbia & Montenegro) Podgorica (Serbia & Montenegro)	Sarajevo (FBiH) Dobro Polje (RS) Scepan Polje (RS)	---	---

Source: JICA Study Team based on REBIS report 2003

4) Role of International and inter-entity bus network and service in tourism

International bus services on bilateral license basis have both scheduled and non-scheduled services. Scheduled services are provided to nine foreign countries (Austria, Belgium, Denmark, Netherlands, Croatia, Germany, Slovenia, Switzerland and Sweden), and non-scheduled service agreements exist with five countries (Austria, Czech Republic, Croatia, Italy and Slovenia). During year 2000, 65 operators provided almost 74,000 officially scheduled annual departures from BiH and its passenger capacity of total international bus services can be assumed at a considerable volume of 1.36 million passengers per year, far more than air flight capacity at Sarajevo airport (0.37 million/year), although actual rider-ship figure is not available.

Table A 4.5 International Scheduled Bus Services and Capacity in BiH 1999

Europe Region	Country	Number of Line			Annual Departure (Trip)	Assumption Of Annual Capacity*
		FBiH	RS	Total		
Northern	Sweden	1	0	1	52	2,080
	Denmark	1	1	2	152	6,080
Western	Netherlands	1	0	1	104	4,160
	Belgium	1	0	1	52	2,080
	Switzerland	11	5	16	3,068	122,720
Central	Germany	61	14	75	15,652	626,080
	Austria	24	9	33	5,752	230,080
Eastern/ Neighbors	Slovenia	11	9	20	6,188	247,520
	Croatia	121	19	140	3,068	122,720
Total		232	57	289	73,996	1,363,520

Source: The Study on the Transportation Master Plan in Bosnia and Herzegovina 2001, JICA

Note: Assumption of passenger capacity was estimated by (Trip x 40 passengers/bus)

The most intense inter-Entity services are provided between the Sarajevo metropolitan area (Grbavica, Ilidza, Vijecnica, and Sarajevo) and near-by areas of RS (Lukavica, Hresa, and Renovica). The inter-Entity routes through major destinations in Pliva Study Area and Velez Study Area shown in Table A 4.6 could be important in forming tour routes or circuits, especially, National Main Road M5 as Core Corridor 2a of EU regional network through Pliva Area.

Table A 4.6 Inter-Entity Bus Services related to the Study Areas

Republic of Srpska	Via Study Areas		FBiH
	Pliva Study Area	Velez Study Area	
Bosanski Novi	Jezero and/or Jajce	----	Sarajevo
Bosanska Gradiska		----	Drvar
		----	Zenica
		----	Bihac
		----	Sanski Most
		----	Bosanski Petrovac
		----	Drvar
Banja Luka		----	Glamoc
		----	Bugojno
		----	Livno
		----	Zenica
		----	Sarajevo
Stolac		----	Nevesinje/Gnojnice
Gacko	----		
Srbinje	----		
Trebinje	----		
Nevesinje	----		
			Medjugorje

Note: Jezero means only the intersection on National Main Road M5.

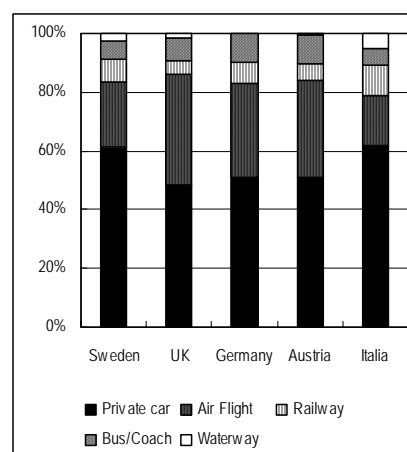
Source: The Study on the Transportation Master Plan in Bosnia and Herzegovina 2001, JICA, the Government of Republic of Srpska

Box A. 4.1. European Holidaymaker's Travel Mode 2000

Most European holidaymakers prefer to use their own cars. In general private vehicles are used predominantly for holidays spent within the country of residence. Only in Belgium and the Netherlands do more than 50% of holidaymakers travel abroad in private car.

Air travel is the second mode of transport for European holidaymakers. British who was recorded the highest overall rates of use of air transport can be explained by their geographical conditions.

Coach/Bus and railway travel tie for third place as the mode of transport for European tourists. Italian, Swedish holidaymakers who are higher share of Bosnia and Herzegovina tourists use rail more often than coaches or buses. Austrian holidaymakers in conjunction with BiH tourists use land transport comparatively. Greece and Italian holidaymakers are one of the highest group who use waterway transport such as cruise ship and others.



Source: How Europeans go on holiday / Eurostat 2002

(2) Airports as Gateway to Study Areas

Bosnia and Herzegovina has four main airports, in Sarajevo, Banja Luka, Mostar and Tuzla, all of which serve international air traffic. The Sarajevo airport accommodated around 307,000 passengers while Banja Luka airport served about 45,000 passengers in 1999. Tuzla airport was used for military purposes with a relatively small number of passengers, and Mostar airport served chartered flights as temporal use, sometimes recording around 100,000 passengers per year consisting mainly of religious pilgrims.

According to the Transportation Master Plan³, every airport is required to improve its airport facilities including runway, apron, and especially navigation facilities as essential facilities to meet ICAO standards for the safety operation and security of airports. In parallel, airports are expected to meet future demand of passengers and cargo as shown in Table A 4.7.

Table A 4.7 Facilities and Passengers in Four Airports in BiH

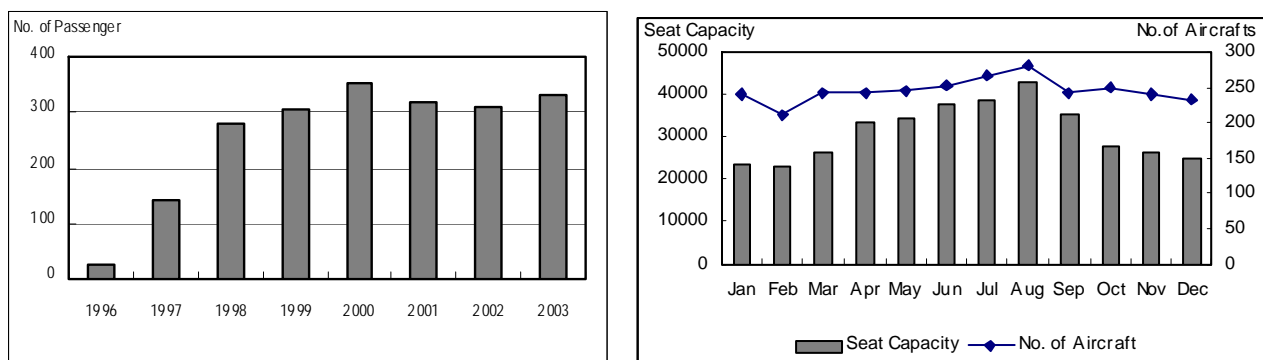
Airport	Number of Passengers			Airport Facilities		
	1999	2003	2020***	Runway (m)	Apron (Aircraft)	Cargo System
Sarajevo	307,379	331,711	700,000	2600 x 45	12	Yes
Banja Luka	45,423	39,541*	250,000	2400 x 49	4 (DC9)	No
Mostar	63,048	40,792*	150,000	2500 x 45	6	No
Tuzla	NA	NA	150,000	2485 x 45	NA	Yes
Total	415,850**	NA	1,250,000			

Source: Existing = Web site of airports information (Figure* = 2002), Figure**= excluding Tuzla Airport

Figure*** = High growth case of The Study on the Transportation Master Plan in Bosnia and Herzegovina 2001, JICA

Sarajevo airport has a critical weakness in winter season. Fog often forces cancellation of flights. By using current figures (2003) between the scheduled flight capacity and actual number of passengers, Sarajevo airport is estimated to be utilized at 88% of total flight capacity (around 374,000 passengers).

³ The Study on the Transportation Master Plan in Bosnia and Herzegovina 2001, JICA



Source: Web site of airport information

Figure 4.1 Passengers Trend and Scheduled Flights Capacity of Sarajevo Airport

1) Accessibility of gateways to each tourist destination and the study areas

According to the several improvement plans and programs for each airport in BiH, adequate and safe management and services by their facilities will be available in future to meet the international airport standards and expected passenger demand. Each airport except Tuzla airport will facilitate receiving and sending of international tourists to/from major tourist destinations and the study area.

Table A 4.8 Accessibility and Airport Gateway's Role for the Study Areas

Gateway Airport	Accessibility to		Role of Gateway Airport		
	Pliva Area	Velez Area	BiH Whole Country	Pliva Area	Velez Area
Sarajevo	183 km (4.6 hrs)	132 km (3.3 hrs)	●	●	●
Banja Luka	95 km (2.4 hrs)	178 km (4.5 hrs)	□	●/□	○
Mostar	174 km (4.4 hrs)	6 km (0.2 hrs)	○	□/○	●/□

Note: Accessibility is evaluated by 40 km/h and the shortest way to the nearest destination,

● = Primary role, □ = secondary, ○ = limited role

(3) Railways

The BiH railway network, with a total of 1,057 km, is connected with the port Ploce and the river ports Samac and Brcko. Corridor Vc with Core Rail Network provides transport linkages to Pan-European Transport Corridors, South East Europe, Croatia, and Yugoslav economies. In spite of considerable deterioration and destruction during the war, significant improvements of railway tracks and buildings have been achieved through the Transport Reconstruction Program (ETRP). However, railway freight transport in BiH takes up only 3.7% of total freight volume in 2000, and for passenger transport its share was even worse

(only 0.6%). Train travel between Sarajevo and Mostar, where the railway runs through a dramatic and beautiful valley with lakes, rivers surrounded by steep mountains. It is possible to market train ride itself as a tourism product.

Table A 4.9 Condition of Existing Railways in the BiH 2000

Entity	Length of Railway		Locomotive Train Stock				Electric Train Car
	Standard Gauge	(Electrified)	Electric	Diesel	Steam	Total	
FBiH	584 km	(259 km)	53	71	(37)	124	16
RS	473 km	(358 km)	37	23		60	7
Total	1,057 km	(617 km)	90	94	37	(221)	23

Source: Web site for railway in Europe

(4) Transport network linkage with coastal tourism destinations

Dubrovnik and Split, well known historical World Heritage sites, are also transport hub of the region including ports and airports. Both of the study areas of Pliva and Velez are connected via highways with the major gateways of Split in the north and Dubrovnik in the south.

Table A 4.10 Study Areas and Major Gateways of Dalmatian Coastal Tourist Areas

Dalmatian Coastal Area	International Gateways in Croatia Coast		Accessibility to Study Areas	
	International Airport Passengers*	International Ferry Port and Destination	Pliva Area	Velez Area
Split	395,548**	Ancona (Italy)	220 km (5.5hrs)	187 km (4.7hrs)
Dubrovnik	716,592	Bari (Italy)	325 km (8.2hrs)	150 km (3.8hrs)

Note: * = including domestic and international tourists in 2003 (figure ** is 2000)

(5) Telecommunication and ICT development

1) Post and telephone network in BiH

The telecommunication system that was seriously damaged during the war has been mostly restored. There are three telecommunications providers in the country: BH Telekom, Telekom Sprske and HTP Mostar (Eronet). According to the report of UNDP⁴, fixed telephone network accessibility is 22% at the state level. On the other hand, mobile network with GSM standard has covered 70% of the territory including roaming service; however its usage is just over 10% of total potential users.

⁴ Infrastructure for the Information Society, 2003 / UNDP

2) ICT (Information & Communication Technology) conditions

- Internet service

Internet utilization in BiH has rapidly developed after the war, although its speed of development could even be higher if technical capacities (access and transmission) and adequate electronic devices are supplied at affordable prices. People in the study areas are not untypical in that almost all except some public facilities and enterprises and young professionals do not have any internet access including Internet Café.

- CATV service

Although satellite TV system can be seen in every local area in the country, CATV, a powerful communications method, is limited to places such as Sarajevo and Tuzla. The study areas do not have CATV system.

4.2.2 Existing Conditions of Accommodation Facilities in BiH

(1) Accommodation in BiH

Due to the war and change of socio-economic systems in the country, facilities of accommodation have been heavily damaged and their functions have not been sufficiently recovered yet till now. Especially many accommodations abandoned or left damaged can be observed in rural areas, in which weekend cottages and other holiday resorts had been developed by the public sector before the war. These accommodations are waiting for private investments in the course of privatization process of public facilities in the country at present.

1) Accommodation registration in BiH in accordance with EU lodging categorization

Accommodation facilities are categorized into thirteen (13) types except staff accommodation to be registered according to “the Law on Tourism and Tourism Facilities” shown in Table A 4.11. However, some accommodations without registration, especially small-scale facilities are observed in BiH and the study area.

Each of tourist accommodation categories of BiH is similar to other European countries' type of accommodation and its capacity distribution, which European tourists may recognize and be familiar with those facilities' type in their countries. EU⁵ has identified the definition of “tourist accommodation” group in order to address the collection of statistical data and future “Eco - label” accreditation for services improvement of accommodation in EU countries.

⁵ The Council Directive (57/95/EC) of Commission Decision (35/99/EC)

Administration for accommodation registration and its management system in BiH should be strengthened and consolidated in order to address the weaknesses, including adoption of international facilities standards and possible application to Eco - label system in future.

2) Accommodation capacity in BiH

The capacities of accommodation facilities by category are distributed mainly into hotels and guesthouses followed by motels in the country. Guesthouses have been utilized traditionally by domestic weekenders and by some specific international tourists such as hunters and nature tourists including adventure sports, while mass tourists have used hotels and/or motels in major regional destinations of Neum in the coastal are of BiH and in major cities like Sarajevo and Mostar. Based on the current official data, existing capacity of accommodation against current tourist nights indicates underutilization at only 25%, especially poor in FBiH (mere 18%) shown as Table A 4.12.

Table A 4.11 Category of Accommodations in BiH and EU Grouping

EU grouping*	FBiH Category**	FBiH Classification
Hotel	1/2 Hotel or its Complex (Hoteli & Hotelsko Naselje)	5 stars (L, grand, palace)
	3. Motel (Moteli)	3 stars
	4. Apartment Hotel (Aparthotel)	5 stars
	10. Apartment Hotel (Apartmansko Naselje)	3 stars
Similar	5. Pension (Pansion)	3 stars
Establishment	6. Mountain Lodge (Planinarski dom)	No classification
Other Collective Accommodation	7. Camping sites or with bungalows (Kamp)	I (1), II (2), III (3 star)
	8. Youth Hostel (Omlandiski Hotel)	No classification
	9. Apartment (Apartman)	5 stars
Private Accommodation	12. Holiday House (Kola za spavanje)	5 stars
	11. Rented room in family house (Sobe za iznajmljivanje)	3 stars
	13. Overnight Stay (Prenociste)	No classification

Source: * = Commission Decision 35/99/EC, ** = Official Gazette of FBiH, number 19/96 on the Law on Tourism and Hospitality Services

Although it is difficult to diagnose this condition of underutilization due to limited data availability, it is assumed that international tourists to the country have not been returned to the market, nor domestic tourists. Changes in socio-economic systems and the destruction of infrastructure by the war must have played a large role as well as the drastic change in tourism from the previous “social tourism”, in which the public sector dictated the demand.

Table A 4.12 Demand and Supply of Registered Accommodations in BiH

Entity	Accommodation Capacity		Tourist Nights 2003	Utilization Ratio
	Total beds	Yearly Capacity		
FbiH	15,973	2,300,112	423,234	18.1%
RS	6,225	896,400	391,993	43.1%
Total	22,198	3,196,512	815,227	25.2%

Note: Yearly capacity is estimated by the formula as follows.

Yearly capacity YC = Total beds x 365 days x Occupancy rate 40% (normal level)

Table A 4.13 Numbers of Registered Accommodations in BiH and by EU Category

Category	FBiH			RS			Total			EU Category	
	Facility	Bed	Share (%)	Facility	Bed	Share (%)	Facility	Bed	Share (%)	BiH (%)	EU (%)
Hotel	99	9,996	62.6	46	5,192	83.4	145	15,188	68.4	85.6	HO/SE 47.5
Motel	71	1,956	12.2	22	689	11.0	93	2,645	11.9		
Pension	35	709	4.4	7	243	3.9	42	952	4.3		
Lodge	12	182	1.1	1	56	0.9	13	238	1.0		
Guesthouse	38	2,794	17.5	0	0	0.0	38	2,794	12.6	14.4	OCAE 52.5
Others	4	336	2.2	2	45	0.8	6	381	1.8		
Total	259	15,973	100.0	78	6,226	100.0	337	22,198	100.0	100.0	100.0

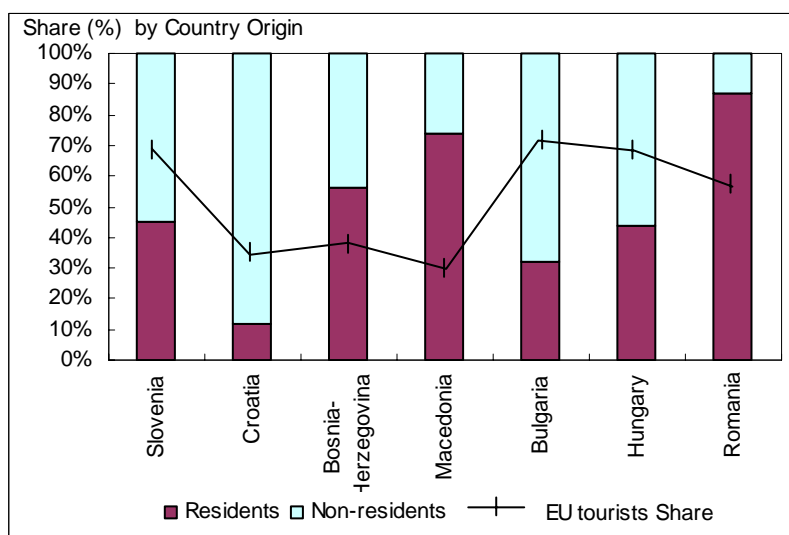
Source: Tourist Community of FBiH, 2003, JICA Study Team, Statistics in Focus 2002/Eurostat

Note: HO/SE=Hotel and Similar Establishments, OCAE=Other Collective Accommodation Establishments

(2) Accommodation use and EU tourists' preference

The accommodation capacity by category in BiH shows different distribution pattern against European accommodation capacity. Accommodation in BiH relies on the category of hotel and similar establishment as small-medium scale facilities while Europe's accommodation lays weight on small scale businesses. EU countries' travelers generally make more use of small-scale or private accommodation than hotels although there are various preference patterns by each EU country (refer to Box A 4.2 European **Holidaymaker's Accommodation 2000**).

Looking into accommodation use of selected Balkan and surrounding countries, EU tourists' overnight stays in Balkan countries including BiH are comparatively lower than in other surrounding countries such as Slovenia, Hungary and Bulgaria. Croatia as famous coastal resort destinations attracting huge amount of tourists from various countries of the world.



Source: Tourism-Europe, Central Europe Countries, Mediterranean Countries, 2003
 Note: Collective tourist accommodation includes hotel and similar establishments and other collective accommodation establishments by commercial type management.

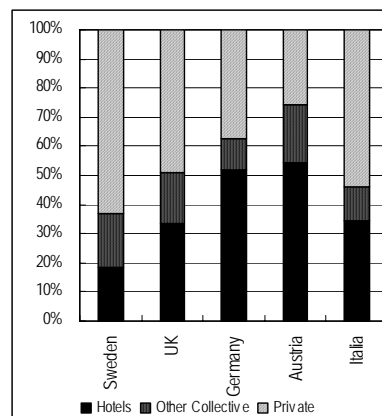
Figure 4.2 Nights Spent in Collective Tourist Accommodation* in Surrounding Countries and BiH in 2002

Box A 4.2 European Holidaymaker's Accommodation 2000

Private accommodation including rented rooms of family house and dwellings rented is the choice of most holidaymakers of Europeans. Italian holidaymakers use private accommodation frequently following Swedish.

In contrast with major European holidaymakers, German and Austrian prefer to use hotel and similar establishments such as hotel, motel, inns, B&B, farmhouse and other group accommodations.

Other collective accommodation such as youth hostels, tourist dormitories and other group accommodations does not have big differences among European holidaymakers. Austrian preference of this type of accommodation is slightly higher than others.



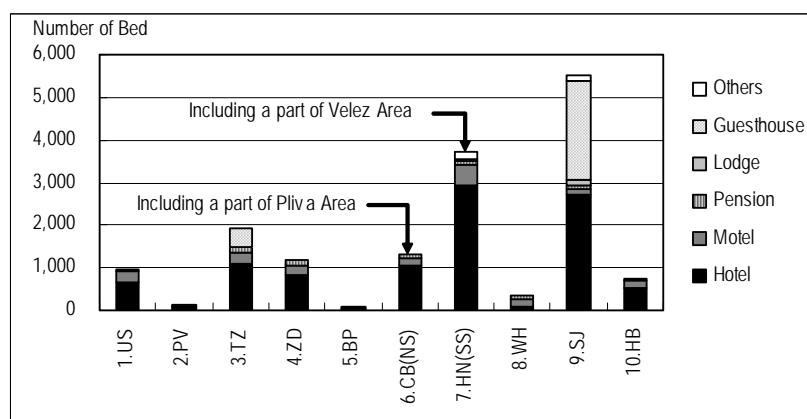
Source: How Europeans go on Holiday / Eurostat 2002

(3) Privatization of state-owned accommodation

Although hotels were dominant in accommodating international and domestic tourists before the collapse of Ex-Yugoslavia, almost all of state-owned hotels have faced difficulties when shifting their management to the private sector under the national policy of privatization of state-owned properties and enterprises. Few investors were interested in capital investment under unstable economic and political situation in BiH.

(4) Central Bosnia Canton with Pliva Area

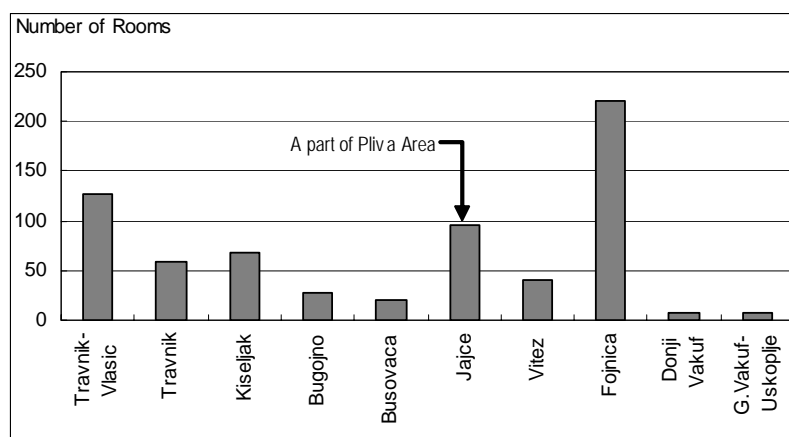
Central Bosnia Canton does not offer ample accommodation capacity in FBiH. Jajce provides a significant number of accommodation in this region, Jajce could be for Pliva Area the center of accommodation in the Area.



Source: Tourist Community of FBiH, 2003

Note: Canton name: US=Una-Sana, PV=Posavina, TZ=Tuzla, ZD=Zenica-Doboj, BP=Bosnia-Podrinje, CB=Central-Bosnia, HN=Herzegovina-Neretva, WH=West-Herzegovina, SJ=Sarajevo, HB=Herzeg-Bosnia

Figure 4.3 Geographical Distribution of Registered Accommodation by Cantons of FBiH



Source: Tourist Community of Central Bosnia Canton, 2004

Figure A 4.4 Geographical Distribution of Registered Accommodation by Area in Central Bosnia Canton

On the other hand, Central Bosnia Canton including the Pliva Area have a tendency to attract less number of average stay (1.3 nights) than the national average (2.4 nights) and Velez Area (3.4 nights), and foreign tourists in Central Bosnia Canton, who spend shorter nights than domestic tourists, show distinct character in comparison with foreign tourists in Velez Area, who stay longer than domestic tourists.

Table A 4.14 Average Length of Stay by Nationality in Central Bosnia Canton

Canton	Nationality	Number of tourists	Tourist Nights	ALS
Central Bosnia	Domestic	7,890	10,277	1.3
	Foreign	1,239	1,713	1.4
	Total	9,129	11,990	1.3

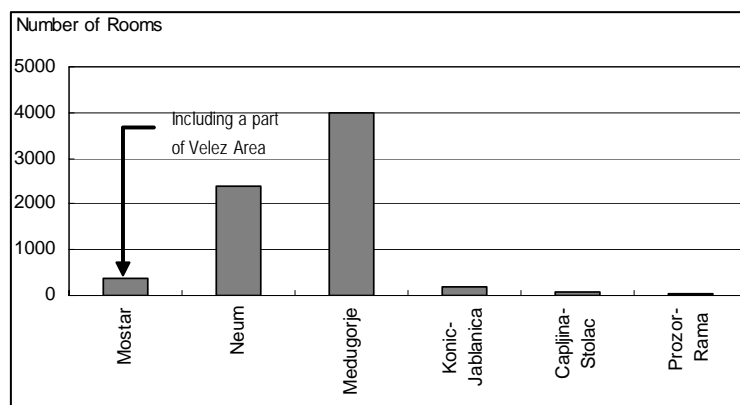
Source: Tourist Community of FBiH, 2003

Note: ALS = average length of stay

(5) Herzegovina-Neretva Canton with Velez Area

Herzegovina-Neretva Canton, having major tourist destinations represented by Mostar, Medjugorje and coastal resort of Neum, is one of the most important regions in BiH in terms of hotel capacity. However, there is a large gap in accommodation capacity between Velez Area and other destinations such as Neum (2,380 rooms) and Medjugorje (3,981 rooms) at present. It should be noted that figures of the Canton between 2003 (3,730 beds) by national level data and 2004 (15,122 beds) by canton level data are not consistent. Either

accommodation capacity in Medjugorje and others areas increased dramatically or, more plausibly, hitherto excluded facilities were newly counted as accommodation facilities.



Source: Tourists Community of Herzegovina-Neretva Canton, 2004

Figure A 4.5 Geographical Distribution of Registered Accommodations by Area in Herzegovina-Neretva Canton

Herzegovina-Neretva Canton including Velez Area has shown a tendency for tourists to stay more nights (3.4 nights) than the national average (2.4 nights), to which foreign tourists' longer stays contributed. It is important for this Area to establish strong linkage with the coastal area.

Table A 4.15 Average Length of Stay by Nationality in Herzegovina-Neretva Canton

Canton	Nationality	Number of tourists	Tourist Nights	ALS	Reference: ALS/Croatia 2003
Herzegovina -Neretva	Domestic	32,933	93,778	2.8	3.6
	Foreign	25,787	103,345	4.0	5.6
	Total	58,720	197,123	3.4	5.3

Source: Tourist Community of FBiH, 2003

Note: ALS = average length of stay

4.3 Departing Passenger Survey at Sarajevo Airport

(1) Survey Conducted:

- 16 working days (2 weekdays and 2 weekend days per week) in the month of August at Sarajevo airport. Interviews conducted from 7 a.m. to 8 a.m. and 11 a.m. to 8 p.m. subject to flight schedules, in the departure lounge after immigration by the prefixed

questionnaire form in six languages of Bosniak, English, German, French, Italian and Turkish.

(2) Samples Collected:

- Overall, 1,108 samples.

(3) Top line Results:

- Traveling With:

Just over a third of travelers or 34.1% are traveling alone. The majority or 65.9% are traveling with some companions, i.e., family 21.5%, friends 20.7%, spouse 16.1% and others 7.6%.

- Past BiH Visit:

For 26.3% of those surveyed, the current trip is the first time visit to BiH. 9.9% have visited BiH twice and 35.9% for more than 3 times. Relatively high 27.9% turned out to be residents of BiH.

- Purpose of Visit:

“Visit Friends and Relatives” (VFR) ranks the first at 35.7% for the purpose of this trip, followed by “Tourism” at 31.8%. “Business” holds two-digit percentage at 19.3%, with all other purposes well below 10% mark - “Diplomat/Official” 6.8%, Military 4.0%, Others 2.4%.

- What Kind of Tourism:

Those who answered “Tourism” are further asked to choose the kind of tourist activities as their main motive from the six typical tourism types identified in BiH. Culture tourism ranks the first with 43.4%, followed by Religious tourism of 21.5%, Sport tourism (rafting, canoeing, mountain climbing, etc.) of 12.1% and Eco-tourism of 10.0%. Other types of tourism below 10% mark includes Winter tourism of 8.3% and Spa tourism of 4.7%.

- How Long in BiH:

“1 to 2 weeks” ranks the first with 26.4%, closely followed by “less than 7 days” of 25.2%, that is, roughly a half or 51.6% have BiH stay from “less than 7 days to 2 weeks”. “2 to 3 weeks” holds the third of 16.3%, “1 to 2 months” the fourth of 14.2%, “3 weeks to 1 month” of 7.6%.

In BiH, 57.4% of those answered stayed in Sarajevo for 3/more nights, with 9.5% for 1 night and 9.2% for 2 nights. 23.9% use Sarajevo as transit point (no overnight at all) to move to other places in BiH (by order of frequency: Mostar, Medjugorje, Banja Luka, Tuzla, Travnik, Zenica, Brcko, Gorazde, Bihac, Neum).

- **Most Useful Information Sources:**

“Recommended by Friends” or “word-of-mouth” recommendation is dominant with 38.3%. “Web-site” is fairly high with 21.4%. Other sources mentioned to a lower degree include “Magazine” with 14.9%, “Travel Agency” with 12.8% and “Travel guidebook” with 10.8%.

- **More Information Needed:**

Surveyed visitors feel insufficient information provision on the three areas particularly, i.e.,

- Tourist Attractions 23.7%
- Tourist Maps 20.5%
- Tourist Activities 20.2%

Other desired areas include Hotels 14.4%, Means of Transportation 13.6% and Shopping/Souvenirs 7.1%.

- **How Do You Rate BiH as a Tourist Destination:** Ratings for their experience asked in the three scores of Good, Fair and Poor.

Table A 4.16 Evaluation of BiH as Tourist Destination

Count of	Good (%)	Fair (%)	Poor (%)
Urban Amenity	29.9	54.8	15.3
Security	44.0	44.8	11.2
Sanitary Conditions	25.7	54.3	20.0
Hotel Accommodations	39.1	53.5	7.4
Tourist Sites / Attractions	47.5	43.6	8.9
Tourist Information	23.6	54.4	22.0
Customs & Immigration	51.8	37.8	10.4
Hospitality	80.1	19.9	0.0

Good rating on Hospitality count gained a very conspicuous 80% mark, leaving Poor at 0% level. Good is in the range of 40-50% on Customs & Immigration, Tourist Sites / Attractions and Security.

Fair rating is dominant on Urban Amenity, Hotel Accommodations and Tourist Information, hinting that some efforts are needed on these counts to upgrade to Good.

On the two counts, Poor rating is markedly high while Good rating is quite low compared to the other counts:

- Sanitary Conditions 20%
- Tourist Information 22%

Strongly suggesting the areas of immediate action needed for improvement.

- Will You Visit BiH Again:

A clear and very encouraging result for BiH Tourism emerges from this question, with a very strong majority 83.5% of those answered intending to come back to BiH again. Those who say Maybe account for 15.0%. No intention to return is a meager 1.5%.

- Demographic Profile of Those Surveyed:

In terms of:

- Gender:

Male dominant at two thirds.

Male 60.4% and Female 39.6%

- Age Group:

Dominant two thirds from groups of 20s and 30s

20/29 years 31.0%

30/39 yrs. 28.1%

40/49 yrs. 19.1%

50/59 yrs. 11.3%

19/below 6.4%

60/over 4.1%

- Occupation:

Professional/administrative dominant with one thirds.

Professional/administrative 30.4%

Student 15.8%

Office/sales clerk 14.4%

Self-employed	8.2%
Military personnel	6.3%
Official/diplomat	5.0%

Retiree and Housewife are minimal with 2.4% and 2.5% respectively.

- Nationality:

Europe understandably holds an overwhelming share of 88.4%, with all other Regions excluding Europe remaining only at 11.6%. Among Europe, four countries of Former Yugoslavia including BiH hold majority share of 41.0% out of which BiH has 35.2%.

Europe other than Former Yugoslavia is broken down by WTO classification of:

Western Europe (Germany, France, etc.)	20.8%
Northern Europe (UK, Sweden, etc.)	14.7%
Southern Europe (Italy, Spain, etc.)	10.7%
East Mediterranean Europe (Turkey, etc.)	1.2%

All Regions other than Europe is broken down by the same WTO classification of:

Americas (USA, Canada, etc.)	6.7%
Asia/Pacific (Australia, Japan, etc.)	1.2%
Middle East (Lebanon, etc.)	1.8%

Africa (Mauritania, etc.) 0.6%

- Country of Residence

As in the case of Nationality, the similar trend is observed in the share spread of the Regions: Europe holding an overwhelming share of 85.1%, with all other Regions excluding Europe remaining only at 14.9%.

When the two percentage figures of Nationality and Country of Residence are compared, an interesting observation can be gained:

Table A 4.17 Difference of Nationality and Country of Residence

Country / Region	Nationality (%)	Country of Residence (%)	Difference (%)	Observation
BiH	35.2	26.8	- 8.4	BiH exports 8.4% to other regions
West. Europe	20.8	24.5	+ 3.7	West. Europe imports 3.7%
North. Europe	14.7	20.0	+ 5.3	North. Europe imports 5.3%
Americas	6.7	8.8	+ 2.1	Americas import 2.1%
Asia/Pacific	1.2	2.0	+ 0.8	Asia/Pacific imports 0.8%

Difference of percentages between Nationality and Country of Residence can be interpreted as either an import of nationals from other country/region in the case of Plus (+) or an export of the same to other country/region in the case of Minus (-).

From the Table above, it can be reasonably assumed that BiH Diaspora have spread into Europe, Americas and to a lesser extent Asia/Pacific.

- Among Europe, Northern Europe seems to have more BiH Diaspora mainly in UK and Sweden. In Western Europe, Germany is considered to be the main center of BiH Diaspora;
- In Americas, USA is considered to be the main destination of BiH Diaspora; and
- In Asia/Pacific, Australia is considered to be dominant.

4.4 BiH Tourism and Its Comparative Position

4.4.1 Bosnia and Herzegovina Tourism from 1998 to 2003

After the peace recovery in the late 1995 by the Dayton Agreement, normalcy has returned to Bosnia and Herzegovina tourism. In the recent five years it registered a small, yet encouraging growth percentage of 2.5% per annum in tourist numbers (guest registration at accommodation establishments), and a growth of 0.24% in nights spent with an average length of stay for 2.5 nights in Bosnia and Herzegovina overall. as shown in Table A 4.19 BiH Tourism from 1998 to 2003.

A closer look into the figures of the two entities; FBiH and RS, reveals the corresponding figures in terms of tourist numbers, nights spent and average length of stay that can be summarized as below:

Table A 4.18 Tourism Trend of each Entity

	FBiH	RS
Tourist number (growth per annum)	3.8%	0.6%
Nights spent (growth per annum)	2.4%	-1.7%
Average Length of Stay	2.3 nights	2.7 nights

We can observe from this summary that:

- FBiH tourism is growing at a healthier rate than that of RS tourism;
- Some concerns over the decreasing trend of night spent for RS tourism from 3 nights in 1998 to 2.6 nights in 2002; and
- Yet, a little longer average length of stay recorded in RS (2.7 nights) compared to BiH (2.3 nights).

Table A 4.19 BiH Tourism from 1998 to 2003

Year	FbiH			Republic of Srpska			Bosnia and Herzegovina		
	Tourist Number * (growth over previous year %)	Nights Spent	ALS **	Tourist Number * (growth over previous year %)	Nights Spent	ALS **	Tourist Number * (growth over previous year %)	Nights Spent	ALS **
1998	189,000 (18.1)	453,000	2.4	148,175 (37.0)	437,736	3.0	337,175 (25.8)	890,736	2.6
1999	199,301 (5.5)	474,327	2.4	168,375 (13.6)	473,705	2.8	367,676 (9.0)	948,032	2.6
2000	221,418 (11.1)	511,048	2.3	169,720 (0.8)	440,760	2.6	391,138 (6.4)	951,808	2.4
2001	184,193 (-16.8)	415,584	2.3	146,133 (-13.9)	359,890	2.5	330,326 (-15.5)	775,474	2.4
2002	214,640 (16.5)	505,772	2.4	151,838 (3.9)	384,187	2.5	366,478 (10.9)	899,959	2.5
2003	228,378 (6.4)	509,540	2.2	152,441 (0.7)	391,995	2.6	380,819 (3.9)	901,535	2.4
5-yr growth 99/03	3.8% per annum	2.4 % per annum	2.3	0.6% per annum	-1.7 per annum	2.7	2.5% per annum	0.4% per annum	2.5

Source: FBiH Tourist Community.

* Tourist Numbers by Guest Registration at Accommodation Establishments.

** ALS: Average Length of Stay

4.4.2 Bosnia and Herzegovina Tourism as Compared with Other Three Regional Neighbor Destinations of Serbia-Montenegro, Croatia and Slovenia - 2002

This section examines Bosnia and Herzegovina tourism comparatively with the other three regional neighbor destinations of Serbia-Montenegro, Croatia and Slovenia in 2002.

Some technical notes may be needed here: WTO statistics are the only reliable data available, where comparative consistency across the above four countries is guaranteed in its data basis and serial data collection. At the time of report writing, the latest available WTO data are those published in 2004 wherein the latest actual data listed are that of Year 2002.

Croatia is by far the leading and most popular tourist destination among the four by almost all indicators as shown in Table A 4.20. Three sets of indicators are applied here, namely; international arrivals, tourist accommodation and international tourism receipts.

International Arrivals:

- BiH is the smallest destination of the four with 160,000 arrivals. BiH arrivals corresponds to a mere 2.3% that of Croatia, as shown in the column “BiH volume as against each of the other three (%)”, in other words, Croatia volume is roughly 44 times that of BiH;
- BiH growth over the previous year is understandably high at 15.3%, as its tourism had to start from scratch after the peace returned. The similar explanation applies for a 27.5% growth of Serbia-Montenegro; and
- BiH and Serbia-Montenegro record the same number of 4 arrivals per 100 of inhabitants, while Croatia, commensurate with its mass tourism volume as a popular mass tourist destination, receives 158 arrivals per 100 inhabitants or 40 times that of BiH.

Tourist Accommodation:

- BiH has some 4,500 rooms, representing a mere 6.1% that of Croatia (74,000 rooms) or 12.0% that of Serbia-Montenegro (38,000 rooms). Relative large capacity of Serbia-Montenegro may be due to its capital region status during the Ex-Yugoslavia years;
- Nights spent are also the smallest in BiH with 888,000 nights, or a mere 4.5% that of Croatia (1,9598,000), where average Western holiday tourists usually have minimum one to two/more-week long stay; and
- Revealing contrast emerges between BiH / Serbia-Montenegro and Croatia/Slovenia in terms of foreign inbound tourism versus domestic tourism, namely; dominance of domestic tourism in BiH / Serbia-Montenegro as against dominance of foreign inbound tourism in Croatia/Slovenia (markedly so in Croatia).

Table A 4.20 Ratio of Foreign Inbound Tourism against Domestic Tourism

	BiH	Serbia-Montenegro	Croatia	Slovenia
Ratio of foreign inbound tourism / Domestic tourism	0.8 times	0.3 times	6.3 times	1.8 times

International Tourism Receipts:

- Interestingly, tourism receipts of BiH and Serbia-Montenegro are almost equal around 80 million EURO, although Serbia-Montenegro nights-spent are over 7.3 times that of BiH. Serbia-Montenegro's disproportionately smaller receipt for its nights-spent volume may be due to its heavy reliance on domestic tourism;
- BiH's higher receipt per tourist arrival than that of Serbia-Montenegro (3.2 times) can also be attributed to BiH's moderate reliance on domestic tourism (55.8%) in stark contrast to Serbia-Montenegro heavy reliance on domestic tourism (78.4%); and
- Tourism receipts of BiH and Serbia-Montenegro (around 80 million euros) are by far smaller than those of Croatia (4 billions) and Slovenia (1.1 billions), attesting the maturity of tourism industry in the latter two destinations.

**Table A 4.21 2002 BiH Tourism as compared with Other Three Regional Neighbors -
Macro Picture**

	BiH	BiH volume as against each of the other three (%)	Serbia- Montenegro	Croatia	Slovenia
International Arrivals					
Tourist (overnight visitors) (1000)	160	S-M 35.9 Cro. 2.3	446	6,944	1,302
Growth over 2001 (%)	15.3	Slo. 12.3	27.5	6.1	6.8
- Per 100 of inhabitants	4	S-M 100.0 Cro. 2.5 Slo. 59.7	4	158	67
Tourist Accommodation					
Number of rooms	4,546*	S-M 12.0 Cro. 6.1 Slo. 30.2	37,782*	74,107*	15,056
Nights spent in hotels (1000)	888	S-M 13.6 Cro. 4.5 Slo. 18.6	6,522	19,598	4,763
by foreign inbound tourism	392	S-M 7.9 Cro. 2.3 Slo. 12.9	1,404	16,905	3,049
by domestic tourism	496	S-M 9.7 Cro. 18.4 Slo. 28.9	5,118	2,691	1,714
Receipts for International Tourism (million EURO)	82*	S-M 101.2 Cro. 2.0 Slo. 7.2	81	4,030	1,145
- Per Tourist Arrival (EURO)	588*	S-M 323.1 Cro. 101.4 Slo. 66.8	182	580	880
- Per capita (EURO)	21*	S-M 62.7 Cro. 2.3 Slo. 3.5	8	918	593

Source: WTO (Tourism Market Trends, 2003 Edition - Europe /Southern Europe)

*Data of 2001, since 2002 data not available.

Note: S-M = Serbia-Montenegro ; Cro =Croatia; Slo=Slovenia

Major Market Sources:

Table A 4.21 examines major market sources for BiH and the other three regional neighbors. All across the four countries, Europe invariably holds a dominant share of more than 90% (from 91.3% of BiH to 98.0% of Croatia), rendering the rest of the world market less importance (from 2.0% of Croatia to 8.8% of BiH).

A closer look into European market components reveals an interesting characteristics of BiH tourism in clear contrast to the other three neighbors; BiH relies heavily on the three regional neighbors (53.1%), while the other three relies more on Other Europe (Slovenia 84.0%, Croatia 82.8% and S-M 68.8%).

Among the three neighbors, BiH relies most on Serbia-Montenegro (28.8%), followed by Croatia (15.0%) and Slovenia (9.3%).

Table A 4.22 2002 BiH Tourism and Inter-Dependence with Other Three Regional neighbors as Major Market Sources

	BiH	Serbia-Montenegro	Croatia	Slovenia
International Arrivals Tourist (overnight visitors)	160	446	6,944	1,302
Europe	146 (91.2%)	419 (93.0%)	6,807 (98.0%)	1,236 (94.9%)
BiH	---	63 (14.1%)	173 (2.5%)	28 (2.2%)
Serbia-Montenegro	46 (28.8%)	---	13 (0.2%)	20 (1.5%)
Croatia	24 (15.0%)	19 (4.2%)	---	94 (7.2%)
Slovenia	15 (9.3%)	30 (6.7%)	870 (12.5%)	---
Total, 3 neighbors	85 (53.1%)	112 (25.0%)	1,056 (15.2%)	142 (10.9%)
Total, Other Europe	61 (38.1%)	307 (68.8%)	5,751 (82.8%)	1,094 (84.0%)
Total, Other than Europe	14 (8.8%)	27 (6.1%)	137 (2.0%)	66 (5.1%)

Source: WTO (Tourism Market Trends, 2003 Edition - Europe /Southern Europe)

4.4.3 BiH Tourism Profile, Together with the Other Three Neighbors - 2000, 2001 and 2002

This section lists the edited WTO tables on which the comparative analyses and interpretations of BiH tourism as related to the other three regional neighbors in the previous section were based. Some complementary notes are made on BiH tourism per Table A 4.23 that follows:

International Arrivals:

- Arrivals have shrunken in 2001 over the previous year (-19.0%). Recovery is apparent in 2002 (15.0%), although its total (160,000 tourists) did not recover to the level recorded in 2000 (171,000 tourists); and
- Arrivals per 100 of inhabitants remain unchanged over the three years at 4 tourists.

Tourist Accommodation:

- Available rooms have only a small sign of increase in 2001 (2.4% over the previous year), although the data for 2002 is not available;
- Night spent exactly follows the pattern of arrival trend: shrinkage in 2001 and some recovery in 2002, yet the 2002 result not regaining the level of 2000 figure; and
- Proportion of foreign inbound tourism against domestic tourism remains more or less unchanged at around 40% (40.9% in 2000, 42.2% in 2001 and 44.1% in 2002). Gradual increase of foreign inbound tourism proportion observed over the three years remains to be seen, as the data become available for 2003 and 2004.

International Tourism Receipts:

- 9% growth recorded in 2001 over the previous year. Although 2002 data is not available, we can reasonably assume that the 2002 receipt would be more than 90 million euros (an assumed modest 10% growth over 2001) in proportion to its arrival growth of 2002 (15.3% over 2001); and
- Receipt per tourist arrival in 2001 grew dramatically at 34.6%.

Table A 4.23 BiH Tourism Profile

	2000	2001	2002	2001/ 2000	2002/ 2001
International Arrivals					
Tourist (overnight visitors) (1000)	171	139	160	-19.0	15.3
- Per 100 of inhabitants	4	4	4		
Tourist Accommodation					
Number of rooms	4,439	4,546	--	2.4	--
Nights spent in hotels (1000)	949	782	888	-17.6	13.6
by foreign inbound tourism	389	330	392	-15.3	19.0
by domestic tourism	560	452	496	-19.3	9.7
Receipts for International Tourism (million EURO)	75	82	--	9.1	--
- Per Tourist Arrival (EURO)	437	588	--	34.6	--
- Per capita (EURO)	19	21	--	--	--

Source: WTO (Tourism Market Trends, 2003 Edition - Europe / Southern Europe)

Similar data series are listed for comparative reference for the other three neighbors of Serbia-Montenegro, Croatia and Slovenia in the Table A 4.24, Table A 4.25 and Table A 4.26.

Table A 4.24 Serbia-Montenegro Tourism Profile

	2000	2001	2002	2001/ 2000	2002/ 2001
International Arrivals					
Tourist (overnight visitors) (1000)	239	351	446	47.0	27.5
- Per 100 of inhabitants	2	3	4		
Tourist Accommodation					
Number of rooms	37,371	37,782	--	1.1	--
Nights spent in hotels (1000)	6,229	6,344	6,522	1.9	2.8
by foreign inbound tourism	716	1,047	1,404	46.3	34.1
by domestic tourism	5,513	5,297	5,118	-3.9	-3.4
Receipts for International Tourism (million EURO)	30	48	81	58.4	69.6
- Per Tourist Arrival (EURO)	127	137	182	7.7	33.0
- Per capita (EURO)	3	4	8	--	--

Source: WTO (Tourism Market Trends, 2003 Edition - Europe / Southern Europe)

Table A 4.25 Croatia Tourism Profile

	2000	2001	2002	2001/ 2000	2002/ 2001
International Arrivals					
Tourist (overnight visitors) (1000)	5,831	6,544	6,944	12.2	6.1
- Per 100 of inhabitants	136	151	158		
Tourist Accommodation					
Number of rooms	81,272	74,107	--	-8.8	
Nights spent in hotels (1000)	18,074	19,908	19,598	10.1	-1.6
by foreign inbound tourism	15,125	16,989	16,905	12.3	-0.5
by domestic tourism	2,949	2,919	2,691	-1.0	-7.8
Receipts for International Tourism (million EURO)	2,986	3,724	4,030	24.7	8.2
- Per Tourist Arrival (EURO)	512	569	580	11.1	2.0
- Per capita (EURO)	697	859	918	--	--

Source: WTO (Tourism Market Trends, 2003 Edition - Europe / Southern Europe)

Table A 4.26 Slovenia Tourism Profile

	2000	2001	2002	2001/ 2000	2002/ 2001
International Arrivals					
Tourist (overnight visitors) (1000)	1,090	1,219	1,302	11.9	6.8
- Per 100 of inhabitants	57	63	67		
Tourist Accommodation					
Number of rooms	16,265	14,970	15,056	-8.0	0.6
Nights spent in hotels (1000)	4,618	4,594	4,763	-0.5	3.7
by foreign inbound tourism	2,758	2,879	3,049	4.4	5.9
by domestic tourism	1,860	1,715	1,714	-7.8	-0.1
Receipts for International Tourism (million EURO)	1,040	1,118	1,145	7.4	2.5
- Per Tourist Arrival (EURO)	955	917	880	-3.9	-4.1
- Per capita (EURO)	540	579	593	--	--

Source: WTO (Tourism Market Trends, 2003 Edition - Europe / Southern Europe)

4.4.4 Visitor Arrivals from Major OECD Countries to BiH and the Other Three Neighbors - 1998 to 2002

This section takes a much closer look into the arrivals from OECD countries, with particular emphasis on Europe which holds a share of 38.1% in the total arrivals into BiH of 2002 (refer to Section 2: BiH Tourism, sub-section Major Market Sources).

Table A 4.27 lists the eight major OECD market sources in Western Europe by order of visitor arrival volume in 2002. Some technical notes: WTO data are available for the five consecutive years from 1998 through 2002 for all other three countries of the region except for BiH, where the figures for 1999 are missing (the reason for this lack not clear at the time of writing; one BiH source claims that confusion in BiH governmental transition/unification was its cause).

Just for reference complementing EU arrivals, the four other important OECD market sources are also listed; namely, USA and Canada in the Americas and Japan and Australia in the East Asia/the Pacific.

Observations on BiH major market sources gained from this table are as follows:

- Germany generally hold the position of the most productive source, as it is the case with many other established tourist destinations all across the Mediterranean Basin (e.g., Greece, Turkey, Egypt);
- Italy closely follows Germany as the second most productive source helped partly by its geographical proximity to BiH;
- UK invariably occupies the rank of the third important source;
- Austria, France and Spain ranks the 4th, 5th and 6th in the varying order from year to year;
- For the Americas, USA consecutively keeps substantial volume of arrivals matching closely those of Germany and Italy, while Canadian visitor volume is much smaller equaling the smaller EU market sources such as Switzerland. One interpretation of this US volume may be sought in strong contingent of government officials, staff of aid agencies, military, etc. in the post-war reconstruction / transition or, in other words, smaller contingent of genuine tourists;
- For East Asia / the Pacific, Japan signals great future potentiality when its geographical distance to BiH is considered (13 real-term flight hours via Vienna, not including transit time), particularly when compared with EU markets whose real-term flight hours are less than 2/3 hours; and
- Japan's volume in 1998 (1,033 visitors) closely follows that of Switzerland for the same year (1,294 visitors). Japan's lower visitor figures for 1999/2002 are caused by the following factors:
 - Japan's decade-long economic recession, deeply impacting its outbound tourism volume (for one/two particular years, 40/50% drop over the previous year); and

- Iraqi War and SARS bird-flu epidemics plagued all over East / Southeast Asia in 2002/2003 further damaging already weak demand for outbound tourism.
- If there were no Iraqi War nor SARS epidemics, Japan's volume would have significantly increased by 2002/2003.

Table A 4.27 Visitor Arrivals from Major OECD Countries - BiH

	1998	1999	2000	2001	2002	Average Annual Growth (%) *
Europe						
Germany	8,542 (---%)	NA (---%)	8,013 (---%)	6,979 (-12.9%)	7,900 (13.2%)	-1.9%
Italy	7,446 (---%)	NA (---%)	8,711 (---%)	7,009 (-19.5%)	7,362 (5.0%)	-0.3%
UK	4,016 (---%)	NA (---%)	4,010 (---%)	3,560 (-11.2%)	4,387 (23.2%)	2.2%
Austria	3,108 (---%)	NA (---%)	3,572 (---%)	3,278 (-8.2%)	3,793 (15.7%)	5.1%
Spain	1,737 (---%)	NA (---%)	2,393 (---%)	2,472 (3.3%)	2,865 (15.9%)	13.3%
France	3,012 (---%)	NA (---%)	3,373 (---%)	2,927 (-13.2%)	2,523 (13.8%)	-5.0%
Netherlands	1,605 (---%)	NA (---%)	2,067 (---%)	1,822 (-11.9%)	2,024 (11.1%)	6.0%
Switzerland	1,294 (---%)	NA (---%)	1,392 (---%)	1,148 (-17.5%)	1,256 (9.4%)	-0.7%
Sub-total	30,850 (---%)	NA (---%)	33,531 (---%)	29,195 (-12.9%)	32,110 (10.0%)	1.0%
Americas						
USA	9,240 (---%)	NA (---%)	9,071 (---%)	7,380 (-18.6%)	7,228 (-2.1%)	-4.8%
Canada	976 (---%)	NA (---%)	1,084 (---%)	985 (-9.1%)	1,058 (7.4%)	-12.0%
Sub-total	9,952 (---%)	NA (---%)	10,155 (---%)	8,365 (-17.6%)	8,286 (-0.9%)	-4.5%
East Asia & the Pacific						
Japan	1,033 (---%)	NA (%)	844 (---%)	600 (-28.9%)	651 (8.5%)	-12.0%
Australia	190 (---%)	NA (---%)	482 (---%)	264 (-45.2%)	469 (7.7.7%)	-17.0%
Sub-total	2,071 (---%)	NA (---%)	1,326 (---%)	864 (-34.8)	1,120 (29.6%)	-14.2%

Source: WTO (Outbound Statistics by Destination 2004 Edition with data for 1998/2002)

* for 1998/2002

Similar data series are listed for comparative reference for the other three regional neighbors of Serbia-Montenegro, Croatia and Slovenia in the Table A 4.28, Table A 4.29, and Table A 4.30 respectively. For further comparative reference, similar complementary examination, as was done for BiH, is made to ascertain the characteristics of market sources per each of the three neighbor destinations: Serbia-Montenegro, Croatia and Slovenia.

Observations on Serbia-Montenegro's major market sources gained from Table A 4.28 are as follows:

- After the peace returned, Germany's dominance is conspicuous with its fast expansion in visitor arrivals (113% in 2000, 126% in 2001 and 78% in 2002), reaching more than 33,000 arrivals in 2002 which corresponds to more than four times those that have visited BiH;
- As with BiH, Italy is the second most important source for Serbia-Montenegro. Compared to German market expansion, however, its growth is rather moderate at 33% in 2001 and 39% in 2002;
- Two other major sources are Austria and UK, both recording more than 10,000 arrivals and each with substantial growth percentages of 39% for Austria and 38% for UK; and
- USA records 12,000 visitors in 2002, matching the level of the four European majors of Germany, Italy, Austria and UK. Although its growth is somewhat moderate at 36% in 2002, it should be noted that US arrivals expanded 225% in 2001. Similar interpretation may apply for this rather disproportionate US volume despite its geographical distance, as was the case for BiH, namely; strong presence of government officials, staff of aid agencies, military, etc. in the post-war reconstruction/transition rather than genuine tourists.

Table A 4.28 Visitor Arrivals from Major OECD Countries - Serbia-Montenegro

	1998	1999	2000	2001	2002	Average Annual Growth (%)
Europe						
Germany	13,033 (---%)	3,907 (-70.0%)	8,327 (113.1%)	18,850 (126.4%)	33,454 (77.5%)	26.6%
Italy	20,404 (---%)	8,133 (-60.1%)	12,605 (55.0%)	16,813 (33.4%)	23,410 (39.2%)	3.5%
UK	6,838 (---%)	2,171 (-68.3%)	3,225 (48.5%)	7,586 (135.2%)	10,441 (37.6%)	11.2%
Austria	7,019 (---%)	2,933 (-58.2%)	5,189 (76.9%)	10,059 (93.9%)	13,999 (39.2%)	18.8%
Spain	1,788 (---%)	603 (-66.3%)	1,035 (71.6%)	1,971 (90.4%)	2,335 (18.5%)	6.9%
France	4,723 (---%)	2,194 (-53.5%)	3,147 (43.4%)	6,770 (115.1%)	8,593 (26.9%)	16.1%
Netherlands	2,748 (---%)	988 (-64.0%)	1,850 (87.2%)	3,926 (112.2%)	5,648 (43.9%)	19.7%
Switzerland	2,296 (---%)	1,522 (-33.7%)	2,934 (92.8%)	4,717 (60.8%)	5,523 (17.1%)	24.5%
Sub-total	58,849 (---%)	22,451 (-61.8%)	38,312 (70.6%)	70,692 (84.5%)	103,403 (46.3%)	15.1%

	1998	1999	2000	2001	2002	Average Annual Growth (%)
Americas						
USA	8,807 (---%)	2,148 (-75.6%)	2,740 (27.6%)	8,908 (225.1%)	12,099 (35.8%)	8.3%
Canada	1,145 (---%)	447 (-61.0%)	891 (99.3%)	1,647 (84.8%)	2,494 (51.4%)	21.5%
Sub-total	9,952 (---%)	2,595 (-73.9%)	3,631 (39.9%)	10,555 (190.5%)	14,593 (38.3%)	10.0%
East Asia & the Pacific						
Japan	1,085(---%)	1,128 (4.0%)	1,539 (36.4%)	1,715 (11.4%)	1,704 (-0.7%)	11.9%
Australia	986(---%)	339 (-65.6%)	734 (116.5%)	1,241 (69.1%)	1,458 (17.5%)	10.3%
Sub-total	2,071(---%)	1,467 (70.8%)	2,273 (54.9%)	2,956 (30.0%)	3,162 (7.0%)	11.2%

Source: WTO (Outbound Statistics by Destination 2004 Edition with data for 1998/2002)

Observations on Croatia's major market sources gained from Table A 4.29 are as follows:

- As are the cases with both Bosnia-Herzegovina and Serbia-Montenegro, Germany and Italy are the two majors for Croatia as well, each with more than one million arrivals;
- Germany's expansion in the five years is of particular note, reaching 1.5 millions in 2002 at an annual average growth of 15.7%, an amazing feat when its base volume in the order of one million is taken into consideration;
- Austria ranks the third with 0.7 million arrivals, helped by its geographical proximity to Croatia;
- Netherlands, France and UK follows in the ranks of 4th, 5th and 6th. When each national population base is considered (the smallest in Netherlands), Netherlands' volume calls for particular note compared to those of France and UK;
- US share in the national total arrivals into Croatia is far less than those in Bosnia-Herzegovina and Serbia-Montenegro. This, in a way, verifies the two interpretative formula of ours applied before, namely:
 - No or little presence of government officials, aid agency staff and military in Croatia due to the lesser impact of BiH Conflict (much heavier in Serbia-Montenegro and Bosnia-Herzegovina); and
 - Volume represents a true picture of genuine tourist contingent, reflecting Croatia's mass holiday destination status.
- Both Japan and Australia record a healthy annual average growth of around 20% in the five years with substantive visitor number in the order of 15,000 despite their physical distance to Croatia. This is also interpreted as:

- The numbers represent a true picture of genuine tourist contingent, as was the case with US arrivals, reflecting Croatia's mass holiday destination status;
- Substantive number despite their physical distance promises future; and
- Growth potentials.

Table A 4.29 Visitor Arrivals from Major OECD Countries - Croatia

	1998	1999	2000	2001	2002	Average Annual Growth (%)
Europe						
Germany	827,844 (---%)	627,552 (-24.2%)	1,048,275 (67.0%)	1,299,729 (24.0%)	1,481,659 (14.0%)	15.7%
Italy	853,236 (---%)	630,756 (-26.1%)	1,011,634 (60.4%)	1,059,810 (4.8%)	1,099,427 (3.7%)	6.5%
UK	75,389 (---%)	59,809 (-20.7%)	84,549 (41.4%)	106,960 (26.5%)	132,160 (23.6%)	15.1%
Austria	567,430 (---%)	478,306 (-15.7%)	640,199 (33.8%)	686,844 (7.3%)	690,366 (0.5%)	5.0%
Spain	12,644 (---%)	10,974 (-13.2%)	25,022 (128.0%)	19,692 (-21.2%)	26,022 (32.1%)	19.8%
France	44,693 (---%)	33,556 (-25.0%)	57,193 (70.4%)	74,719 (30.6%)	134,708 (80.3%)	31.8%
Netherlands	90,363 (---%)	75,189 (-16.8%)	103,595 (37.8%)	125,087 (20.7%)	148,140 (18.4%)	13.2%
Switzerland	31,534 (---%)	26,581 (-15.7%)	36,223 (36.3%)	46,026 (27.1%)	60,607 (31.7%)	17.7%
Sub-total	2,503,133 (---%)	1,942,723 (-22.4%)	3,007,690 (54.8%)	3,418,867 (13.7%)	3,773,089 (10.4%)	10.8%
Americas						
USA	42,024 (---%)	36,947 (-12.1%)	52,654 (42.5%)	52,446 (-0.4%)	58,529 (11.6%)	8.6%
Canada	10,740 (---%)	9,725 (-9.5%)	14,215 (46.2%)	14,870 (4.6%)	16,409 (10.3%)	11.2%
Sub-total	52,764 (---%)	46,672 (-11.5%)	66,869 (3.3%)	67,316 (0.7%)	74,938 (11.3%)	9.2%
East Asia & the Pacific						
Japan	7,566 (---%)	6,395 (-15.5%)	10,933 (71.0%)	12,565 (14.9%)	15,340 (22.1%)	19.3%
Australia	6,952 (---%)	7,128 (2.5%)	9,379 (31.6%)	10,323 (10.1%)	15,602 (51.1%)	22.4%
Sub-total	14,518 (---%)	13,523 (-6.8%)	20,312 (50.2%)	22,888 (12.7%)	30,942 (35.2%)	20.8%

Source: WTO (Outbound Statistics by Destination 2004 Edition with data for 1998/2002)

Observations on Slovenia's major market sources gained from Table A 4.30 are as follows:

- Italy invariably holds the top of the list with 0.28 million arrivals, helped greatly by its physical proximity (Italy borders on Slovenia) and past politico-social background (part of Slovenia had been under Italian suzerainty in the past);
- Germany and Austria follow in the rank of 2nd and 3rd market source with roughly 0.2 million arrivals respectively; and
- UK and Netherlands rank 4th and 5th with much smaller volume of around 40,000 to 50,000 visitors. As was the case in Croatia, Netherlands volume outshines UK when their population bases are considered (Netherlands much smaller than UK).

Table A 4.30 Visitor Arrivals from Major OECD Countries - Slovenia

	1998	1999	2000	2001	2002	Average Annual Growth (%)
Europe						
Germany	190,942 (---%)	157,502 (-17.5%)	204,003 (29.5%)	234,209 (14.8%)	229,211 (-2.1%)	4.7%
Italy	238,324 (---%)	207,230 (-13.0%)	256,212 (23.6%)	269,338 (5.1%)	274,792 (2.0%)	3.6%
UK	27,077 (---%)	23,703 (-12.5%)	31,213 (31.7%)	40,423 (29.5%)	46,117 (14.1%)	14.2%
Austria	129,646 (---%)	126,370 (-2.5%)	150,309 (18.9%)	174,403 (16.0%)	193,422 (10.9%)	10.5%
Spain	4,602 (---%)	4,123 (-10.4%)	6,837 (65.8%)	6,828 (-0.1%)	9,860 (44.4%)	21.0%
France	19,664 (---%)	17,874 (-9.1%)	22,169 (24.0%)	23,452 (5.8%)	27,863 (18.8%)	9.1%
Netherlands	30,461 (---%)	20,982 (-31.1%)	31,494 (50.1%)	34,813 (10.5%)	38,682 (11.1%)	6.2%
Switzerland	12,058 (---%)	11,792 (-2.2%)	15,049 (27.6%)	17,555 (16.5%)	20,526 (16.9%)	14.2%
Sub-total	652,774 (---%)	569,576(-12.7%)	717,286 (25.9%)	801,021 (11.7%)	840,473 (4.9%)	6.5%
Americas						
USA	17,224 (---%)	18,903 (9.7%)	25,362 (34.2%)	28,254 (11.4%)	30,103 (6.5%)	15.0%
Canada	3,286 (---%)	3,387 (3.1%)	4,859 (43.5%)	5,090 (4.8%)	6,129 (20.4%)	16.9%
Sub-total	20,530 (---%)	22,290 (8.6%)	30,221 (35.6%)	33,344 (10.3%)	36,259 (8.7%)	15.3%
East Asia & the Pacific						
Japan	3,568 (---%)	4,008 (11.8%)	6,015 (50.1%)	6,770 (12.6%)	6,921 (12.6%)	18.0%
Australia	3,391 (---%)	3,405 (0.4%)	4,482 (31.6%)	6,755 (50.7%)	8,499 (25.8%)	25.8%
Sub-total	6,959 (---%)	7,413 (6.5%)	10,497 (41.6%)	13,525 (28.5%)	15,420 (14.0%)	22.0%

Source: WTO (Outbound Statistics by Destination 2004 Edition with data for 1998/2002)

4.5 Donor Programs in Tourism Sector

The activity of several donors in connection with tourism is reviewed below. USAID has been very active in the tourism sector.

(1) USAID Activities

1) Work to Date

USAID has completed extensive analytical work using the “cluster competitiveness” approach on the tourism sector and has identified it along with agribusiness, information technologies and the wood & wood furniture industry as priority sectors for the BiH economy. To date seven working groups have been formed. They are: School Excursions; Cultural and Natural Heritage Pilot Region - Herzegovina; Adventure and Sports Tourism Pilot Region - Krajina; Spas and Congressional Tourism Pilot Region - Banja Vrucica and surroundings; Finance and Policy Reform; Education, Training and Linkage Building; and Promotion

Working Group. They have been executing action plans in production and distribution of promotional materials, launching of web sites, proposing and tracking Bulldozer Committee actions aimed at creating business friendly environment, undertaking harmonization initiatives, promoting an e-commerce strategy for tour operators, utilizing e-mail for marketing, developing school trip packages, etc.

The USAID Mission has provided strategic planning technical assistance to private tourism firms, conducted workshops on tourism promotion, supported the Papal visit to Banja Luka on June 22, 2003, and supported efforts to promote the spas to target markets as well as to potential investors. It is envisioned that the Mission, over the next four years, will be focusing its assistance in three geographic areas - Herzegovina, Una Sana Canton and its surroundings, and Sarajevo Canton and its surroundings.

2) Upcoming Competitiveness Support for the Tourism Sector

It will launch a new program under its SEGIR Privatization effort from late 2004 in which it will focus in part on strengthening the tourism industry as well as agribusiness and wood processing. This will include supporting sports-related tourism in Una - Sana Canton and other types of tourism such as meetings & conferences, spa-related tourism, and cultural tourism. This program will be multi-year, will support in part nature-based tourism and will include as a feature a fund to finance tourism related projects.

The upcoming USAID program will work with the BiH government to create a National Council on Competitiveness to support innovation and investment in several key sectors including the agribusiness, wood processing and tourism sectors. It will be comprised of private, public, and civil society representatives. It will be a champion for policy changes critical to the development of the three clusters, SMEs, and BiH business in general. The NCC will also act as an advisory committee for the overall strategic direction of the competitive clusters and SME development activities. It will help provide national-level support for policy and strategic initiatives identified by the clusters and other sources that are important for increasing the competitiveness of the BiH economy.

3) Small Grants Facility

This USAID program will furthermore create two distinct small grant facilities in the total amount of US\$ 1.5 million. The first facility (Grants to RDAs), in the amount of up to US\$ 1 million may be used for grants up to US\$ 50,000 per grant for support to the RDAs. The second grant facility (Grants to Trade Associations) in the amount of up to US\$ 500,000 may

be used for small grants up to US\$ 25,000 per grant in support to the trade associations. RDAs would be eligible to receive grants of up to US\$ 50,000 per grant to facilitate and support cluster activities. The program [*Cluster Competitiveness Activity* in USAID terminology] will use selected RDAs as forums for a public and private sector dialogue to drive the three-sector cluster development strategy. New and innovative ideas that emphasize linkages with other cluster members, domestic sourcing of products or development of internal capacity, and lifting business impediments will be the priorities for the grants.

(2) GTZ of Germany

GTZ is currently making efforts to coordinate the work undertaken by several donors relating to the tourism sector, and has concluded that there is a focus of activities in the Herzegovina region with significant overlap of programs. It has determined that there is critical need to clarify strategy development, destination management and international marketing, and will design its efforts to meet these three objectives. It will also attempt to work with authorities and institutions in Herzegovina to rationalize the different tourism programs of the donors in that area. GTZ recently brought a group of BiH persons to Germany for training in rural/environmentally related tourism. It will be assisting BiH with marketing efforts at the influential ITB tourism show, the largest in the world, held yearly in Berlin.

(3) French Cooperation

France's *cooperation* program for Bosnia has conducted a preliminary definitional mission that covered the tourism sector during 2003 for the purpose of eventually funding a program in support of tourism. It is expected that this program will begin in 2004 or 2005. Early planning has been under way by the French cooperation authorities to undertake assistance in support of redevelopment of the winter-sports resorts facilities in the greater Sarajevo area. The basic strategy is to revive a formerly successful industry that existed before the war so that it can once again be competitive and attract European tourists.

(4) Regional Environmental Center for Central & Eastern Europe / Swiss Agency for Development & Cooperation

This is a joint effort to improve nature-based tourism in the lower Neretva delta area focusing on the Hutovo Blato nature reserve. It will produce educational and interpretive materials using different media, promote rural development and environmental conservation.

(5) SEENET Italian assistance

A joint effort of Italy's Ministry of Foreign Affairs and the Regional Government of Tuscany has created the Southeast Europe Network, which is assisting some 21 communities in BiH notably in the Herzegovina-Neretva Canton, plus the municipality of Nevesinje. The assistance relates to community development and among other activities is training local interests in the best practices needed to develop sustainable community-based tourism activities.

Chapter A 5. Regional and Local Framework of Agriculture

5.1 Introduction

Key Figures	BiH
Rural population depending on (mostly) subsistence agriculture	50-60%
Agricultural land (arable land and pastures and meadows) (Unit: 1,000 ha)	1,600
Forests (Million ha)	2,700
Approx. No. of agric. Households / farmers (mainly subsistence)	828,000
Size of Agric. Sector (Million €)	687
Share of Agriculture Sector (% of GDP)	BiH 12%, (FBiH 8%, RS 16%)
Average farm size (ha)	3 - 4
Average No. of plots/farm	5 - 7
Average Cows per agric. household/farm	2 - 3
Average milk production / cow (kg)	2,000
Export of agricultural products (Million €); in € per capita	65 17
Import of agricultural products (Million €); in € per capita	905 232

Compared to other European countries BiH is not disfavored with regard to its natural agricultural potential. However small-scale subsistence farmers, who dominate the agriculture sector in BiH, produce far below their potential. Their productivity and incomes are low because of small farm size of average 3 - 4 ha of arable land; spread over five to seven plots. An average farm keeps up to 3 cows, but often they have just one. Furthermore most of the farming technology is outdated, production systems are running on low-intensity, water is (in some areas) lacking during the summer dry period, and capital for seeds and farm inputs is limited; import of seed and agrochemicals is not in line with EC regulations and often new and high-yielding seed varieties are not allowed. Another crucial issue is the weak rural advisory system and that results in a limited understanding of agriculture and market economy.

Incentives for farmers to increase marketed surplus are also weak, because marketing infrastructure for most agricultural products is poorly developed, product-assembling systems are inadequate, and most agro-processors are inefficient and unable to provide producers with cost effective prices, quality control, credit or technology; financially many agro-processing companies are in poor shape.

Aside from low productivity, another critical issue is the lack of market-relevant quality and quantity. Many agro-processors feel impelled to use imported raw materials due to the difficulty of organizing regular supplies of good quality local produce at an economic cost. While local agricultural and horticultural production is increasing, the agriculture challenge now is to produce sufficient crops and commodities with sufficient quality and market-demanded characteristics to replace part of the huge food imports.

Agricultural activities are varying very much from to region as BiH is rich in diverse regions and landscapes: mountain region 57%, hilly region 27%, flat region 11% and Mediterranean region 5%. Intensive cereals and animal production takes place in the northern and eastern part, extensive sheep and cattle production in the central and western part, and intensive production of Mediterranean cultures and horticulture production in the southern part of the country. Therefore the following chapters are done once for the whole country and then individually for Pliva and Velez area.

(1) Transfer from the centrally planned to market economy

Agriculture was never considered as very important for BiH in former Yugoslav times. The economy was rather pushed towards heavy industry like for example Zenica steel mill or Aluminum Mostar. There have been few big state farms; they owned and managed 6% of the best agricultural land in the very favorable areas like in the Northern Plains around Bijeljina and in the South East around Trebinje. Additionally agricultural cooperatives existed. They worked on 4% of the arable land. But both forms of state management never were successful compared to Western standards.

The remaining land, approximately 90% of the total agricultural land, was and is owned by individual farmers. In the former system farmers have been allowed to own up to 10 ha.

The way these farms are managed is not very much different from the pre-war situation. But before the war these farms produced vegetables, milk products and other products for household-consumption whereas the family income was earned in the heavy industry. The

state-owned industry went bust and most of the jobs were lost. Now many people in rural areas have to make their living from farming activities on very limited resources.

Forests cover 2,700,000 ha in BiH and that is equivalent to 52.84% of the total size. About 58% of the forest lumber stock consists of hardwood - beech (about three fourths of the hardwood stock) and oak. The remaining lumber stock is softwood: spruce or fir (about 85% of the softwood stock) and pine. 90% of the forest in BiH was and still is owned by the state / the entities. Therefore farmers owned very little forest and usually used their wood for construction and firewood.

The economic exploitation of the BiH forests, which was famous for their Bosnian beeches, was done by state companies; the logging companies often have been vertically integrated into saw mills and furniture companies. Due to the war wood-processing companies went out of business and have been often destroyed.

During and after the war the gray economy boomed and a lot of illegal logging activities took place. Illegal logging means that on one side state companies made clear cuts without logging permissions and management plans, but also that illegal “companies” just exploited the forest. Countless sawmills all over the country do processing; probably the majority is not legally registered.

Even if new forestry laws introducing modern management set-ups passed the parliament procedure in both entities recently, BiH is still dominated by three ethnic forestry companies; they all have in common that not too much emphasis is put on reforestation and that they are paying very few taxes. Nevertheless forestry is beside Aluminum Mostar and electricity one of the most important export sector and eventually the only sector that could become a backbone of BiH's recovery.

State Forests must get more efficient and profitable in BiH. The process will speed up if the sector will allow more competition also from private companies. Furthermore the inspection activities are not efficient and must be improved dramatically; a monitoring system that includes the use of log-tracking, remote sensing and field investigations is needed. Finally the forest sector should become more transparent especially in financial aspects and should contribute as soon as possible to the Entities and Cantonal budgets.

(2) Reconstruction and recovery from the civil war damage

Many state farms and agricultural cooperatives faced economic troubles long before the war; due to lack of financing they reduced their activities or even stopped them completely. If agricultural enterprises do not plant on their full size then usually lack of seeds and fertilizers is the reason, a good sign that the “enterprise” is almost bankrupt.

These big state and cooperative farms will not recover any more. Land of state farm will not be privatized but rented out on long term contracts; usually small scale commercial farmers are willing to rent additional land to increase their production. Regarding the private farms due to the war a lot of house, buildings and barns have been destroyed and the technical equipment including tractors has been taken away. As farmers cannot finance new farm mechanization a way out is in some areas so called machinery rings. A cooperative or private person owns a tractor and a plough and does work on others farmland against payment. But by far not enough farm mechanization is available; that could be seen very clearly when families are making hay - usually without hay baling presses.

Agribusiness in BiH was never an export locomotive but after the war the sector produced less than at any time in its history. Food imports are far above 1 billion KM per year. Gray imports play a very significant role undermining efforts to develop local agriculture and a food processing industry. BiH is importing 13 times more agricultural products than it is exporting these!

Total war damage has been estimated at US\$ 4.5 billion of which about 3 billion occurred in FBiH and about 1.5 billion in RS. At the end of the war, the agro-processing industry was operating at less than 10% of its pre-war capacity due to heavy damage to buildings and equipment. In addition, the raw material supply and sales channels had been disrupted. Pre-war agriculture marketing and processing focused on the domestic market, with exports limited to processed fruit and vegetables and specialty products such as baby-beef, berry fruits and medicinal plants.

In both entities of the state, farms are small and the family has to search for labor-intensive production systems with low capital requirements. The high percentage of absolute pasturelands favors cattle and sheep production. In economic terms: opportunity costs for labor and pasturelands is low, which gives intensive livestock production systems such as dairy and poultry or horticulture a competitive advantage. Furthermore, these sectors provide various fresh products preferred by local customers.

Competition on the domestic market from imported products is fierce. Slovenian, Croatian, Hungarian, Italian and German processed food products dominate the market. This is especially the case for higher value added food products.

Imported UH\$ milk from Slovenia (especially before the EU enlargement), Italy, Germany and Croatia dominates the local milk market. Local dairies mainly produce pasteurized milk, which has a shelf life of only a few days thereby limiting the competitiveness of the local products. Many small dairies have been established in the last few years with donor assistance. However, product range and capacity is limited in most cases.

Processed fruit and vegetables in jars, bottles and cans have a good local market and some export potential.

Conclusion: The food industry cannot be expected to compete on international markets for the time being. For the coming 5 to 10 years, the main task is to strengthen the competitiveness of local companies to be able to compete with imported food products. Some very narrow niche markets such as processed fruit or specialty meat products may have a limited export potential. Regarding meat exports towards the European Union (and Croatia) EC standards have to be fulfilled; for the time being the State Veterinary Office is working on this but has still a long way to go (see Veterinary Services).

Privatized companies in the food industry with the right product range and well-organized raw material supply as well as forward market linkages have a good opportunity to grow, particularly if the purchasing power of the population increases. Contract farming in horticulture, poultry and dairy sub-sectors could be a major element for the recovery of the agricultural potential of the country.

The strengths of the food sector in BiH on the local market are:

- Domestic demand is by far not met by local production;
- Proximity to the local market (important for fresh products, perishable products with low to mid-durability and for products with high storage and transport costs);
- Knowledge of the local consumer behavior;
- Availability of sufficient pasture and meadows for cattle and sheep farming;
- Price advantages with some fruit and vegetables products; and
- Many unemployed people in rural areas.

The weaknesses of the food sector in BiH are:

- Insufficient efforts concerning quality management and food safety control; yet not approved by the EC;
- Marketing and logistics are underdeveloped;
- Low productivity of the agricultural primary production compared to other transition countries, and the related high production costs; and
- Business and political environment that almost does not support investments and innovations (also in agribusiness).

Companies often have to struggle for themselves, and are confronted with an institutional disorder without being supported sufficiently by state, semi-state or private organizations. This is particular the case in the areas import policy, food control, financing, taxation as well as training, advisory and information services.

(3) On-going innovation in legal and public administration system

Around 50-60% of the rural population depends on (mostly) subsistence agriculture; nevertheless agriculture is still a neglected sector. State and entities' budget do not reflect the GDP share of agriculture, cantonal budgets are sometimes more oriented towards agriculture and the rural economy.

Also trade policy does not support the farming sector as the BiH government is keen on joining WTO and signed free trade agreements with Croatia, Slovenia, Hungary Turkey Moldova, Macedonia, Romania and Bulgaria. These countries allowed BiH imports without import duties and required the phasing out of import duties for their products to BiH. That means the complete free trade agreement with the above mentioned states went in place on 1st January 2004. Due to heavy protest it has been delayed for 4 months. The RS used this time span to slightly protect their production; similar steps have not been taken in the FBiH. Since 1st June 2004 free trade agreements are in place with the above mentioned states except with Slovenia and Hungary as they joined in the meantime the EU and therefore these agreements are not valid any more.

That is also the reason why Hungarian and Slovenian companies are buying enterprises in BiH (Dairy Tuzla by Slovenians) to supply the market from local production.

Now the Pan European Rules of Origin are in charge and just if the origin of a product is doubtful than import duties can be collected. Furthermore different measures can be applied

if there are market disturbances or dumping prices; but even as Serbia is still subsidizing their agricultural exports, BiH is not reacting and the main damage is with the farmer in BiH.

It is obviously that a free trade agreement makes sense if a national economy has some competitive export products and wants to open new markets for their products. This is not the case in BiH. On the contrary, free trade actually means that all agricultural products from abroad could be market in BiH without any import duties or other significant trade barriers.

5.2 Farming Conditions

In former Yugoslav times agriculture was never considered as very important for BiH. The economy was rather pushed towards heavy industry like, for example, Zenica steel mill or Aluminum Mostar. There have been a few big state farms; they owned and managed 6% of the best agricultural land in the very favorable areas like in the Northern Planes around Bijeljina and in the South East around Trebinje. Additionally agricultural cooperatives existed. They worked on 4% of the arable land. But both forms of state management never were successful compared to Western standards. The remaining land, approximately 90% of the total agricultural land, was and is owned by individual farmers. In the former system farmers have been allowed to own up to 10 ha. These farmers are working on typically average 2 - 5 ha farms, spread over five to seven plots. Mixed livestock and cropping systems predominate and output is low. The way these farms are managed today is not very much different from the pre-war situation. But before the war these farms produced vegetables, milk products and other products for household-consumption whereas the family income was earned in the heavy industry. The state-owned industry went bankrupt and most of the jobs were lost. Today one can differentiate between subsistence farming and commercial farming; just the commercial farming is of economic relevance.

5.3 Farming Technology and Organization

Small-scale subsistence farmers, producing food for family consumption and a small surplus for the market, dominate the agriculture sector in BiH but produce far below their potential. Farm's productivity is low because of:

- Outdated technology;
- Low-intensity production systems;
- Limited capital for seeds and farm inputs, and sometimes;
- Lack of water (Podvezlez);

- Missing incentives for farmers to increase marketed surplus;
- Weak marketing infrastructure for most agricultural products and most; and
- Agro-processors unable to offer favorable prices, quality control, credit, or technology to producers.

The small size and high fragmentation of these farms are major constraints to production, there is also little use of modern farm technology and crop and animal husbandry practices are poor. The traditional emphasis on food self-sufficiency also leads farmers to grow crops that are not always well suited to local conditions. Low crop yield, poor animal performance and low profitability characterize these farms as a consequence. The farm machinery complement in pre-war BiH included some 60,000 tractors and 32,000 cultivators, equivalent to 17 ha / tractor. Although this is a high level of mechanization by modern standards, farmers consider it inadequate. Their point of reference is the number of farms with adequate machinery not the number of machines per hectare. About 80% of the tractors and implements were of the IMT brand, produced under license in Belgrade. This near monopoly led to a high level of standardization that in turn helped farmers and service outlets develop a strong body of skills for operation and maintenance. But it also inhibited the introduction of alternative cultivation technologies. More than 60% of all tractors and equipment were lost during the war, due mostly to progressive deterioration and lack of replacement. Emergency reconstruction programs have replaced a small part of these losses. The real post-war need is to improve the efficiency rather than the level of farm mechanization. Outmoded, pre-war equipment should be replaced and cost-effective systems established for sharing and hiring farm machinery.

5.4 Organic Farming

According to the FAO/WHO Codex Alimentarius guidelines for organic food, organic agriculture is "a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasizes the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfill any specific function within the system." Above quoted definition makes it clear that organic farming does not mean traditional agricultural production without fertilizers and other agro-chemicals. Organic farmers have another approach by putting emphasis on soil quality, crop production and keeping animals also for

manure. Using this approach among others organic farmer have to certify their production what usually requires a transformation process of 3 years. The certification has to be internationally recognized (EU and/or IFOAM) and financed; as long as there are international certification companies required it will stay quite costly for a local farmer. In February 2003 an association for development and support of organic production in BiH "OK" ("Organska kontrola") was established in Sarajevo to overcome this situation. Members are representing scientific institutions, farmers, processors, traders and consumers. OK is training organic agriculture inspectors. The required systems and procedures for organic inspection and certification is on its way and OK will start offering Local Certification Service from 2004. Standards for organic production in BiH are under development. Next important step is accreditation of OK Standards by IFOAM; that is scheduled for mid 2005.

The organic and therefore more complicated and expensive way of farming is justified if the producer can expect higher prices to at least compensate his higher production costs. Local market has quite high prices for agricultural products and they are selling well. Most probably people in a weak economy with unsecured earnings are not willing to spend more of their household budget for food, also not for organic food. If there is no or very limited local market for organic products than all products must be exported. Due to phyto-sanitary and trade policy reasons depending only on export markets (most probably the EU) is quite risky. Beside this insecurity the required marketing channels for organic products do not exist yet.

Organic farming should be considered as a niche market and mid term target. But it cannot solve all Bosnian agricultural problems even if a lot of international organizations are putting a lot of emphasis on this sector.

Not necessary to mention that organic production fits extremely well with eco-tourism and therefore it will be integrated in Volume 3 / Master Plan, but again as a mid term target.

BiH government is very interested in organic agriculture and wants to spread this way of production. Main work is done by international projects, as the government has no budget reserved for organic production.

Following organic products are produced in BiH: cucumber, red beet, salad-cucumber, carrot, cabbage, cereals, potato, onion, buckwheat, marigold, vegetables, fruit, mushrooms (frozen, fresh, dry), wild berries and berries (fresh, froze, dry), etheric oils, medical herbs, chamomile, menthe, tea and tea mixtures, compote, jams and marmalades, flowers.

(1) Marketing of organic products:

The political and economical situation is defining situation on the food market in general. In BiH only 2.5% of the population have more than 1,500 KM per months. Due to this limited purchasing power the organic food can find not more than a niche market segment at BiH food market.

In 2002 an assessment of current situation at BiH organic food market was done on the basis of research done by the students of Faculty of Agriculture, University of Sarajevo. The main conclusion is that the organic food market in BiH does not exist. But, it has to be outline that it is possible to buy some organic food mostly in BiH supermarkets and a very few special food shops. The offer includes products with valid certification mark such as infant food and beverages than some dietary products, such as snacks and cereals etc. In total amount of food sold the share of this products are less than 0.5% and the majority of these products is not made in BiH.

Main and minimal precondition for a functional organic food market is the development of domestic production. In this area development is driven by few EU or bilateral projects managed by NGOs like CEFA, Malteser, BETA, Avalon, SIPPO and others. The lavender production near Mostar is a private investment but encouraged by the UK embassy. A constraint to organic food market development is not existence of legal framework; here the adaptation of the EU guidelines as a bylaw would be enough. The poor commitment from the government to organic production is also the result of poor knowledge about organic farming. Another very important constrains to the future development of an organic market is a group of people, more or less with agricultural or environmental background, who are very aggressively spreading message that organic agriculture is “the answer” to all BiH agricultural and rural problems. It raises too high expectation that cannot be met in the developing phase. This unreasonable expectation could be very harmful to the future development of organic production. The message about organic production has to be positive, but based on real fact and knowledge.

5.5 Agricultural Administration and Public Services

The public administration in BiH involved in the agricultural sector underlies a permanent process of changes. Temporary we could find the following hierarchies: state level, entity level including Brcko, cantonal level in the FBiH and municipality level. Their responsibilities

look (simplified) as follows (see also Functional Review of the Agricultural Sector in BiH, October 2004):

(1) State level

The Ministry of Foreign Trade and Economic Relations (MoFTER) is in charge of foreign trade and customs tariff policy, of enforcement of the single economic space, of consumer protection and competition, of co-ordination of international economic aid to BiH (except EU aid) and of veterinary matters. The State Veterinary Office is part of Softer and responsible for general legislation, international cooperation, inter-Entity coordination, animal registration, export certification and others. Since 2004 there are ongoing discussions to set up State Council.

(2) Entity level including Brcko

In both entities we find ministries of Agriculture, Water Management and Forestry and they are in charge of drafting of legislation, policy making, inspection, administrative work, processing of subsidy applications, extension services and selection work.

In District Brcko there is a Department of Agriculture, Forestry and Water-Management. This administrative (and not political) body is in charge of administrative and regulatory functions related the relevant sectors of agriculture, veterinary, forestry and water management but except inspection function as they are with Public Security Unit / Inspection Department.

(3) Cantonal level in the FBiH

In FBiH we have 10 cantons; 6 of them have their own Ministry of Agriculture, Water-Management and Forestry and the other 4 have a Department for Agriculture located within cantonal Ministries of Economy.

Their competencies are within the implementation of FBiH, Canton and, in very few cases, State legislation, cantonal policy-making, inspection of the application of relevant laws and regulations, direct support to farmers / rural households, preparation of the cantonal laws and other regulations, administration of FBiH MoA subsidy schemes together with FBiH MoA and Municipalities and finally gathering of relevant information in co-ordination with Municipalities.

(4) Municipality level

Municipalities are responsible for gathering relevant information in co-ordination with the cantonal agriculture administrations, registration of farmers and other administrative tasks, minor assignments related to the implementation of FBiH legislation inspectorial competencies and support in subsidy schemes. Farmers are mostly interested in financial, extension and veterinary (public) services.

(5) Financial services

The commercial banking sector in BiH is not much interested in agricultural clients as they often face difficulties with collaterals; the ground book and cadastre are not up to date and privatization and restitution of farm land will still take a while. Therefore the international donor community (EC, IFAD, World Bank, KfW..) and their programs are almost the single source to receive (subsidized) rural credits, often channeled through commercial banks. But as soon as a commercial bank has to take some risks, the chances for farmers to get a credit are again very limited (see above). Usually there is a lot of discussion about interest rates but most likely the priority must be that non-bankable clients will become bankable clients. The interest rate is of lower priority.

(6) Extension service

In 2002 the EC started an ambitious extension service project in both entities and set up 20 regional extension centers. The success of this project was doubtful, as the extension workers have not been well selected; often they have been regular civil servants at cantonal level and just temporarily transferred to the extension center. One of their main activities was therefore the administration of subsidies and that resulted in conflict of interests. Due to lack of support extension workers had no (not much) opportunities to do field visits and therefore farmers had to come to the centers. Later on, after withdrawal of EC funding, it turned out that the entities/cantons had not secured any budget for continuing these urgently needed activities. For the time being there is no substantial public extension service available.

(7) Veterinary service

Farmers need veterinary services for two main reasons; to improve animal health and to get certificates required for international trade. In BiH we face enough veterinarians to cover the whole territory with requested services; in the RS few entity veterinary stations provide these services and many recently privately settled veterinarians; these veterinarians bought very often their former station - also to secure their job. In FBiH the privatization process is not

started yet due to the missing Veterinary Chamber; this chamber is a prerequisite of allowing private veterinarians to start their own ambulance. Nevertheless the necessary veterinary services are offered, even only by entity-veterinarians.

The State Veterinary Office, a department within MoFTER, is responsible for all veterinary activities on state level; that included also export certificates (mainly towards the European Union). In November 2000 the EC Food and Veterinary Office (Dublin) wrote a detailed report after their mission to BiH in with a large number of recommendations and duties was listed. These tasks have to be accomplished and some questionnaires from FVO must be answered before another mission from the EC Food and Veterinary Office will take place. This mission could take place in 2005. Critical experts think that the export into the EU of life-fish could start in 2007 and meat and processed fish not before 2009.

5.6 Agricultural Policy and Priority Issues

1998 the FAO formulated a mid-term strategy for the recovery of the agricultural sector in a broad sense. At the end this study proposed a lot of activities without a ranking; due to lack of political visions the FAO recommendations have never been implemented.

2002 the Poverty Reduction Strategy Paper (PRSP) wrote, BiH does not have agricultural policy, not in Entities nor the state level government. Although there were several attempts to define the strategy for agriculture on the sub-sector level or to determine development priorities of the sector it was never done in a comprehensive way. For this reason the PRSP is proposing as the most urgent activity the formulation of the Long-Term Agriculture Policy which would be the basis for determination of development priorities, methods and resources. The major impediment for the identification of priority issues and policies is the lack of management know-how in the Ministries of Agriculture as well as the political visions; the ministers and higher-ranking employees often have a certain lack of ownership.

In November 2004 the European Delegation with the two ministers of Agriculture presented a "Functional Review of the Agricultural Sector in BiH"; among others the following priorities for the BiH agricultural policy have been listed:

- (1) Main goal 1: Sustainable development of agriculture, fishery and forestry
 - Improving efficiency, profitability and competitiveness of production, processing and marketing;

- Increase standard of living of rural population; enhance per-capita income of persons engaged in agriculture, fishery and forestry;
- Strengthening of farm enterprises, producer organizations for marketing and processing of agricultural products as well as co-operation with food industry; and
- Establishment and strengthening of agricultural institutions and sustaining extension service for farmers and food processors.

Remarks towards goal 1

It is interesting to see that the government is not intending to help individual farmers but farm enterprises, producer organizations as well as co-operation with food industry.

(2) Main goal 2: Overcome the major consequences of war and remnants of former state economy system

- Privatization of former state farms and processing firms;
- Support resettlement of refugees and displaced persons in rural areas in combination with creation of job opportunities in non-farm activities;
- Develop land and tenancy market, supporting of reconstruction process in competitive farm units, optimizing land use; and
- Cleaning agricultural and forestry land from mines to reduce accidents and increase production capacity.

Remarks towards goal 2

It is very important to develop land lease agreements to enable competitive farm units

(3) Main goal 3: Ensure supply of healthy safe and high quality food for consumers at reasonable prices

- Production of food according to the demands of domestic consumer wishes;
- Harmonization of food health and safety protection, supporting bio production, control of pesticide, herbicide and medical inputs in agriculture;
- Standardization, certification of agricultural and forestry products, establishment of a quality guarantee and management system; and
- Development of design for new food processing plants to be ready for EU certification, establishment of reference laboratories.

- (4) Main goal 4: Participation in international trade with agricultural and forestry products at fair conditions
- Establishment of a coherent and comprehensive trade and development of a BiH single market;
 - Preparing for association with EU and accession to EU, WTO membership;
 - Encouragement of BiH agricultural, fishery, forestry and food exports in order to decrease negative trade balance; and
 - Promotion for attracting foreign tourists for holidays in BiH countryside.

Remarks towards goal 4

This is the first tourism related goal and it is aiming for agro-tourism, not for urban destinations like Sarajevo, Medjugorje or Mostar.

- (5) Main goal 5: Preservation and rational use of natural resources, protection of landscape, development of tourism and animal welfare
- Rural development, protecting and enhancing domestic natural resources, improvement of water use, protection of environment;
 - Preservation and rational use of natural resources, notably water and land, protection of forestry and agriculture against erosion and flooding;
 - Providing incentives for small towns and large villages to offer suitable locations for establishment of SMEs, improving access to rural areas through infrastructure, services, transport and communication, promotion of sustainable agro-, hunting- and eco-tourism; and
 - Increase of sustainable economic capacity of forest lands, increasing forest biodiversity, promoting animal welfare.

Remarks towards goal 5

The promotion of sustainable agro-, hunting- and eco-tourism is fully in line with this project.

- (6) Main goal 6: More effective governance and approach to EU *acquis communautaire*
- Clear allocation of competences in order to achieve a more effective administration;
 - Improve cooperation between government levels, strengthening economic relations between entities;

- Improve credit facilities and support for agriculture by interest rate subvention programs, through set up of credit institutions in the rural areas, facilitating farm credits by public grants; and
- Elaboration of support programs and preparation for implementing a paying agency to administrate EU funds.

Goal 4 and 5 have a clear relevance for eco-tourism. Even if some goals are formulated quite weak, they have to be improved and implemented now. One focus of the new agricultural policy should be on supporting the transition from small scale farming to commercial farming, having a positive effect on agricultural production and income in rural areas. The other will be the political ambition of BiH government to prepare for later EU integration. That requires the necessary process of setting up institutional capacities and to harmonize policies and legislation with the EU requirements.

BiH hopes to be able to start soon negotiations with the EU on a Stabilization and Association Agreement (SAA) - a pre-condition to become later on a Candidate Country and to start accession negotiations. The same applies for future WTO membership that is expected for 2005. The objectives for the EU Common Agricultural Policy (CAP) as defined in Article 33 and 131 of the EU Treaty as well as WTO requirements are therefore relevant for BiH agricultural policy.

Almost at their end the Review (and therefore the ministers as well) make some recommendations to support rural development and agro-environmental measures: development of disfavored, aging rural areas (e.g. support for young farmers), support for infrastructure in rural areas, socio- economic advice to subsistence farmers, support of organic farming, agro-tourism and agro-environmental measures.

This is again very much in line with this project.

5.7 Agricultural Marketing Channels and Local Market

The progress in the agricultural sector in Bosnia and Herzegovina will hinge on the development of workable markets and marketing channels, improving plant health and veterinary standards and the development of agricultural administrative and control structures. For the time being the farmers are selling their products directly on the weekly markets in rural areas; that happen for vegetables on the green markets, the local equivalent

to a spot market. These products do include often higher value farm-processed products such as cheese; all of them are often not subject to regular quality control, although regulatory institutions (inspectorates) and laws do exist. Livestock is traded on the livestock market where breeders and slaughterhouses are buying the animals alive. In bigger cities agricultural products, mainly vegetables are sold also on green markets but often the seller is not the producer; sellers are buying often from green markets in the suburbs of bigger towns. Regarding the agro-processing industry virtually no fresh fruit is sold on forward contracts. Some companies started negotiations about contract-farming but in any case the price will be the daily market price, so that there is again no minimum price, also no guarantee for the farmer to make a sound forecast. For the time being even big vegetable processors like Vegafruit and Vitaminka are facing economical hard times. In BiH a lot of agro-marketing activities is done in the gray zone, avoiding inspections, taxes and so on. Therefore, real figures do not show up in statistics. But as a general scheme the marketing channels could be described as followings:

The sales of agricultural produce can be done from the farmer to the wholesaler, to the retailer, to bigger costumers like hospitals, army or private companies (subsidizes kitchen) and finally to the final customer mostly on the green market.

In the rural areas subsistence farming is widespread; farmers are growing as much as possible for home-consumption and try to sell the surplus on the local market, mainly in the village. Commercial farming has the bigger cities as market outlets in mind.

Looking on the various markets we could find a lot of imported products. Local buyers often prefer import-products as they think that such products have a better quality (and packaging, image and so on). Therefore there is a huge local market for agricultural products and import substitution would be an overall strategy; partly imported products have to be copied and produced locally. BiH is presently importing 13 times more agricultural products than it is exporting these!

The number of tourists is still small; nevertheless we face an increasing number of people coming to BiH. These tourists provoke different offers in restaurants; boiled and grilled vegetables are a typical sign of a tourist restaurant. Furthermore the international community is looking for products, as they know from home; among these are also organic products. All together the BiH market is not yet oriented toward international taste and habits, but on the long run the offer will follow the demand.

5.8 Trade with Neighboring Countries

Import-export figures do not look good for BiH; most data show that too many products are imported and that BiH products are obviously not competitive on the international market.

Table A 5.1 Foreign Trade of BiH in 2003 (000KM)

	Export	Import	Volume
Croatia	414,692	1,779,376	2,194,068
Slovenia	150,868	946,116	1,096,984
Germany	345,283	732,209	1,077,492
Serbia & Montenegro	388,584	650,865	1,039,449
Italy	307,309	591,877	899,186
Total	2,252,423	7,416,841	9,669,264

Source: EU RED Socio-economic analysis of the northwest BiH, economic region
Table35: Total exchange of goods of B&H with the most important countries in 2003
NW Regional Audit

Table A 5.2 Foreign Trade of the Entities of BiH in 2003 (000KM)

Entities	FBiH		RS		Brcko District	
	Export	Import	Export	Import	Export	Import
Croatia	358,559	1,467,665	52,294	236,659	3,840	75,052
Slovenia	115,374	791,239	34,287	145,521	1207	9,356
Germany	325,541	554,553	18,215	167,883	1,528	9,773
Serbia & Montenegro	176,868	118,844	205,692	474,942	6,025	57,080
Italy	262,104	456,298	43,006	127,794	2,199	7,786
Total	1,768,687	5,167,889	467,066	1,943,777	16,671	305,175

Source: EU RED Socio-economic analysis of the northwest BiH, economic region

Table A 5.3 Foreign Trade of BiH by Sectors (KM)

	Export	Import	Trade Balance
Agriculture, Hunting and Corresponding Services	695,000	17,742,000	-17,047,000
Forestry and Corresponding Services	535,000	9,000	526,000
Fishery	53,000	14,000	39,000
Manufacture of Food and Beverages	8,169,000	51,758,000	-43,589,000
Manufacture of Wood, Wood Products and Cork except Furniture	13,300,000	2,908,000	10,392,000
Total	22,752,000	72,431,000	-49,679,000

Note: January 2004

Both tables show dramatically that BiH is importing much more than it is exporting - also in the relevant sectors. Import substitution is therefore a top priority regarding agricultural products, food and beverage.

Important trade partners like Slovenia, Poland and Hungary have recently joined the EU. As a consequence bilateral trade agreements with these countries are not valid anymore as now the BiH products have to fulfill EU quality standards to get access to the EU.

For the time being BiH has significant trade with Croatia. But this main export market will also get lost if Croatia will join the EU in 2007 or 2008. The only way out is to implement agricultural and agro-processing EU standards (veterinary service, wine quality standards.) and to certify the companies so that the EU will accept them.

Presently there is a trade agreement with Croatia in place. But Croatia allows only BiH companies that have been checked by Croatian inspectors to export and this agreement could be cancelled anytime. Actually the following agro-food companies have been checked by Croatian veterinary service and could start export activities to Croatia with beginning of May 2004: Posavina koka d.o.o. Orasje; Meggle Bihac; Brajlovic d.o.o. Sarajevo; Kokozada Gracanica; MIS Stanic Kresevo; Riz Krajina d.o.o. Bihac; Ovako ribogojiliste Bugojno; Mlijekoprodukt Kozaraska Dubica.

The very detailed agricultural trade statistics show that just few agricultural BiH products are exported to Croatia and Serbia and Montenegro in larger quantities. Often these BiH export items are at the same time import items from those countries and the trade balance for BiH is negative; for example: fish, all varieties; shell-less eggs not suitable for human consumption; edible mushrooms, fresh, cooled; vegetables frozen and others; pear, fresh; raspberry, all

kinds; sunflower seed inclusive broken; bee wax; sugar products without cocoa; cucumber and gherkin conserved in cheese; tomato conserved without vinegar, etc; potato conserved without vinegar, frozen; diet foods; tobacco (Virginia), partly leafy and completely threaded.

But also here the value of imported cigarettes from Serbia & Montenegro is higher than the exported tobacco.

BiH is importing 6 times more agricultural products from Serbia and Montenegro than exporting to Serbia and Montenegro. List of products that could be successfully exported to Croatia: cucumbers, potato, apples, peaches, lettuce, cabbage, plums, watermelons, onions.

BiH is exporting agricultural products towards Croatia for a total amount of US\$ 3,407,752 and is importing agricultural products from Croatia for a total amount of US\$ 28,342,790. (Source: DZS via Austrian Trade Office in Zagreb, June 2004. BiH 2003 razmjena po djelatnosti.)

BiH is importing 8 times more agricultural products from Croatia than exporting to Croatia.

Import substitution should be therefore the main agro-political goal.

5.9 EU and Its Imports from BiH

Presently the EU countries are not importing significant agricultural products (see Annex EUR15 Imports from BiH). Among the most important products are:

- Edible fruit and nuts, etc. with 3,768,020 KM; and
- Edible vegetables and roots and tubers with 2,715,420 KM.

Due to hygiene reasons and a not fully developed state veterinary service for live animals, meat and meat products including dairy products are still excluded. Most probably fish exports will be allowed within one year and they are price-wise very competitive and there is a big market for them. Herbs, mushrooms and berries (often semi-frozen) can also find a good market in the EU; often exports are illegally done and Italy is a very interested importer. According to PRSP there is a possibility of exporting some products with comparative advantages, such as: berries, ecological foods, fish, medical herbs, forest cross, honey, processed industrial products, for which export certificates may be issued.

Chapter A 6. Priority Issues for Regional Development

6.1 SWOT Analysis of Tourism Potential in the Study Areas

6.1.1 Introduction

This analysis has been prepared for each of the study areas separately since they face somewhat different circumstances. Each has been prepared with respect to the distinct types or segments of tourism for which each has major potential: for the Pliva area cultural, nature-based and family tourism and for the Velez area cultural, sports-related and wildlife-related tourism. The observations and analysis of the team members and the comments of community members expressed during the various consultations and focus groups have been reflected in this step of the work. This exercise is structured according to tourism market segments in an effort to be sensitive to the demands of the marketplace and to characterize the segments of tourists for which each region will compete.

However, this step also reflects the collective knowledge of the team members regarding the competitiveness of these two areas in the international tourism marketplace in which they must compete. The team has weighed both internal and external factors in formulating this step. Hence this exercise is both inward - looking with one focus on the capabilities of the relevant communities in each region, and it is also outward - looking with another focus on BiH's competitiveness in the international marketplace. This step is intended to synthesize this knowledge. At the end of these SWOT sections a number of key issues relating to the development of the two regions are identified.

6.1.2 General Strengths & Weaknesses

The strengths and weaknesses relate to both tangible and intangible resources and factors in each of these regions. In this analysis these focus mainly on the internal conditions in the two study areas. However, there are some strengths and weaknesses that characterize the broader tourism industry in the entire country that must be identified for a full understanding of the tourism picture. These affect all segments of visitors and also characterize tourism potentials in most or all parts of the country. The key strengths and weaknesses generally affecting the tourism industry are listed below to avoid repetition of them in the analyses for the two study areas. Those relating specifically to the study areas are given in Section 6.1.4 and 6.1.5.

(1) Strengths of a General Nature

- **Natural beauty of BiH:** The travel trade readily recognizes this advantage, which was also recognized during the days of the Ex-Yugoslavia.
- **Diverse cultural heritage:** The visible evidence of the meeting place for the *Orient* and the *Occident* in the country's villages and cities, and in her houses of worship and arts and traditions, is a strong advantage for cultural tourism.
- **Fairly good road accessibility:** BiH is within a day's drive of many cities in Central and Western Europe like Milan, Munich, Vienna, Budapest, among others, an important factor for the mass market.
- **Competitive prices for services:** Lodging, food and entertainment services are not expensive on European standards.
- **Proximity to Croatia:** Emerging as a major mass-market destination for the EU, Croatia can supply tourists to BiH and is jointly offering attractions in both countries.

(2) Weaknesses of a General Nature

- **Image of danger:** The marketplace still perceives the Balkan area including BiH as a troubled one and there is some awareness of the continued presence of mines and of foreign troops for peacekeeping purposes.
- **Poor air accessibility:** International air service is limited into Sarajevo, minimal at Banja Luka and entirely absent at Mostar. No budget airline from Europe serves BiH currently. Many visitors to BiH use Croatian airports like Dubrovnik, Split and Zagreb.
- **Lack of flagship attractions:** BiH lacks any widely recognized flagship attraction such as Dubrovnik's old town [for Croatia] or Vienna's Schonbrun Palace.
- **Poor marketing & promotion:** Marketing efforts supporting the BiH name and image internationally via web sites, trade shows and sales trips are limited.
- **Weak customer service standards:** In the areas of food, lodging and entertainment services personnel are not yet providing European standard service in terms of hospitality, salesmanship, quality of information, foreign language ability and similar.

6.1.3 General Opportunities & Threats

These factors relate mainly to outside or external pressures or conditions over which players in the two study areas have little or no influence, let alone control. The factors affecting the specific study areas are evaluated in the two later sections. The opportunities and threats for the study areas have been identified with the benefit of these factors as a logical background.

(1) Opportunities of a General Nature

The following groupings of people represent very accessible potential targets for tourism, because they are geographically nearby or because they have strong family ties.

- **Dalmatian tourism:** BiH can capture some tourist traffic by road en route to/from Dalmatian resort areas any time during the year. This includes high-income families and tour groups from EU and CIS nations.
- **Weekend & short escapes:** Well-to-do families of BiH nationals and expatriates living in cities of Zagreb, Banja Luka, Sarajevo, Mostar, Belgrade and Split, for example, can easily reach the study areas by auto for long weekend visits up to 4 days in length.
- **BiH Diaspora:** Bosnians living in EU nations and earning higher incomes visit the home country regularly, many yearly, and are a clear market for tourism within the country.

(2) Threats of a General Nature

- **Failure of BiH to overcome unstable image:** The efforts of the government's very minimal international promotion efforts, and of the tour operators, may not be enough to counter the image problem especially if troubles in any Balkan country increase and reinforce the region's unsafe image.
- **Ineffective foreign promotion:** The public and private sector efforts abroad to build awareness of BiH as a destination may remain small and ineffective in the rapidly expanding European marketplace.
- **Growing competition from CIS nations:** The travel options in Central Europe will increase as new CIS nations increase their presence in the tourism marketplace. Serbia & Montenegro is trying to attract some international tourism, as is Hungary and even Romania and Bulgaria. The marketplace in the region will remain highly competitive.

In the following two sections, the strengths and weaknesses plus opportunities and threats for each of the two study areas will be presented in some detail. Where some factors are relevant to more than one type of tourism, they will appear intentionally in each relevant column.

6.2 Regional Development and Communities

The objective of this section is to identify priority issues for development. This section consists of the following four sections:

- Identification of the resources and potentials;
- Factors that hinder regional development;
- Communities as development players; and
- Identification of priority issues.

The first section identifies resources and potentials for the development of eco-tourism and agriculture. The second section evaluates the resources and potentials of the eco-tourism and agriculture from the viewpoint of market. The third section identifies some pioneering trials and actions with local initiative that would infer the direction of the regional development. This chapter examines the resources and potentials from supply side (tourism products) as well as demand side (market). Finally, the fourth section sets a direction for prospective regional development.

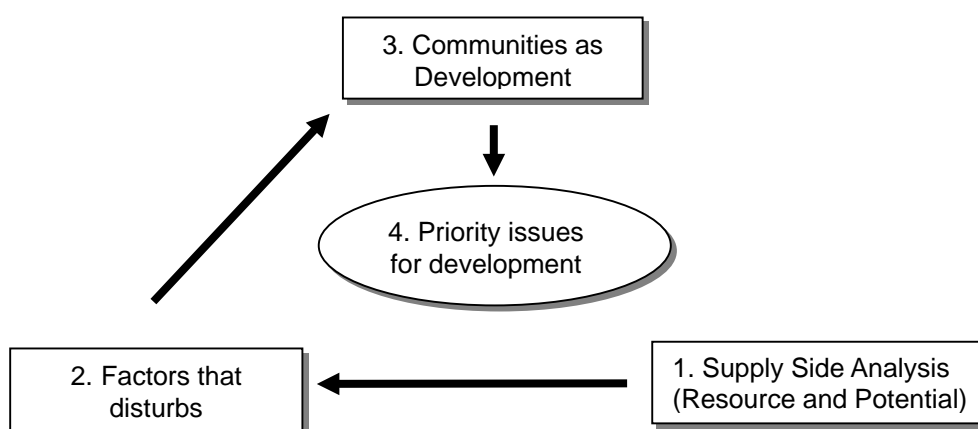


Figure A 6.1 Approach to Identify the Priority Issues

6.2.1 Local Resources and Potentials

The Study Areas have no world famous tourism resources or competitive agricultural products. However, there are plenty of unspoiled nature and indigenous way of life that could make reasonable tourism products. Also there are some advantages to develop eco-tourism and agriculture in the Study Areas.

The Table A 6.1 summarizes the major local resources and potentials for the regional development with some focus on eco-tourism and agriculture. Resources mean items available in the Study Areas that have some comparative advantage, while potentials indicate ideas that can best make use of the resources available in the Study Areas. This table tells that Study Areas have considerable resources for eco-tourism and commercial agriculture. There are even some pioneering attempts for tourism and commercial agriculture as described in Chapter 4.3.

Since the collapse of the socialist government and the subsequent war, no major industry has emerged to substitute the heavy industry that used to dominate in BiH. Agriculture is practiced but at a subsistence level. Much of the agricultural products in the market are imported from the neighboring countries. Domestic agriculture has little competitive advantage in the current international setting. Tourism has potential as an alternative income source for the local communities of the Study Areas. However, few efforts or coordination have been made so far.

Table A 6.1 Resources and Potentials of the Study Areas

	Resources	Potentials
Communities Development	<ul style="list-style-type: none"> • Various Community Based Organizations (CBOs) active in communities for various issues • People's motivation to increase their income with plenty of ideas 	<ul style="list-style-type: none"> • Development of eco-tourism with community initiative • Responsible resource management and environmental conservation by community
Agricultural Development	<ul style="list-style-type: none"> • Hilly area (north) and rocky plateau (south) suitable for livestock activities • Skills of dairy products processing • Natural herbs and mushrooms • Commercial agriculture with greenhouses in Blagaj • Family workforce available • Skills for fish farming • Skills for bee keeping 	<ul style="list-style-type: none"> • Development of commercial livestock including dairy products • Domestic market opportunities • Profitable agriculture with fruits, herb and mushroom. • Fish and honey for sale • Agro-tourism potential with large near-by destinations
Eco-tourism Development	<ul style="list-style-type: none"> • Unspoiled nature such as rivers, waterfalls, lakes, plateau, mountains for potential tourism activities • Various recreational associations locally active • Unique history with built and folklore heritages • Returnees have skills of foreign 	<ul style="list-style-type: none"> • Development of nature-, eco-, green-tourism with variation of sports activities. • Development of agro-tourism and farm stay • Heritage tourism that learns from local history and community • Tourism products that targets

	Resources	Potentials
	languages and entrepreneurship <ul style="list-style-type: none"> • Memories of prosperous pre-war tourism • Some pioneers in hospitality business 	foreigners and diasporas

6.2.2 Factors that Hinder Regional Development

A fundamental question is if market is available that buys prospective products (eco-tourism and agriculture) in the Study Area, how associated development can be achieved. Market availability depends on the expectation. JICA Study Team does not see it possible to develop mass tourism or large-scale monoculture in the Study Areas. It rather aims to develop value-added eco-tourism for limited number of visitors and agriculture with appropriate scale. Focus shall be placed on niche markets.

Chapter 6.1 of this report identifies target market segments for the tourism in the Study Areas. Also it analyzes the types of tourism products that can appeal to these segments. Nature-based tourism, family-oriented-tourism as well as culture-tourism have some potential for the study areas.

Even though the Study Areas have considerable resources and potentials for eco-tourism and agriculture, little have been done. From the consumers' point of view, the Study Areas are currently offering few products for sale. There are some factors that hinder the development.

- Little local initiative;
- Little challenging or market oriented mentality;
- Few financial resources available;
- Little know-how and skill available; and
- Few well organized support from outside.

(1) Little local initiative is available

There are not enough business activities generated from the community and people are suffering from high unemployment rate. This economic situation discourages refugees to return to their home regions. The government can no longer be relied upon for income generation of the communities, and communities are expected to make their own efforts. There are some examples of cooperatives and Community Based Organizations (CBOs) that

are working on economic and employment issues but almost all of them need continuous external assistance.

(2) Little challenging or market oriented mentality

Some of the participants of the community focus group meetings claimed that their conventional education, even higher one, has not encouraged entrepreneurship. Few people have motivation and skills to initiate a new business. Majority of the unemployed are passively looking for a work position rather than creating a new job him/herself. Market economy is something new to the local population after a half-century of socialist economy.

(3) Few financial resources available

JICA Study Team has repeatedly held community focus group meetings, and was convinced that many participants have interesting project ideas for economic development. Even the idea of eco-tourism was not new to some of them. They have considered a large number of possible means to make themselves financially better off. Then why very little have materialized so far? They explained this as “We have too many ideas, very few collaborations among us, and no financial resource at all.” Loan availability was also discussed in the Steering Committee Meeting of this Study in May 2004. Private banks offers loan with an interest of 11% and this depress every motivation of entrepreneurship. When a person has little experience and is not confident with his/her own business plan, funding with 11% of interest is a big risk.

(4) Little know-how and skill available

Eco-tourism or hospitality business is something very new to the majority of local population. Especially, they have very limited experience and know how of marketing and promotion. Also turning subsistence agriculture into commercial one needs considerable investment for technology, seed varieties, packaging, marketing, delivery, and so on. Lack of practical training might be an obstacle to begin new types of business.

(5) Few organized support from outside

State, entity, canton, and municipal governments have such a limited financial and human resources that they cannot effectively lead the economic development of their jurisdiction. Public administrative structure is almost continuously changing. For example, the Southeast Mostar Municipality that used to be an important part of Velez Study Area has been combined

into Mostar Municipality in March 2004. The Jezero Municipality of the Pliva Study Area will be united with one of the neighboring bigger municipalities. The prospective local elections in October 2004 may change the local political scenes dramatically. Of course, governments are making efforts for facilitating foreign investment, however, the communities cannot expect any strong government initiative for the employment in the Study Areas.

When an appropriate commercial loan program is not available, donor assistance can be an alternative, could facilitate local economic development. As a matter of fact, some local organization such as Victoria 99 in Jajce and Bioprodukt in Podvelez are getting significant support from foreign donors and NGOs. Community based organizations have identified the following problems with donor programs:

- Information of assistance program is not appropriately delivered to target beneficiaries;
- There are few coordination among donors and no information clearinghouse;
- Donor programs are often announced with short notice and need English skills to apply;
- Donors are not interested in the long term objectives of the communities and CBOs;
- Donors insist on their own programs and seldom flexibly adopt them to the local situation; and
- Many donors have visited communities for interviews and focus group meetings, but, very often nothing happens after these surveys. Communities are tired of survey activities.

Figure A 6.2 is a problem tree that shows cause-effect relations of factors that hinder development of the Study Areas, especially in eco-tourism and commercial agriculture.

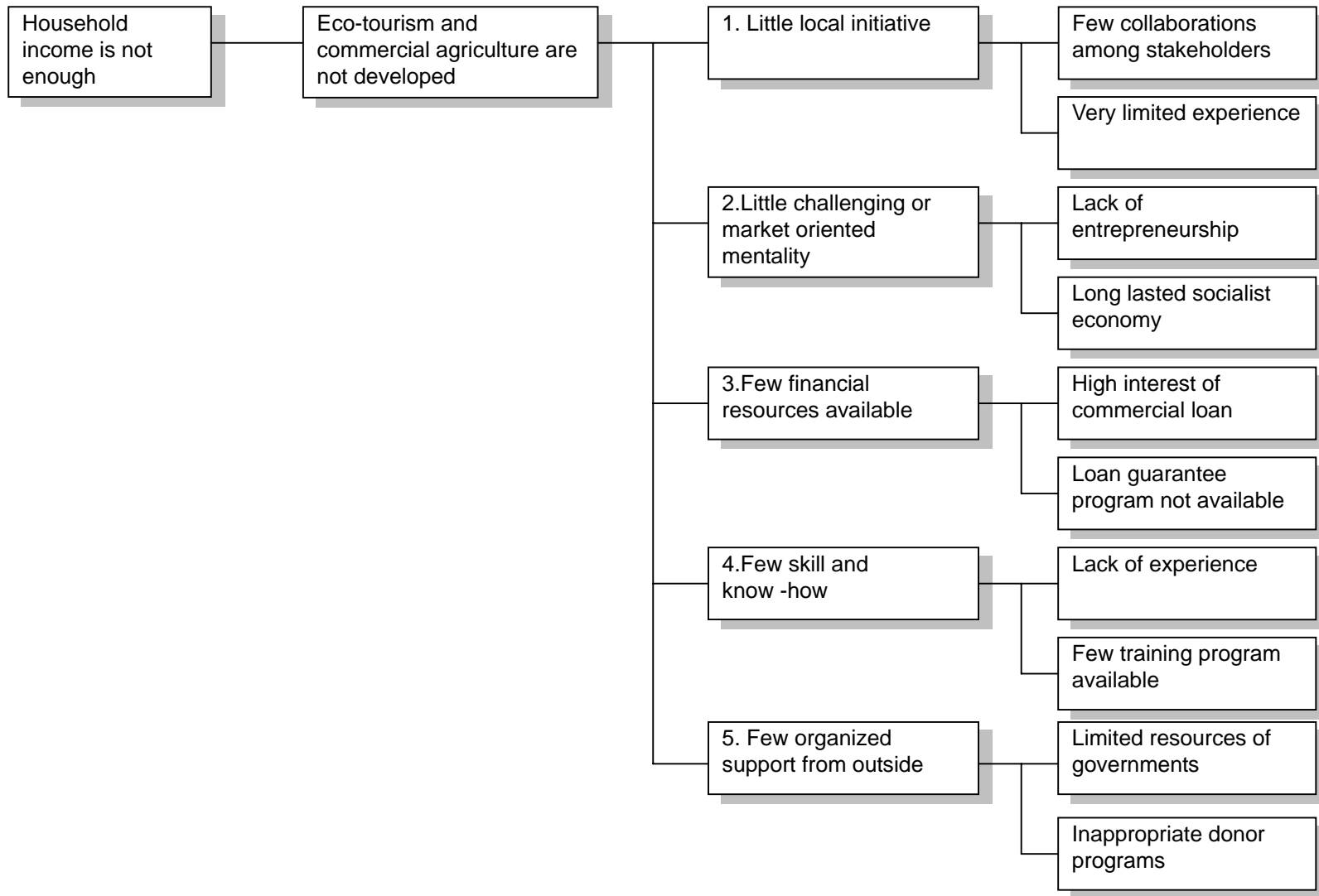


Figure A 6.2 Problem Tree of the Study Areas

6.2.3 Communities as Main Development Players

Communities with various CBOs and local private sectors are realistic main players for regional development. Many of the problems mentioned in the Figure A 6.2 can be solved or improved with serious efforts of stakeholders in communities. However, they need long term and practical supports from government, NGO, or private sectors from outside. It is often mentioned that initiative of local communities, rather than big private capital from outside, can develop a sustainable and responsible system for eco-tourism and for agriculture.

In general eco-tourism and agriculture are not fully developed in the Study Areas. However, there are some pioneering activities going on, which can infer the directions of the regional development of the Study Areas. These activities with local initiative show the potential of communities as main players of the development. The following activities have been mentioned in the preceding sections but are repeated here for the purpose of showing opportunities for community based development.

(1) Eco-tourism

1) School excursion to Jajce and Blagaj

Monuments in Jajce and Blagaj have historic significance and school excursions have been made.

2) Italian hunters visiting Sipovo and Nevesinje

Italian hunters have been regularly visiting Sipovo and Nevesinje and local hunting clubs have intimate relations with Italian hunters groups.

3) Accommodation business in Jajce

Jajce is located at the meeting points of the two major roads with some historic and natural tourism resources. There are three hotels that target tourists.

4) Restaurants along Buna River in Blagaj

The source of Buna River in Blagaj is a favorite destination of Mostar citizens to escape from summer heat. There are three restaurants in this area and two of them have been expanded for the summer season 2004.

5) Water sports in Sipovo

Fry fishing in Sipovo along the Pliva River has been handling increasing number of guest anglers. Also canoeing and kayaking sports have very good experience in holding big competition meetings in the Plivsko Lake.

6) Nature tourism in Podvelez

An accommodation business called “Eco Motel Sunce” in Podvelez has survived as a destination of eco-tourism. This small hotel with its renowned local food has a good relation with an eco-tour operator “Green Visions.”

(2) Agriculture

1) Milk factory in Sipovo and Nevesinje

In order to correspond a stable milk demand, there are some dairy factories in the Study Areas. Live stock raising is a popular income generator of the local population.

2) Bee keeping in all the communities

Each community of the Study Area has beekeepers, who are packaging and selling honey as local products. There are even beekeepers cooperative in Blagaj.

3) Green houses in Blagaj

Farmers’ association in Blagaj has been coordinating green house agriculture for vegetable and fruits. This is a one of few exceptions of market-oriented agriculture in the Study Areas.

4) Timber sawmills in Sipovo

Sipovo has many sawmills and producing a significant volume of timbers. Even though forestry is still state owned business, it is one of the most major export industry in BiH.

6.2.4 Direction of Regional Development

Each of the issues identified in Figure A 6.2 above should be addressed in order to develop local resources and fully exploit their potential. JICA Study Team proposes local initiative for the operation of regional development rather than expecting big investment from outside of the communities. The following five items show key issues or directions of effective regional development of the Study Areas.

(1) Collaboration among various stakeholders in community

During the series of focus group meetings, JICA Study Team has recognized that many participants have many project ideas and are strongly motivated. There are a significant number of Community Based Organizations for community development, agriculture, and nature-oriented sports. However, few of their effort have materialized to bear fruits. Also few activities of tourism and agriculture development go beyond the municipal border and entity border. For example, CBOs for environmental issues in Sipovo, Jezero, and Jajce could

jointly operate bigger projects. Many organizations such as fishing club, hunters club, and youth association are separately found in each community without much collaboration.

(2) Entrepreneurship (market oriented mentality)

Few of current effort for eco-tourism and agricultural developments are financially self-standing. Many CBOs are looking for donors or financial support from outside. For the financially sustainable eco-tourism and agriculture, there should be a significant number of local entrepreneurs active in these industries. They have to build business models directed by market-oriented mentality.

(3) Financial support

Development of eco-tourism and market oriented agriculture needs financial resources. Since this business can be profitable after a certain length of initial stage time, initial fund could be a loan, not necessarily a grant. The bank interest rate is very high and few people are willing to take the risk. Programs of low interest loan, loan guarantee, subsidy, or tax - exemption could address this problem.

(4) Practical training

Development of eco-tourism and new types of agriculture needs practical training in the know how of product development, marketing, guest handling, packaging, and deliveries.

(5) Systematic support of government and donors

Individual businesses of eco-tourism and agriculture have obtained little support from the government. Importance of eco-tourism as well as agriculture should be established at every government level. Governments together with Tourism Community should set a long-term goal and strategies to achieve it.

Donors see a community from a specific point of view such as agriculture, infrastructure, education, economy, and so on. A community has a various aspects and need well-balanced development. CBOs and local NGOs often complain that few donors support community with a long-term perspective.