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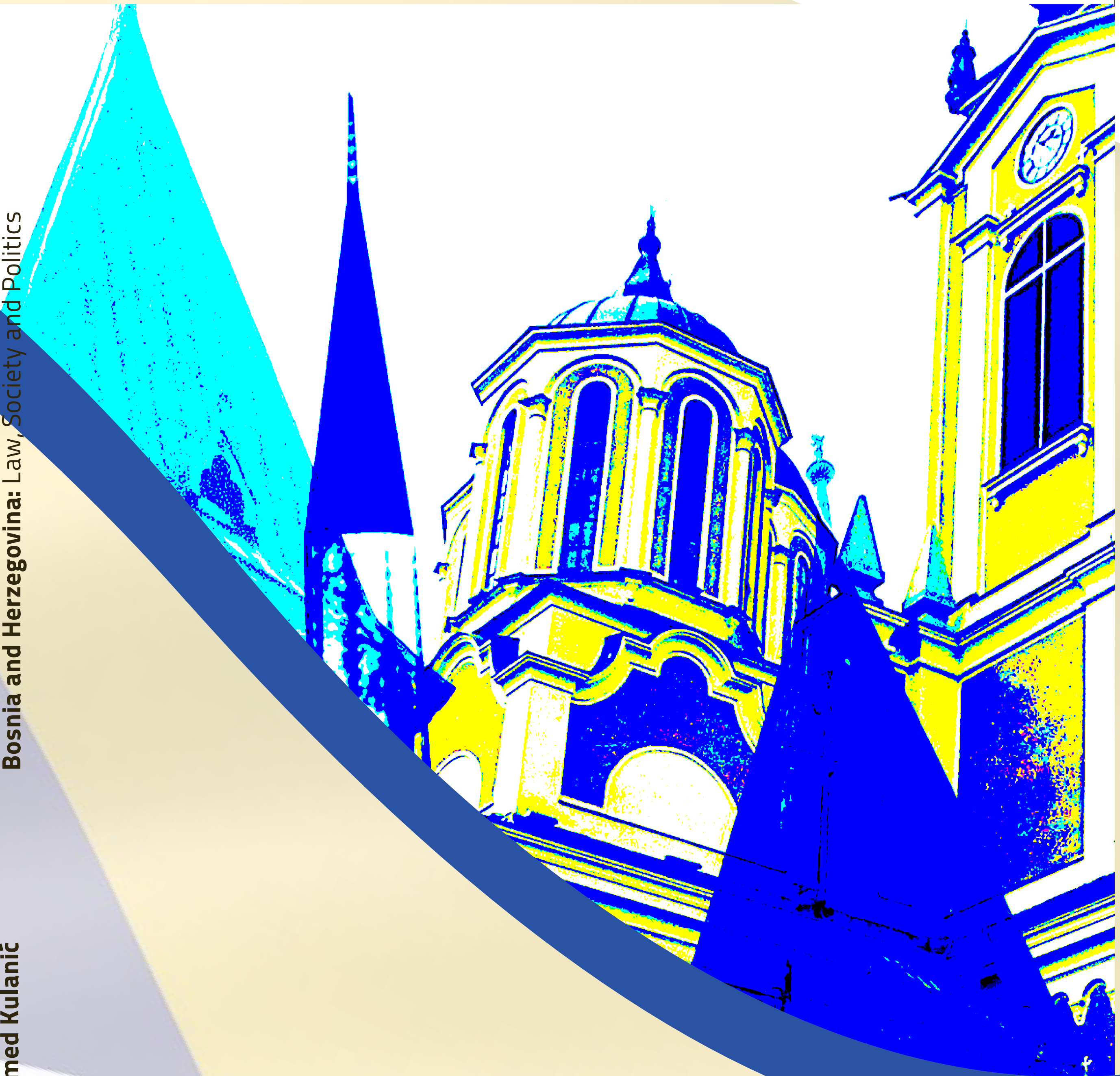
Bosnia and Herzegovina: Law, Society and Politics

Yücel Oğurlu and Ahmed Kulanić



Edited by
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Foreword

The 20th anniversary of the Dayton Peace Agreement (DPA) signifies that Bosnia and Herzegovina has been going through the conflict resolution, peace building and state building processes. Although the conflict resolution and peace building could be considered as significant international, regional and local political and diplomatic accomplishments, the state-building process has been very slow and partially satisfactory. Bosnia and Herzegovina is usually perceived, both inside and outside the country, as unstable and insecure democratic state. Countering such negative perceptions, the book *Bosnia and Herzegovina: Law, Society and Politics* aims to present objective, constructive and positive developments related to the constitution, administration, banking, economics, higher education, politics, society, security, media and healthcare. Therefore, this book included the scholarly works from twenty-eight international and local authors whose knowledge and practical experience on different subjects and issues, ranging from the country's laws, economic growth, foreign policy, unemployment, security and return of refugees, are meaningfully incorporated in this very unique publication.

Besides projecting the positive image of a country, *Bosnia and Herzegovina: Law, Society and Politics*, written in English language, will meaningfully reach the wider local and international reading audience. This book will be an excellent textbook for undergraduate and graduate students. For instance, in law, administration, political sciences, economics and management this book could be used as a textbook or a reading source for students. Then, this interdisciplinary book is also useful for policy makers, diplomats, scholars and scientists. Finally, libraries, academic associations, NGOs and universities will be certainly in need of such resourceful publication.

Three years ago, when I came to Bosnia and Herzegovina as a university administrator, I requested a country report on Bosnia and Herzegovina in the English language. I was presented with inadequate country report. As Rector of the International University of Sarajevo I had to align University's mission, vision and objectives with the market and utmost needs of the state. In discussions with my associates, friends and especially with Co-Editor Mr. Ahmed Kulanić, who selflessly shared the burden of its writing, an idea of writing this book had developed.

I would like to express my sincere gratitude to all contributors and writers of book-chapters without whom the completion of this book would have been impossible. Then, thanks go to my close friends, reviewers, designers and the publisher for their constructive suggestions. We present this book as complementary to all those who have dedicated their lives for the sake of national unity, socio-economic prosperity and the future of Bosnia and Herzegovina.

Sarajevo, May 2016
Prof. Dr. Yücel Oğurlu

PART I

CONSTITUTIONAL AND ADMINISTRATIVE STRUCTURE OF BOSNIA AND HERZEGOVINA

ADMINISTRATIVE STRUCTURE OF BOSNIA AND HERZEGOVINA

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Various historical developments contributed towards major constitutional, administrative and political changes and the creation of the present institutional set up in B&H. Besides, such changes it is worth to mention that in the bloody war in Bosnia and Herzegovina (1992-1995) about 100 000 people were killed, while over 2 million people were displaced (ICTY - The International Criminal Tribunal for former Yugoslavia, 2001).

The Republic of Bosnia and Herzegovina based on its own constitution gained the independency and the first parliamentary elections were organized based on state-constitution. However, as a result of the war different internal constitutions were adopted prior to the signing of the Dayton Peace Agreement. The Constitution of the Republika Srpska was originally adopted in 1992 as the constitution of a separatist entity claiming to be an independent state. It was based on the concept of a unitary state (European Commission for Democracy through Law - Venice Commission, 2005). Then, the Constitution of the Federation of Bosnia and Herzegovina, adopted in 1994 was part of the Washington Agreement and it was compromise between Bosniacs and Croats. This agreement was facilitated by the American ambassadors Redman and Galbraith. Constitution was signed at White House ceremony in March 1994 (US Institute for Peace, 1994). The Constitution established a highly decentralized federation of ten cantons, with five cantons having a primarily Bosniac, three Cantons having a primarily Croat and two Cantons having a mixed Bosniac/Croat population. There were a number of complicated constitutional arrangements ensuring that Bosniacs and Croats have equal influence on legislation and government.

The Constitution of the State of Bosnia and Herzegovina was agreed at Dayton as Annex IV of the General Framework Agreement for

Peace in Bosnia and Herzegovina, initialed at Dayton on 21 November 1995 and ratified in Paris on 14 December 1995. Due to its being part of a peace treaty, the Constitution was drafted and adopted without involving the citizens of B&H and without applying procedures which could have provided democratic legitimacy (European Commission for Democracy through Law - Venice Commission, 2005).

The constitution has never been officially published in the official languages of the country; it was published in English. The Constitution states that Bosnia and Herzegovina is a democratic state, which operates under the rule of law with free and democratic elections. The two already existing units, the RS and the FB&H, were confirmed as entities of B&H. Bosniacs, Serbs and Croats were described as "constituent peoples." The Constitution granted only extremely weak powers to the state of B&H, leaving most powers to the two entities. At the state level, power-sharing arrangements were introduced, making it impossible to reach decisions against the will of the representatives of any constituent people. A House of Peoples, as a second chamber was established, a vital interest veto for all three constituent peoples in upper chamber was introduced as well as a collective Presidency of three members with a Serb from the entity RS and a Bosniac and Croat from the entity FB&H .

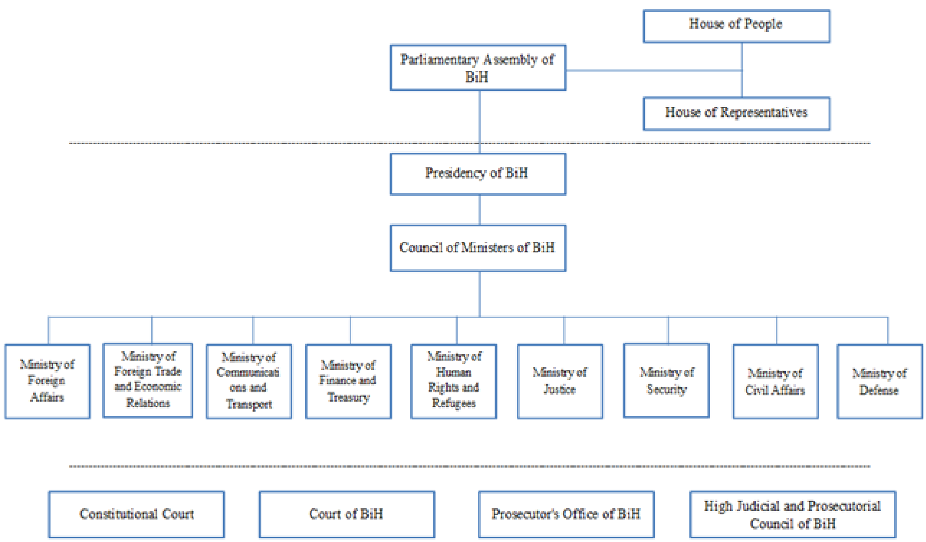
An Office of a High Representative was established in Annex X of the Dayton Peace Agreement with the task of facilitating the implementation of the peace agreement. Although it was not explicitly written, the High Representative started to impose legislation and to remove officials from office who did not fulfill their duty to implement the peace agreement. He has been doing it after getting approval of Bonn Peace Implementation Conference (PIC) on 10 December 1997. Therefore, issuing binding decisions by the High Representative is called the use of the *Bonn powers.* Brcko district was established in March 1999, as a separate territorial unit, having special constitutional rights.

The Constitutional Court of B&H ruled on 1 July 2000 that some of the constitutional provisions of the entity RS which granted a privileged position to Serbs within the entity were incompatible with the Constitution of the State, and that members of all three constituent peoples had to have equal rights throughout B&H. Power-sharing provisions, including a vital interest veto, similar to the provisions at state level were introduced in both entities and the cantons, and rules allocating the most important positions equally among the three constituent peoples were included in the respective constitutions. The representatives of the three constituent peoples now constitutionally have in these various units a strong blocking position, even where they represent only a very limited number of voters. Since the constitution at the state level gave to the state very limited powers, Bosnia and Herzegovina has been lagging behind with regards to the reform of public administration. Therefore, the High Representative used some general provisions within the B&H constitution to extend the powers of the state. Examples are the setting up of a court at B&H level and the transfer or assumption of responsibilities in the fields of defense, intelligence, the judiciary and indirect taxation.

State of Bosnia and Herzegovina

Bosnia and Herzegovina has a tripartite rotating Presidency, a Council of Ministers (executive branch) and a bicameral Parliamentary Assembly consisting of a House of Representatives (lower chamber) and a House of Peoples (upper chamber). The judicial branch established by the Dayton Peace Agreement consists of a State-level Constitutional Court. The High Judicial and Prosecutorial Council, as well as a State Court and Prosecutor's Office, were established later.

Figure 1. Schematic overview of levels of governance in Bosnia and Herzegovina



Source: Directorate for European Integration, 2012

The Dayton agreement created a weak state and strong entities. This is clear from its constitution. The list of responsibilities of the state is extremely narrow: Art. III. 1 of the State Constitution states:

> The following matters are the responsibility of the institutions of Bosnia and Herzegovina: foreign policy, foreign trade policy, customs policy, monetary policy as provided in Article VII, finances of the institutions and for the international obligations of Bosnia and Herzegovina, immigration, refugee, and asylum policy and regulation, international and inter-entity criminal law enforcement, including relations with Interpol, establishment and operation of common and international communications facilities, regulation of inter-entity transportation and air traffic control (Constitution of B&H, 2006).

Upon further reflection, it is apparent that the state of B&H could not function effectivelly with such limited powers. In order to increase responsibilities of the state, the High Representative initiated extension of state powers using some general provision in Constitution and defined it broadly. The most important possibility is provided by Art. III. 5: Additional Responsibilities:

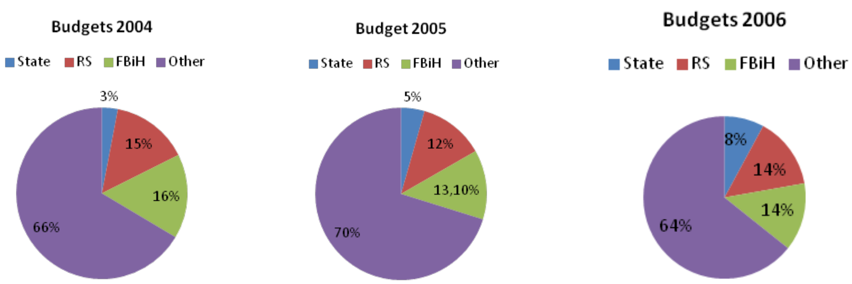
> Bosnia and Herzegovina shall assume responsibility for such other matters as are agreed by the entities; are provided for in Annexes 5 through 8 to the General Framework Agreement; or are necessary to preserve the sovereignty, territorial integrity, political independence, and international personality of Bosnia and Herzegovina, in accordance with the division of responsibilities between the institutions of Bosnia and Herzegovina. Additional institutions may be established as necessary to carry out such responsibilities (Constitution of B&H, 2006).

On the basis of such provisions and as a result the responsibilities of the state have been extended. Additional state responsibilities in the areas of defense and intelligence services were based on the provision in Art. III. 5. (a) that B&H shall assume responsibilities for such other matters as are necessary to preserve the sovereignty, territorial integrity, political independence and international personality of B&H. The transfer of powers by the entities was used as the basis for additional responsibilities in the fields of indirect taxation and the judiciary.

The responsibilities of the state of Bosnia and Herzegovina cannot be compared with the powers enjoyed by the other European federal states such as Switzerland, Belgium, Austria, or Germany. In these countries legislative powers are mainly concentrated at the federal level; there is a strong federal executive, financial resources are mainly controlled by the federal level and federal courts ensure respect for federal law. None of this applies in B&H (European Commission for Democracy through Law -Venice Commission, 2005).

The weakness of the state is most noticeable in its compromised financial position. B&H does not have the financial resources needed to exercise its duties and to deliver services to its citizens. Some political parties in entity RS like the Alliance of Independent Social Democrats (SNSD) were open to strengthening state powers in order to enable the country to function efficiently in the period 2004-2006. That resulted with transfer of responsibilities from the entities to state in the fields of defense, intelligence, the judiciary and indirect taxation. These transfers strengthened the financial position of B&H. In 2006, the state level budget accounted for less than 8 per cent of total B&H government spending (about 4% of GDP). The 2 entities account for 30%, cantons and local governments account for over 60% of spending. Government expenditures within the state budget increased from 3% in 2004, to 4.4% (2005) to 7.9 % (2006) due to the above mentioned transfer of responsibility from the entities to the state.

Figure 2. Public spending by all levels of government

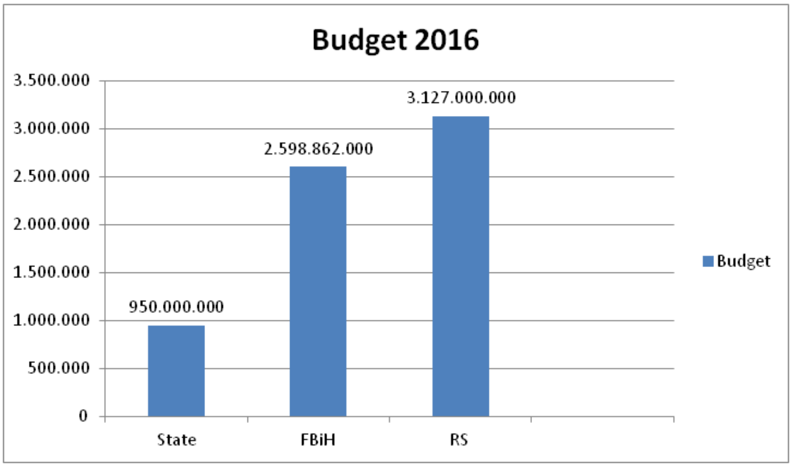


Source: Parliamentary Assembly, 2007[1]

[1] Dates are from Research paper "The Parliamentary Assembly and the State Budget" prepared for members of Parliamentary Assembly of BiH. For the purpose of the paper, funds from the Joint Account for Servicing of the BiH Foreign Debt were excluded from the total amount of State budget. Government spending for 2006 is an estimation based on available dates.

However, later on, all political parties in entity RS were strongly against any transfer of responsibility and consequently any strengthening of the state. This situation is again the most visible in state's financial position. For the sake of the comparison with the above-mentioned budgets it is worth presenting adopted budgets for 2016: State B&H 950.000.000[2] KM (Official Gazette of B&H, 2015), entity FB&H – 2.598.862.123 KM (Federal Ministry of Finance, 2015) and entity RS 3.127.000.000 KM (Official Gazette of RS, 2015).

Figure 3. Budgets of B&H, FB&H and RS for 2016



Source: Official Gazette of B&H, RS and Federal Ministry of Finance, 2015

The Constitution did not seek to create a strong state. The aim of the constitution was to ensure the protection of the interests of the constituent peoples and to prevent future conflicts. In the B&H constitution, there are three provisions ensuring the protection of the interests of the constituent peoples: the vital interest veto in the Parliamentary Assembly; the two chamber system; and the collective Presidency on an ethnic basis.

The combined effect of these provisions makes effective government extremely difficult. This flawed system has more or less functioned due to the role of the High Representative. This position has to end, sooner or later however. The most important mechanism ensuring

[2] For the purpose of the paper, funds from the Joint Account for Servicing of the Bi&H Foreign Debt were excluded from the total amount of State budget

that no decisions are taken against the interest of any constituent people is the vital interest veto. Anything can be defined as vital interest. Therefore, all decisions can be blocked easily. Article IV. 3. (e) states:

> A proposed decision of the Parliamentary Assembly may be declared to be destructive of a vital interest of the Bosniac, Croat, or Serb people by a majority of, as appropriate, the Bosniac, Croat, or Serb Delegates selected in accordance with paragraph l (a) above. Such a proposed decision shall require for approval in the House of Peoples a majority of the Bosniac, of the Croat, and of the Serb Delegates present and voting (Constitution of BiH, 2006).

In addition to the vital interests veto, Art. IV. 3. (d) of the constitution provides for a veto by two-thirds of the delegation from either Entity. The Parliamentary Assembly consists of a House of Representatives and a House of Peoples both having the same powers. Bicameral systems are typical for federal states and it is therefore not surprising that the B&H has two chambers. The House of Peoples is not a reflection of the federal character of the state like in other federal countries in the EU, but an additional mechanism to protect the interests of the constituent peoples. The main function of the House of Peoples under the constitution is to serve as the chamber where the vital interest veto is exercised.

The House of Representatives is the chamber where legislative work is done and necessary compromises are made in order to achieve a majority. The role of the House of Peoples is only as a veto chamber, where members exclusively defend the interests of their people without having a stake or interest in the success of the legislative process.

Article V of the Constitution provides for a collective Presidency with one Bosniac, one Serb and one Croat member and a rotating chair. A collective Presidency is not something that is usual in EU countries. It is surely not functional or efficient. Its existence is again motivated by the need to ensure participation by representatives from all constituent peoples in all important decisions. All procedures at state level are very complicated. Budget needs to go through four bodies (Council of Ministers, Presidency and both chambers of the Parliamentary Assembly). The decision-making mechanisms at B&H level are not efficient and rational but cumbersome and with too many possibilities of blocking decision-making processes. The structure and powers of the different public administration bodies are regulated by overlapping and unclear legislative framework. This has resulted in blurred accountability and reporting lines, with over 40 institutions reporting directly to the Council of Ministers (European Commission, 2015).

Economic situation in B&H is very critical and has been constantly deteriorating. One of the reasons for it is excessive public administration. International community has pointed it out 10 years ago. In its *Communique* the Steering Board of the PIC of 3 February 2005 states:

> The Steering Board called on the State and Entity authorities to address the unsustainable cost of governance - now consuming more than 50 percent of GDP. The sprawling administrative structure means that citizens are paying too much money for too little service. The status quo is fiscally unsustainable - if this issue is not addressed in the first half of 2005, it may be impossible by as early as the end of this year for the authorities to meet all their obligations in regard to civil servants' salaries (OHR, 2015).

The Federation of Bosnia and Herzegovina

The Federation of Bosnia and Herzegovina is decentralized and it consists of 10 cantons and has 79 municipalities and six cities. All cantons have legislative, executive and judiciary power. FB&H has a President, a Government headed by Prime Minister and a bicameral Parliamentary Assembly consisting of a House of Representatives (lower chamber) and a House of Peoples (upper chamber). The judicial branch consists of a Constitutional Court of FB&H, Supreme Court of FB&H, cantonal courts, municipal courts, Prosecutor's Office and judicial police.

There are shared competences between the Federation and the cantons as healthcare, education, forestry, infrastructure, social issues and tourism. There is sometimes parallelism in exercising these competences. FB&H obviously has very complicated and cumbersome administrative structure. The most of revenue go to the enormous administration.

The FB&H has about two and a half million inhabitants. There are eleven governments, the Federal and the ten cantonal governments, each with its own bureaucracy in addition to the state government which also exercises responsibilities on the territory of the FB&H. Under these circumstances more than 50% of GDP within FB&H go into financing the bureaucracy and only a smaller part into public investment or services to the inhabitants. This is not what citizens are entitled to expect from government. Moreover, the situation is not improving but expenses for payment of civil servants, who receive above-average salaries, are growing and will simply become impossible to finance (European Commission for Democracy through Law -Venice Commission, 2005).

The Entity Republika Srpska

Republika Srpska is centralized and unitary entity and it consists of National Assembly (legislative power), President and Government (executive power). Its Judiciary system consists of the Constitutional Court, the Supreme Court, local courts, a Prosecutor's Office and court police. Entity RS consists of 58 municipalities and six cities. Being pretty centralized entity RS does not have the same structural problems as does entity FB&H.

The RS constitution was a constitution drafted in a state of war and was not based on the constitution of B&H or in line with the European standards. Its aim was to defend the interests of one people and it reflected the legal tradition of the former Yugoslavia (European Commission for Democracy through Law -Venice Commission, 2005). The RS constitution is constitution of unitary state as in the following constitutional citations:

Article 1: The Republika Srpska is territorially unified, indivisible and inalienable constitutional and legal entity. The Republika Srpska shall independently perform its constituent, legislative, executive and judicial functions.
Article 2: The territory of the Republic is unique, indivisible and inalienable.
Article 4: The Republic may, according to the Constitution of Bosnia and Herzegovina, establish special parallel relations with the Federal Republic of Yugoslavia and its member republics.
Article 6: Citizens of the Republic shall have citizenship of Republika Srpska.
Article 3: All State functions and powers shall belong to the Republic, with exception of those which, according to the Constitution of Bosnia and Herzegovina have been placed within the exclusive competences of

the institutions of Bosnia and Herzegovina (House of Peoples of National Assembly of RS, 2016).

Some powers were transferred to the state of B&H in previous years as it is mentioned in the above. However, current policy of entity RS is against any further transfer of power. Moreover, there are requests for reverse process and that is harmful for EU integration. In July, upon a proposal from the entity RS President, the assembly adopted a decision to hold a referendum on the B&H state-level judiciary and its jurisdiction in entity RS. Such a decision runs against the written commitment signed, in February, by the representatives of all political parties represented in the country's Parliamentary Assembly. Questioning the existence of the court and the prosecutor's office of B&H would go against a number of rulings of the Constitutional Court of B&H, which confirmed that the establishment of the state level judiciary was in line with the constitution (European Commission, 2015).

Bosna and Herzegovina and EU Integration

Bosnia and Herzegovina participates in the Stabilization and Association Process and is a potential candidate for EU membership. In December 2014, the EU initiated a new approach to B&H with regards to fulfilling the EU conditions, this led to signing of the Stabilization and Association Agreement (SAA) between Bosnia and Herzegovina and the EU on 1 June 2015. It replaced the Interim Agreement (IA) which had been in force since 2008. In February 2016 B&H submitted official application for EU membership.

The most people in B&H would like to join EU. However, there are many problems on this path. The Constitution of Bosnia and Herzegovina is not compatible with the European Convention on Human Rights (ECHR) and the European Charter of Local Self-Government. The provisions of Article II of the Constitution of BiH Human Rights and Fundamental freedoms, states: "The rights and freedoms set forth in the European Convention for the Protection of Human Rights and Fundamental Freedoms and its Protocols shall apply directly in Bosnia and Herzegovina. These shall have priority over all other law" (Constitution of BiH, 2006).

However, the provisions of the Constitution on the composition and election of the members of Presidency and the House of Peoples are not in line with the ECHR. Article V of the Constitution on Presidency states:

> The Presidency of Bosnia and Herzegovina shall consist of three Members: one Bosniac and one Croat, each directly elected from the territory of the Federation, and one Serb directly elected from the territory of the Republika Srpska (Constitution, 2006).

Art. IV of the Constitution on House of Peoples states:

> The House of Peoples shall comprise 15 Delegates, two-thirds from the Federation (including five Croats and five Bosniacs) and one-third from the Republika Srpska (five Serbs). The designated Croat and Bosniac Delegates from the Federation shall be selected, respectively, by the Croat and Bosniac Delegates to the House of Peoples of the Federation. Delegates from the Republika Srpska shall be selected by the National Assembly of the Republika Srpska (Constitution, 2006).

In order to be elected as a member of the Presidency or House of Peoples a citizen has to be a Serb, Croat or Bosniac. Further, citizens from FB&H can only vote for Bosniac and Croat candidate and citizens from entity RS only for a Serb candidate. If the members of the Presidency, elected from an entity represent all citizens residing in this Entity and not a specific people, it is difficult to justify that they must identify themselves as belonging to a specific people. Such a rule seems to assume that only members of a particular ethnicity can be regarded as fully loyal citizens of the entity capable of defending its interests. The members of the Presidency have a veto right whenever there is a violation of vital interests of the entity from which they were elected. It cannot be maintained that only Serbs are able and willing to defend the interests of the entity RS and only Croats and Bosniacs the interests of the entity of FB&H. The identity of interests in this ethnically-dominated manner impedes the development of a wider sense of nationhood. Furthermore, members of the three constituent peoples can be elected to the Presidency but they may be prevented from standing as candidates in the Entity in which they reside if they live as Serbs in the entity FB&H or as Bosniacs or Croats in the entity RS. Moreover, the Election Law (based on the corresponding provisions of the Constitution) clearly excludes others, i.e. citizens of B&H who identify themselves as neither Bosniac nor Croat nor Serb, from the right to be elected to the Presidency. This seems clearly incompatible with the equal right to vote and to stand for election under Article 25 of the ICCPR or with the equality under the law guaranteed to members of minorities under Article 4 of the Framework Convention for the Protection of National Minorities to formally exclude members of minorities from a public office (European commission for democracy through law - Venice Commission, 2005).

The B&H Constitution is not compatible with the ECHR regarding provisions on the election of the Presidency and the House of Peoples. These provisions are discriminatory and in violation of the ECHR. It was proved in the "Sejdic-Finci vs. Bosnia and Herzegovina" case regarding ethnic discrimination for representation in the institutions of the country for persons not belonging to one of the three constituent peoples (Bosniac, Serb and Croat). Two citizens of Bosnia and Herzegovina, Dervo Sejdić and Jakob Finci, who are of Bosnian Roma and Bosnian Jewish ethnicity, put complaint with ECHR. The court agreed with the arguments of the plaintiffs. The Grand Chamber of the ECHR in December 2009, in the first judgment finding a violation of Article 14 of the European Convention on Human Rights with regard to the arrangements of the Constitution of Bosnia and Herzegovina in respect of the House of Peoples of Bosnia and Herzegovina, and a violation of Article 1 of Protocol No. 12 with regard to the constitutional arrangements on the Presidency of Bosnia and Herzegovina. It is obvious that B&H cannot enter in EU without solving this question. Although this decision was published in 2009 and although politicians promised to solve it immediately, this problem has not been solved yet.

Joining the EU will require institutions at the state level to be far more effective than those existing at the present. A weak state could not lead country towards European integration. B&H has to have strong institutions at the state level with the necessary capacity and expertise to deal with the wide range of issues covered by such agreements. The EU negotiates with state and not with entities separately. State needs the necessary legislative powers to conclude such an agreement and to implement it. It seems pretty difficult that State with such limited powers can lead country in EU.

In July 2015, the country adopted a *Reform Agenda* aimed at tackling the difficult socio-economic situation. Its implementation has started. Meaningful progress in the implementation of the *Reform Agenda* is necessary for the EU to consider an EU membership application from Bosnia and Herzegovina. Only strong state can assure economic reforms. For instance, B&H cannot join the EU with current education system. Education in Bosnia and Herzegovina is also reflection of the country's ethnic division. Students follow divergent, ethnic-based curricula. Only strong state can reform education system in order to meet needs of all students regardless of their ethnicity. Citizens of B&H are not satisfied with public administration. This is a widely held public sentiment, although citizen satisfaction with government services is not generally measured. An EU progress report for 2015 states:

> Bosnia and Herzegovina is at an early stage with the reform of its public administration with a high level of politicization and poor service delivery. No progress was achieved in the past year. The lack of broad political support for country-wide reforms and the fragmentation of public service are hampering efforts to carry out institutional and legislative reforms...The institutional set-up and resources to protect the citizens' right to good administration are fragmented...There is no consistent policy on user-oriented administration, as the responsibilities for service delivery are highly decentralized (EU Commission, 2015).

The High Representative

The High Representative has the power to facilitate and intervene as he or she sees necessary upon any difficulties arising in connection with civilian implementation (OHR, 2015). The main actions undertaken by the High Representative on this basis were to impose legislation. He has introduced completely new laws as well as amendments at state and entity levels. The most important decisions were related to State Symbols, State-Level Matters and Constitution Issues, the Economic Field, the Field of Judicial Reform, Decisions relating to the Federation, Mostar and HN Canton, Media Restructuring Decisions and Decisions in the Field of Property Laws, Return of Displaced Persons and Refugees and Reconciliation (OHR, 2016).

He also used his power to remove elected public officials as well as civil servants who failed to co-operate in the implementation of the Dayton Agreement with a particular focus on lack of co-operation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). There were however also removals for corruption or mismanagement of public assets, interference with the judiciary or not carrying out duties as a judge. There were other decisions concerning business licenses or freezing of bank accounts (Kulanić, 2011, pp. 167-184).

It seems that all these actions undertaken by the High Representative have been beneficial to B&H. Without them, B&H would not have been able to achieve the progress it has already made. The state was weak; the legislative process in B&H was cumbersome and had too many opportunities to block the adoption of legislation. The politicians representing the various constituent peoples could not reach a necessary agreement to adopt laws on most matters, no matter how urgently needed a piece of legislation was. Indeed, it was necessary for the High Representative to use his powers to move the country forward. We can freely say that B&H progressed due to decisions by the High Representative. The decisions by the High Representative always took immediate effect and were not subject to appeal. He pursues a political agenda, agreed by the international community, which serves the best interests of the country and contributes to the realization of Council of Europe standards.

However, it is not natural that an unelected foreigner exercises such powers in democratic and sovereign state. It could be justified only in emergency situation and for the short period of time. The situation after the war was certainly an emergency situation that required such measures; however 20 years passed from Dayton until today. High Representative used extensively his power from 1997, since he got approval from PIC. The quantity of legislation imposed by the High Representative declined significantly since 2002. Today the OHR's power is limited to statements and he does not exercise his power directly, as it was case earlier (Kulanić, 2011, pp. 167-184).

Summary, Conclusions and Recommendations

The Constitution of Bosnia and Herzegovina was agreed at in Dayton, specifically in Annex IV of the General Framework Agreement for Peace in Bosnia and Herzegovina. Due to its being part of a peace treaty, the constitution was drafted and adopted in the English language, without involving the citizens of B&H and without applying democratic procedures. The aim of the constitutions of B&iH and the FB&H were to stop the war and establish the peace and this aim has been achieved. However, these constitutions were political compromises made under strong pressure from international community. The constitution of entity RS was made during the war with aim of creating an independent state that took care of the interest of Bosnian Serbs. It never envisioned incorporating other ethnic groups within the constitutional framework.

After DPA adopted constitution at the state level created a complicated and cumbersome structure with many administrative levels. Power is dispersed between too many levels and usually exercised by administrative levels too small to fulfill its functions effectively. There are too many bureaucracies and too many posts for politicians. Such constitutional arrangements in the B&H are not efficient, rational and financially sustainable. The Constitution also created weak state and strong entities. A weak state could not lead country towards European integration. In order to fulfill all requirements for joining the EU, B&H has to have strong institutions at the state level to deal with the wide range of issues. The EU negotiates with state and not with entities separately requires necessary legislative powers to conclude such an agreement and to implement it. It seems pretty difficult that state with such limited powers can lead country in EU. B&H is a country that still has countless economic and social problems. The country will only be able to cope with the numerous challenges resulting from this situation if there is a strong and effective state. The current administrative system does not meet the needs of citizens of B&H and it is not able to adequately facilitate the process of EU integration.

The Constitution puts a strong emphasis on human rights and the prohibition of discrimination. However, it remains in breach of the European Convention on Human Rights, as stated in the *Sejdić-Finci* ruling of the European Court of Human Rights. The constitution prevents citizens who do not declare themselves as one of the country's three constituent peoples from standing as candidates for the Presidency and the House of Peoples of the Parliamentary Assembly. The constitution has not created a democratic state. B&H is not based on civic principle as it only recognizes the constituent peoples (Serbs, Croats and Bosniacs). The citizens who do not belong to the three constituent peoples do not have the same rights. The constitution entirely sacrificed efficient and rational decision-making to the principle of involving representatives of each constituent people in decision-making processes. Therefore, the decision-making is not based on rational, professional, real and democratic principles but on ethnicity. So-called ethnic principle in public administration favors further ethnic divisions.

The Office of High Representative in B&H has been been using his power to impose legislation and remove officials from office. The High Representative is responsible before the Peace Implementation Council and not to the people of B&H. This is fundamentally incompatible with the democratic character of the state and the sovereignty of B&H. It created a dependency culture in B&H, as politicians expected High Representative to solve problems and impose the laws.

Based on the aforementioned, it can be concluded that changing the constitution is absolutely necessary, since the current solutions are not rational, efficient, democratic and financially sustainable. This constitution has to represent the wishes of all citizens of B&H. It has to be passed in a democratic and transparent way, and adopted by a body elected by the people. All three constituent people have to agree with the changes of the constitution. Therefore, a modern efficient state with only a central government and local self-governments cannot be achieved, as entity RS would never accept it. Structural reforms of the entity FB&H are imperative as an area of its size, population and economic state of development cannot afford such complicated arrangements. The best option would be to simply abolish the cantons. The constitution has to have a citizen oriented approach. The state should represent the citizens of B&H instead of constituent peoples. The system based on ethnic representation has to be switched to a system based on representation of citizens. Changes in administrative structures absolutely must be performed. The role of the state has to be strengthened in order to make the legislative process in B&H more efficient, to solve economic problems, to deliver better services to citizens and to lead the country to EU integration. The role of the Council of Ministers has to be strengthened. A collective Presidency should be abolished and single president has to be proposed. Rotation might be arranged in a sense that each new President comes from a different ethnic group than his predecessor. The bicameral system should be abolished at the state and FB&H levels. This would speed up the adoption of legislation and also solve the problem of the discriminatory composition of the House of Peoples. The local self-government should be strengthened. The number of political offices, as well as excessive administration should be reduced. The Office of High Representative should be closed and Bosnian politicians should take full responsibility for leading their own country.

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PART II

HISTORICAL PERSPECTIVE OF BOSNIA AND HERZEGOVINA

BOSNIA-HERZEGOVINA DURING THE BALKAN WARS AND WORLD WAR I

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This chapter provides an overview of the local prominent voices in the realm of politics in Bosnia-Herzegovina (B&H) during the Balkan Wars and World War I. It focuses on the local formations or branches of political organizations/parties active during the aforementioned period. Such a task is impossible to achieve without setting the historical stage within which such local political voices appeared. Hence, this chapter is based on the interplay between history and politics. In B&H the primary local voices in the realm of politics started to be heard by the middle of the first decade of the twentieth century. This was realized by the transition of the present religious and educational movements into the political parties. These voices were mainly reactionary as they were similar in nature to those "...that emerge in countries under colonial rule as they struggle for national liberation" (Imamovic, 2006, p. 232). It is not possible to talk about local political voices/formations in B&H during the Balkan Wars and World War I without setting the historical stage for the road to these wars, which had actually began with the Berlin Congress in 1878.

It was due to the decision of the Berlin Congress that the administration of B&H switched over to the Austro-Hungarian monarchy after 415 years of the Ottoman rule. The Habsburg Empire has received the mandate of the international community to place a protectorate over this area, so that in Europe, among other things, the strategic balance upset by greater Russian influence commencing with the independence and strengthening of Bulgaria, Serbia and Montenegro, could be restored. During the Austro-Hungarian administrative rule (1878-1918) following the Ottoman Era, Bosnia was increasingly engaged in a struggle to survive as a political entity. Various organizations/parties were set up by local communities to protect the country's interests: the Muslim National Organization (1906), the Serbian National Independent Party (1907), the Serbian National Organization (1907), the Croatian National Union (1908), the Muslim Progressive Party (1908), the Social Democratic Party for BiH (1909) and the Croatian Catholic Association (1910) (Imamovic, 2006). Even the name of the political parties is enough to depict the political fragmentation in B&H by the beginning of the twentieth century.

During the first thirty years of the Austro-Hungarian Era (1878-1908), Bosnia remained an Ottoman territory under Austrian administration. The beginning and favourable development of the Young Turk Revolution in the Ottoman Empire in 1908 and Bulgaria's declaration of independence within the same year encouraged the ruling circles in Vienna to annex B&H. The Austro-Hungarian annexation of B&H in 1908 completely integrated Bosnia into the legal framework of Austro-Hungary, retaining at the same time the continuity of its territorial integrity and administrative separateness, followed by the forming of the Bosnian Parliament.

According to Malcolm, the 1908 Austria-Hungarian annexation relaxed the political life in B&H as it brought confidence to the authorities in Vienna and Budapest regarding their rule over the territory (Malcolm, 2003). The first parliamentary elections were held in 1910 and the immediate opponents of the Austria-Hungarian annexation, namely the Muslim and Serbian National Organizations, won all thirty-one Orthodox and twenty-four Muslim seats. The immediate supporter of the annexation, the Croatian National Union won twelve of the sixteen Catholic seats and the Croatian Catholic Association won the remaining four (Imamovic, 2006). As the newly adopted administration progressed, Bosnian Muslim predominance in the state mechanism began to be reduced.

The Bosnian Muslim population was not alone in its immediate protests against the Austro-Hungarian annexation of B&H as it was also received very negatively in Serbia: Massive meetings were held and the nationalist organization 'Serbian National Defence' (*Srpska Narodna Odbrana*) was formed for the unification of all Serbs. It immediately "organized guerrilla bands, recruited volunteers, established espionage networks within Bosnia..." (Clark, 2013). Another secret organization to follow was the 'Union or death' (*Ujedinjenje ili smrt!*). Popularly known as the 'Black Hand', it was established on March 3, 1911 in a Belgrade apartment. This nationalist new organization, the aim of which was the 'unification of Serbdom' (Clark, 2013), or the "liberation of all Southern Slavs" (Kovic, 2014) according to different perspectives, did not acknowledge the separate identity of Bosnian Muslims, in addition to the denial of the existence of Croats. It was led by Colonel Dragutin Dimitrijević Apis, who was Chief of Serbian Military Intelligence and the supplier of the guns and bombs used for the Sarajevo assassination.

The networks of 'Black Hand' and 'National Defence' integrated with local groups of pan-Serb activists, of which the most important was 'Young Bosnia' (*Mlada Bosna*). Although Clark defines 'Young Bosnia' as "an aggregation of groups and cells of revolutionary youth operating across the province from around 1904" (Clark, 2013), the term was actually used only after the end of World War I, according to Šehić. He affiliates the timing of the appearance of the term with the positive effect of the Sarajevo assassination for the creation of the Yugoslav state (Preljevic and Spahic, 2015). According to the former Austrian officer Milan Pribičevič, who transferred into the Serbian military and became general secretary of 'National Defence', the tactics of the organization were not the same over the whole area of revolutionary work. Whereas, they were aimed at fundraising and mobilizing people for the organization in Serbia, they considered terrorist activity when necessary and hence, the Sarajevo assassination (Pribičevič, 1908). Coming to the ideology of "Young Bosnia", the main reference point appears as nationalism. Apart from the mainstream Serbian nationalism, it was also possible to talk about a Croatian stream and ultimately a Yugoslav one, which sought to unite within itself both nationalisms to unify the South Slovenes into one state (Pribičevič, 1908).

At the end of September 1911, Italy launched an invasion of Libya, which was an integral province of the Ottoman Empire. This triggered a chain of attacks on the territory under the Ottoman rule in the Balkans. Serbia, Bulgaria, Greece and Montenegro formed a loose Balkan alliance on October 17, 1912 and declared war on the Ottoman Empire, starting the First Balkan War (October 1912-May 1913), to expel the Ottomans from Europe. The imbalance between the sizes of the Ottoman forces versus that of the Balkan alliance ended the Ottoman power in the Balkans and the Ottoman forces were driven out of Albania, Macedonia and Thrace. In the Second Balkan War (June-July 1913), Serbia, Greece, Montenegro and Romania fought Bulgaria for territories in Macedonia, Thrace and the Dobrudja. In Turkish historiography, the Balkan Wars signal the impending collapse of the Ottoman Empire. The loss of the remaining

Balkan territories is equated with the loss of the empire's economic power and social capital. Viewed as a dress rehearsal for Turkey's experience in World War I, the Balkan Wars are also considered as the last nail in the coffin of Ottomanism as an ideology (Toprak, 2003; Hall, 2000).

The main beneficiary of the Balkan Wars turned out to be Serbia with its main acquisition of central Vardar (including Ohrid, Bitola, Kosovo, Štip and Kočani) and the eastern half of the Sanjak of Novi Pazar (the western half falling to Montenegro). In addition to doubling the size of its territories, Serbia also acquired a part of the Albanian coastland, which was seen as a possible threat to the Austro-Hungarian presence in the Adriatic. This increased tension between the two powers. This tension reflected itself on B&H as a state of emergency was declared by its military governor, General Potiorek on May 2, 1912. It involved the dissolution of the parliament, suspension of the civil courts, closing down of many Serb associations and taking over the administration of all Bosnian schools (Dedijer, 1966). The immediate crisis passed thank to the ending of the First Balkan War by the Treaty of London on May 30. Nevertheless, General Potiorek's anti-Serb policy prevailed meanwhile the Common Minister of Finance, Leon von Bilinski favoured a more subtle policy of playing different Bosnian groups off against one another and cultivating the Orthodox merchant and professional classes (Dedijer, 1966).

Such was the stage within which Archduke Franz Ferdinand, heir to the Habsburg throne and Inspector General of the Armed Forces of the Empire visited Bosnia with his wife Sophie, Duchess of Hohenberg, to observe the great summer manoeuvres of the Austro-Hungarian army in 1914. All the parties involved were aware of the potential risks of the visit to Sarajevo and its timing. Nevertheless, Franz Ferdinand and his wife, Sophie inexplicably visited Sarajevo on June 28, St. Vitus's Day: the Serb national holiday commemorating the Battle of Kosovo (Bideleux and Jeffries, 2007, pp. 71-2). The timing of the visit was perfect for a possible provocation of anti-Austrian revolutionaries in recently annexed Bosnia and history did not prove this assumption wrong through their assassination by two bullets fired by nineteen-year-old Bosnia born Serbian nationalist, Gavrilo Princip. Theirs was actually the last and fourteenth of a chain of assassinations that took place during the course of the half-a-century of "peace" between 1860 and the summer of 1914 (King and Woolmans, 2013). Nevertheless, the consequences of this political murder turned out to be way harsher than the previous ones as clearly stated by Dedijer: “No other political murder in modern history has had such momentous consequences” (Dedijer, 1966). It became the catalyst for World War I and all horrors to follow.

The assassination sponsored by the aforementioned *Mlada Bosna*, the nationalist Serb youth organization, was promptly followed by anti-Serb demonstrations in Sarajevo and other towns; some of which resulted in the demolition and looting of the premises of a number of Bosnian Orthodox merchants. The largest hotel in the city, the Hotel Evropa owned by a Bosnian Orthodox, was demolished by an angry mob the very night of the assassination day (Mitrovic, 2007, p. 18). Prosecutions were brought against members of the Orthodox population and particularly those living on the borders with Serbia and Montenegro were interned. The seniors of the Islamist Community, under the leadership of Reisul-ulema Džemaludin Čaušević, condemned the persecution of the Orthodox and warned the Muslims to refrain from taking part in such acts as they were displeasing to God (Imamovic, 2006, pp. 255-6). The terms taken by the Habsburg authorities towards the Orthodox people of the region got only harsher along the World War I, resulting in the promotion of the idea of their unification under a single state.

The Habsburg Monarchy used the Assassination in Sarajevo as the motive for carrying the conflict between Austria-Hungary and Serbia into the next stage, namely armed. The beginning of the conflict followed Serbia’s gain of her independence from the Ottoman Empire in 1878. Serbia was “naturally” the next stop after B&H for the Habsburg Monarchy “...to prove its vitality and protect its prestige” after being defeated in Italy and Germany (Kovic, p. 11). The economic development of Serbia from the late nineteenth century to 1914, proving itself with her survival of the Pig War (1906-1911), was the catalyst for the growing conflict, which got tenser with two political developments: First, the May Overthrow in 1903, when a group of royal officers violently removed King Alexander Obrenović from power taking advantage of an atmosphere of general dissatisfaction in Serbia; and the second incidence was the aforementioned Annexation Crisis (1908-1909) caused by the Austria-Hungary.

Being familiar with the system of existing military alliances of the great European powers – the Triple Alliance, consisting of Austria-

Hungary, Germany and Italy and later the Ottoman Empire and the Triple Entente, consisting of Russia, France and the Great Britain – Vienna knew that the incidence had enough potential to be a trigger for a world war. On July 23, Austria-Hungary gave Serbia an ultimatum consisting of ten demands to suppress Serbian nationalist activities inside and outside Serbia. Although Serbia accepted them all but one, Austro-Hungary exploited it as a pretext to declare war against Serbia on July 28, 1914 exactly a month after the assassination in Sarajevo. The war operations started the same day, with attacks on civilian targets in Belgrade, which was followed by a Russian military mobilization in support of Serbia. The immediate reaction to Russia's move came from Germany by declaring war on Russia and its ally France. German military strategy of an early attack on France via Belgium ostensibly drew Britain into the conflict as a guarantor of Belgian independence and neutrality by its treaty obligations (Bideleux and Jefffries, pp. 300-1).

Although Bosnia was not at the significant stage of war from 1914 to 1918, the Habsburg authorities immediately engaged the Fifth and Sixth Armies stationed at the Middle and Lower Drina to surround and destroy the main Serbian force in the valley of the Jadar River. The Habsburgs, seeing no problems in defeating their weak opponents, were determined to finish the matter quickly and hence, the Battle of Drina ended with the retreat of the Serbian Army (Obradovic, 2014). Habsburg troops also fought effectively in the south taking Serbia and Montenegro by the summer of 1916. Bosnians fought the Italians in the Isonzo River region and the Russians in Galicia. Forty-two per cent of the Habsburg forces, who served in the Isonzo campaign, were South Slavs and the Italians were particularly threatened by the Bosnian regiments, who were especially good at night combat and close attacks (Carmichael, 2014, p. 57).

The Balkan Wars and World War I, which was etched into one in the memory of most Balkan nations as *The Great War*, had dramatic consequences for the South Slavs. In the Balkan Wars, Serbia helped expel the Turks from Europe and regained lands lost in medieval times. By 1914, the alliances of Europe and the ethnic tension among the South Slavs combined to make Bosnia the ignition point, and Serbia one of the main battlegrounds of World War I. When Austria-Hungary collapsed after the war, fear of an expansionist Italy inspired Serbian, Croatian and Slovenian leaders to form the new federation later to be known as Yugoslavia.

Yugoslavism actually emerged as a political project prior to the start of World War I. Although the immediate conditions allowing for the creation of Yugoslavia were directly related to the outcome of World War I and were not anticipated, *Yugoslavism* was a recognizable discourse framing political action and cultural initiatives for much of the nineteenth century and early twentieth century, according to Robinson (Robinson, 2011, pp. 10-26). The Yugoslav Committee, headed by Ante Trumbić – a politician from Split and co-founder of the Croat-Serb Coalition- was formed to lobby for public international support for unification of all South Slavs within one independent state at the outbreak of World War I. In addition to Dalmatia, Slovenia and Istria, it included politicians, journalists, attorneys, and professors from Bosnia as well as the diaspora in the United States and South America (Robinson, 2011, pp. 10-26).

With the end of the Austrian annexation following the Austro-Hungarian defeat in World War I, the Serb and the Croat fractions started to compete with each other over territory, above all over Bosnia and Herzegovina. The *Kingdom of the Serbs, Croats and Slovenes (SHS)*, established in December 1918, was the first incarnation of a united South Slav state that would be renamed into the Kingdom of Yugoslavia a decade later. It encompassed most of the Austrian Slovenian lands, Croatia, Slovenia, most of Dalmatia, Serbia, Montenegro, Vojvodina, Kosovo, the Serbian-controlled parts of Macedonia, and Bosnia and Herzegovina. The establishment of the *Kingdom of the Serbs, Croats and Slovenes* allowed the Serbs, Slovenes and Croats to act as the founding nations of the state, whereas the Bosnian Muslims – who had actually been the ruling class of Bosnia until 1878 – being refrained the capacity to be a "nation", entered a complex period which was to last until the last war in B&H (1992-1995).

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BOSNIA AND HERZEGOVINA IN BETWEEN TWO WARS (1918-1941)

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The two decades that stood between the two world wars had been rich with far reaching historically relevant events such as the Great Depression and the October Revolution. Also, landspace of the great powers that had been determining main international developments and dictated events in respective spheres of influence and power, was reshaped. Embodiment of provisions of the Versailles Treaty resulted in dismantling of the Ottoman, Turkish, Habsburg and Russian influence in the Balkans and, consequently, emergence of both regional powers and urge of peoples in the region for their national affirmation.

The peninsula saw, among other things, the creation of a new kingdom: the Kingdom of Serbs, Croats and Slovenes – later on the Kingdom of Yugoslavia – which had also included entire territory of Bosnia and Herzegovina. Any substantial disagreement between interests of peoples living in this kingdom and the centralised ruling regime under the Karađoršević dynasty, located in Belgrade, would be considered to be a treason. Serb radical, Nikola Pašić, continued to run the Kingdom's executive power after being the Prime Minister of Serbia before the World War One. Pašić and his numerous and influential followers inclined to expansionism, unlike their weak left wing opposition. This Kingdom suited their ambitions to a large extent, as it, among other, provided exit to the sea and – Bosnia and Herzegovina.

The primary impetus for the establishment of the new kingdom was to gather all South Slavs under a single state structure. Details of unification had been agreed between political representatives in Zagreb and Belgrade. Although, the main advocates i.e. Serbian political and academic elite also saw this as an opportunity to unite all Serbs in a single state. This aspiration was well-described by one of the main Serbian intellectuals of the time, expert in human geography Jovan Cvijić (Cvijić, 1922, pp. 411-413).

Over time, the state apparatus of the Kingdom was dominated by the Serbs. Developments within the new and complex peasant country were led by the Serbian middle class interests. This triggered antagonism between Serbs and Croats within the common state structures, which was conviniently exploited by Slovenes and Bosnian Muslims who used the gaps to enter the power structures and firm up their own political and social influence (Jelavich, 1983, pp. 147-149; Išek, 1998, p. 300).

In November 1918, just before the final establishment of the new common kingdom, there had been a thin line between inclusion of Bosnia and Herzegovina in it and creation of a Greater Serbia. Local boards of People's Councils of Bosnia and Herzegovina in Bihać, Bosanska Kostajnica, Banja Luka, Ključ, Tešanj, Srebrenica and Konjic declared in the end of November their unification with the Kingdom of Serbia. This sequence of events was interrupted by the Main Board of the People's Council of Serb, Croats and Slovenes for Bosnia and Herzegovina and the newly appointed government in B&H. Chairman of this council was Gligorije Jeftanović, while his deputies were Jozo Sunarić and Halid-bey Hrasnica. Atanasije Šola came directly from a Habsburg prison to serve as the prime minister (Išek, 1998, p. 300).

In Bosnia and Herzegovina, this political space and coalition capacity were important for the Muslims as for them this was a window of opportunity to limit the impact of the land reform, which had strongly affected Muslim land feudalists from the Ottoman times. Also, this part of the population had gradually adjusted their identities and sub-identities gained during the Ottoman times to the new realities. This resulted with attempts in promotion of the Bosnian identity and gradual articulation and affirmation of their own ethnic and national specific features. In addition to this, the Kingdom of Serbs, Croats and Slovenes had agreed with provisions of the Treaty of Saint-Germain-en-Laye, that was signed on 10 September 1919, according to which Muslim citizens are to be taken care of, which de facto gave them a status of a minority rather an one of an authentic and coherent ethnic group.

Bosnian and Herzegovinian Croats' representatives had grown out of ambivalence in 1917. On one side they had Josip Štadler and Jozo Sunarić, representing the Croat Catholic Association and the Croat People's Community, while on the other side they had a political platform led by Ante Starčević and under the May Declaration.[1]

Therefore, two out of three groups of political subjects, gathered primarily around own sense of ethnic and national interests, explicitly wanted Bosnia and Herzegovina to join the new kingdom. Apart from willingness to share the same state structures, they had also brought their diverse political, economic, religious and other social backgrounds and interests along. These differences started to emerge at the very beginning of formation of the new common state with discussions on its internal structure and level of its (de)centralisation.

With some 51,000 km^2 Bosnia and Herzegovina was occupying about 20 per cent of the Kingdom. According to the 1921 census, 1,890,440 people lived in B&H. A Census conducted ten years later showed an increase in the population up to 2,323,555. Here, it is important to note that data on ethnic identity of the population did not exist before 1948, just data on name of the mother tounge and religion. According to the 1921 census, 96.7 per cent spoke Serbo-Croatian. Registered identities based on religion indicated that there were 43.2 per cent Serbs, 31.1 per cent Bosnian Muslims and 22.1 per cent Croats (Išek, 1998 p. 305). Prior to the second census held in 1931, the Kingdom was organised in banovine and consequently, data on the population were grouped in accordance with this.[2]

Banovina	Orthodox	Roman Cath	Evangelists	other Christians	Muslims	Others
Drinska	316,543	165,935	3,656	1,706	353,190	9,899
Vrbaska	582,077	169,714	3,372	9,203	247,358	1,178
Primorska	48,104	204,907	52	37	69,062	202
Zetska	86,410	7,393	14	38	45,569	30
BiH	1,033,134	547,949	7,094[3]	10,984	715,179	11,309
In 1921, 51.5 per cent of the population were illiterate. The inter-war Bosnia and Herzegovina had a very modes cultural life.						

[1] The May or the Vienna Declaration was the statement of members of the Yugoslav Club in the Habsburg Emperial Council on unification of all South Slavs within the Monarchy.

[2] Source: Išek, 1998 *total corrected by authors of the chapter. The original contains a technical error.

[3] Total corrected by authors of the chapter. The original contains a technical error.

The new state was economically very underdeveloped and Bosnia and Herzegovina was even less developed than other areas of the new state according to state economic indicators. Agricultural production dominated over any other econonic branch. In 1921, 78% of people in the Kingdom made their living through agricultural activities. In BiH this percentage was even higher – 86.37%. In 1931, 84.1% of the population made their living through agriculture, forestry and fishery. Only 6.7% were engaged in industry, mining and small crafts (Išek, 1998 p. 306).

The poor economic development during this period needs to be observed within the context of global economic challenges and crisis and the post-world war realities. Also, in addition to this, B&H was a country in the midst of both radical social and economic transition due to superficial and incomplete changes from feudalism to capitalism launched by the Habsburg officials. These changes particularly had negative effects for Muslim land owners, former feudalists, many of which faced anger of former peasants that had status of serfdoms. This antagonism had just been delayed in their action during the Habsburg rule over Bosnia and Herzegovina. These social, economic and political turbulences further contributed to internal divisions and led to the land reform.

Upon completion of the land reform in Yugoslavia, out of 1,227,000 hectars, 550,000 hectars were distributed to peasants. Throughout the entire inter-war period, basic agricultural production remains the dominant economic branch, further weakened with land fragmentation, insufficient investments and low efficiency.

According to data from 1938, BiH industry had 299 enteprises, out of which 145 were built during the Habsburg rule. Functioning of this economic branch, which had activities in wood processing, mining, metal industry, chemical industry and tobacco production was not supported with any kind of strategy. Development of industrial capacities which had started under the Habgburg monarchy was left to intertion and individual initiatives.

The main religious communities in this inter-war period were: the Islamic Community, the Serb Orthodox Church and the Catholic Church. All of these aformentioned groups were very active in the advacement of articulation of their respective ethnic groups members. The Islamic Community was authonomous in B&H until 1930. In the years just after the Great War, Muslims faced persecution, robberies, fires, prisons... despite the spirit of the Treaty of Saint-Germain-en-Laye provisions. As the letter of the Treaty and its implementation had significantly weakened position of Muslims as a distinct ethnic group, the dictatorship established on 6 January 1929 abolished autonomy of the Islamic Community and established a single community on the state level under firm control of the regime.

The Serbian Orthodox Church had four church districts in the first post-war decade. These districts had their centres in Sarajevo, Mostar, Tuzla and Banja Luka. Structures of this church got centralised in 1921. Still the districts lacked mutual coordination, particularly in their relation with the central bodies of the Church. Orthodox priests were very active in many social and economic activities in B&H.

The centre of the Catholic Church in Bosnia and Herzegovina was in Sarajevo, i.e. Vrhbosna Archbishop, with two provinces – the Herzegovinian one in Mostar and the Bosnian one in Banja Luka. This church did not have a single political position on the new common state structures. The Archbishop had been against creation of the kingdom and in favour of creation of a Great Croatia within the Habsburg structures. At the same time, the Bosnian Franciscan order strongly favoured the May Declaration and formation of the Yugoslav structures. Although its priests were very educated and active in many aspects of Bosnian public life, the Catholic church had difficulties establishing a coherent and functioning relation with the state structures it lobbied against (Išek, 1998 p 313). Degree of tolerance between religious communities in Bosnia and Herzegovina in the inter-war period was high, unlike relations between ethno-centric representatives on the political scene.

Governance over Bosnia and Herzegovina at the time was centralised and managed from Belgrade. Gradually, number of commissioners in the B&H Government was reduced in favour of the central structures. In the Government of the Kingdom of Serbs, Croats and Slovenes, three ministers were from B&H: Mehmed Spaho, Minister for Forestry and Mining; Uroš Krulj, Health Minister and Tugomir Alaupović, Minister for Religion-related Issues. The executive in B&H was dominated by the Regency, appointed and controlled by the central bodies. Role of the government was limited to interior and religious affairs, judiciary and agriculture.

The Serbian angle in the structures was personified through the figure of Nikola Pašić, leader of the People's Radical Party, while Croatian politics was dominated by Stjepan Radić who led a coalition of the Croat Peasant Party, the Republicans and People's Party. Shortly after creation of the Kingdom, Pašić was in favour of centralisation and Radić against it. All decisions depended on these two factors on the political scene.

Twenty-two political parties ran at the parliamentary elections held on 28 November 1920, competing for 63 seats. Election results reflected all social complexities of Bosnia and Herzegovina. The Yugoslav Muslim Organisation won 24 seats; Workers' Union 12; People's Radical Party 11; Croat Workers' Party 7; Communist Party of Yugoslavia 4; Croat People's Party 3 and Democratic Party won 2. There was a significant difference in platforms of the parliamentary parties. After drafting of the constitution had been initiated, the parties came out with about ten different proposals in December 1920 and January 1921.

Debates over level of centralisation had been suspended after the Constituting Assembly of the Kingdom adopted the Vidovdan Constitution on 28 June 1921, which strongly favoured centralisation and unitarism. The new constitution prescribed administrative and territorial reorganisation of the state on basis of 800,000 citizens for all parts of the kingdom except for Bosnia and Herzegovina, which kept its previous organisation through six counties with administrative centres in Tuzla, Sarajevo, Mostar, Travnik, Banja Luka and Bihać. Three weeks later, B&H Government was abolished and the King appointed commissionar to run B&H with support of new administrations. This chain of command remained until the beginning of 1929.

The King was gradually strenthening the military forces which had strong Serbian identity – out of 165 generals, 161 were Serbs, two were Croats and two were Slovenes. It is also indicative that out of thirty-nine inter-war governments thirty were formed by the Serb radicals. Strong dominance of radical governments over the legislative power and extreme centralism, caused dissatisfaction which culminated in mid-1928.

The ideal of gathering of all South Slavs in a single state under the idea of Yugoslavism at that point looked like a long lost progressive ambition and a myth to many. On 6 January 1929, King Aleksandar Karađorđević decided to put the 1921 Constitution out of force and imposed a new one introducing a dictatorship without the minimum of parliamentarism and democracy. Logics of creation of a form of territorial organisation, *banovine*, was based on natural rather then ethnic features. Consequently, Bosnia and Herzegovina was divided in four *banovine* that did not respect previuosly existing boundaries between B$H and neighbouring parts of the Kingdom. These new administrative formations were ran by *the bans*.

On the tenth anniversary of his rule, on 3 September 1931 known as *Oktroisani ustav*, the King imposed an another constitution, introducing a parliament of two chambers – the Peoples' Assembly and the Senate. As the King influenced composition of the Senate, he was in a position to block any decision adopted in the lower house. Only after King Aleksandar deceased on 9 October 1934, the regime in Yugoslavia became more bearable. At the same time, this new situation suddenly re-opened space for new political polarisations over functioning of the Kingdom of Yugoslavia. New political frictions mounted up around parliamentary elections held in December 1938. Several weeks later, Dragiša Cvetković became the new Prime Minister and one of the first tasks was to hold talks with representatives of Croats in the Kingdom of Yugoslavia – Vladko Maček, leader of the Croatian Peasants Party. In March 1939, they talked about establishment of Croatian banovina, which also included different ideas on partition of Bosnia and Herzegovina. During the talks, Duke Pavle was receiving complaints by Mehmed Spaho, leader of the Yugoslav Muslim Organisation. Spaho was strongly objecting the fact that the discussions on Bosnia and Herzegovina, that are eventually to result with its divison, were being made between officials from Belgrade and Zagreb. The deal did not come to life at this point.

Since the establishment of the Yugoslav Muslim Organisation in 1919, its dominant political line, articulated and handled by Spaho's fraction in the party, had been the preservation of the autonomy of Bosnia and Herzegovina in future state organisations. He had insisted on regional and administrative authonomy of B&H. According to notes made by Maček in „the Struggle for Freedom“, all Muslim members of Yugoslav Assembly in 1924 had been declaring themselves as Croats, except for Spaho himself, who was declaring himself as a Yugoslav. In this period marked with early, and in comparison to the West tardy, articulations of ethnic and national identities it was not uncommon that Muslims had different ethnic identities. Spaho himself had two brothers – one was a Croat and the other one was a Serb (Malcolm, 2011 p. 293-296). The Yugoslav Muslim Organisation was actually encouraging its membership to choose between Serb and Croat national identity on basis of chances for their prosperity i.e. „economic development“ (Banac, 1988 p. 374).

However, Maček (1939) continued to insisting on „resolution of the Croat question“ at the expense of integrity of territory of Bosnia and Herzegovina. Course of political events that postponed elections for the Croatian Assembly to April 1941, put a hold on this expansionistic ambition. Spaho died in June 1939. His successor on the position of the leader of the Yugoslav Muslim Organisation, Džafer Kulenović, continued Spaho’s policy of preservation of territorial integrity of Bosnia and Herzegovina for a very short period of time. It did not take too long for him to establish close connections with Ivo Pavelić, the leader of the Independent State of Croatia and who became a Nazi puppet later on (Banac, 1988 p. 366).

The problem of Spaho’s course of political activity is that it was primarily back by Bosnian Muslims, while many Serbs and Croats were more earger to first listen and consider ideas coming from their self-proclaimed centres in Zagreb and Belgrade. This process further deepened ideologic differences between political representatives in BiH and also inspired further social divisions.

There were very few interventions from Zagreb and Belgrade questioning partition of Bosnia and Herzegovina. The boldest one came from youth – from a group of Belgrade and Zagreb students – who demanded a solution for Bosnia and Herzegovina to be based on equality of nations and on the democracy. The requests were presented in December of 1939 in a document known as the *Third Letter* (Išek, 1998 p. 332).

The spirit and the logic of the Cvetković-Maček Agreement continued to omniously loom over the future of Bosnia and Herzegovina. However, this internal weakness of the Kingdom of Yugoslavia had been just one of many deeply structural problems. Endless self-destructive discussions in the political arena were stopped in March 1941 with swift capitulation of the Kingdom of Yugoslavia before Nazism.

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BOSNIA AND HERZEGOVINA AFTER THE SECOND WORLD WAR UNTIL THE COLLAPSE OF YUGOSLAVIA

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It is generally believed that Second World War was largest and deadliest conflict in human history. It also changed the global political discourse as well as the social structure of the world, which brought about the difficult task of re-establishing world order. The War also ravaged all areas of Yugoslavia but Bosnia and Herzegovina suffered the worst of all because it was at the heart of it. To speak of Bosnia and Herzegovina in the post Second World War period is almost impossible without constantly referring to Yugoslavia, under which wing Bosnia and Herzegovina was during that period and which affected all segments of life, too.

The country was most disparate republic within Yugoslavia, comprised of three main Slavic nations which made Bosnia and Herzegovina as a symbol of united Yugoslavia; something which the Communist regime in fact strived for. But it was this fact which mostly turned against the very affirmation of Bosniak people in Yugoslavia. Bosniaks saw themselves as a distinct group, based on both ethnic and religious characteristics. The post Second World War period was the time when the Bosniaks struggled the most in order to find their place and recognition in Yugoslavian Communist regime. Bosniaks in a quest for identity recognition suffered a number of injustices, especially when their religion was awakened among Muslims; they faced a huge resistance.

The task of keeping all the nations within Bosnia and Herzegovina together was very difficult since each group had a divergent set of national interests. Hence, the national issues that gathered throughout the years, decline in economy and overall decline in the society, culminated into the breakdown of Yugoslavia. Then, with breakdown of Yugoslavia, real battle of nations began.

Bosniak's National Position at the End of the the Second World War

Anti-Fascist Council for the National Liberation of Yugoslavia (AVNOJ), held on 29th November, 1945, was crucial for the question of the continuation of a Yugoslav state. This declaration concluded that in accordance with the freely expressed will of all peoples of Yugoslavia, the Democratic Federal Yugoslavia is now proclaimed as Federal People's Republic of Yugoslavia. Consequently, the monarchy of Yugoslavia was instantly terminated as well as all rights of King Petar II Karađorđević. The War in the territory of the Kingdom of Yugoslavia was terminated by the emerging ideology of the Yugoslav Communists who came out of the War as victors. Tito's Communist party aimed to unite all the six republics and that way balance competing of ethnic groups, harmony and group interaction was achieved, but fundamental animosities and historical tensions were a useful instrument, which was used as a way for any leader that aimed to inflame nationalist sentiment in order to remain in power. This tool proved to be a secure means to an end of total control of Communist regime. The ideology of *Titoism* revolved around the Marxist notion of revolutionary social transformation for which the Soviet Union often accused Tito. Yugoslavia began to be based on the slogan of ideology 'brotherhood and unity' as well as the concept of federalism for six Yugoslavian republics: Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia. This resulted in communist isolation and Stalin's threats to Tito's independence. The situation dates back to 1948 when Yugoslavia found itself in conflict with Soviet Union which brought about changes in government's acute stance towards the cultural and religious independence. The conflict with Stalin has overgrown from inter-state and international to within the state conflict, which was reflected through the split within Communist Party of Yugoslavia (KPJ) and of which consequences were felt even until the breakdown of Yugoslavia (Imamović, 1998, p. 557).

The area of Bosnia and Herzegovina during the Second World War was enclosed by Croatia; thus Bosniaks found themselves between *Ustaša* Croats and *Četnik* Serbs from whom they mostly suffered in this war. In the quest for liberation, the people of Bosnia and Herzegovina largely participated in NOB (People's Liberation Struggle) and revolution; this was especially evident through huge number of victims and loss of material goods at the end of the War. According to Imamović the existing data casualties shows that in the Second World War, the Bosniaks suffered the most – 8.1% of total population was lost (Imamović, 1998, p. 549). This number makes them the most tragic nation in the Second World War in Bosnia and Herzegovina and whole ex-Yugoslavia. The above-mentioned tragic destiny of Bosniak people seemed to have accompanied them in the course of the time and it appeared at times as if they were less important than other Yugoslav nations. This is evident from their cultural-political status and recognition struggle throughout the years of communist regime. The biggest issue was the lack of institutional identification of Bosniaks which had an effect on how others perceived them as well as how they perceived themselves. The policy of Yugoslavia regarded Bosniaks as merely one religious group, of which members will, according to their self-cultural and political progress, choose to nationally determine themselves as Serbs, Croats or Montenegrins. The negating of Bosniak right to their recognition as a distinct group meant negating their whole history, literature and tradition and all, which makes a man national being. Bosniaks were a distinct group from and they were majority (44% of Bosnia and Herzegovina) and they spoke the same language as their neighbours Croats and Serbs. Despite the nature of this distinct group, they were to be put under other nations that existed within Yugoslavia (Imamović, 1998, p. 562). At the time, secularistic and nationalistic ideas increased Bosniak ethnic and linguistic conscience as well as their will to be recognized as special national group; due to same reason, also their denial was increased to identify themselves with Serbs or Croats that aimed to draw them to themselves on the basis of common ethnic and linguistic connections (Karčić, 2001, p. 114).

Communist State and the Issue of 'Muslim' Identity

Communists confirmed themselves as the protectors of the civilian population regardless of ethnic origin. This communist stance was supposedly due to ethnic similarity between South Slav people, while the ethnic ramification was left aside. Nationalism was seen as antiquated and reactionary, leading to court trials of those that promoted it. Instead, the national identity was supposed to gradually lead to a notion of Yugoslav identity based on the Yugoslav language which would become *lingua franca* for people within Yugoslavia.

Despite the federal organization of the state, in practice it was highly centralized and tightly governed by one-party communist party. Titoism involved three approaches to nationalities of the country. The first approach that was exercised between 1942 to 1948, reflected Stalinist policies with focus on national equality and right to self-determination of all five nationalities. This approach dealt with the issue of nationalities recognition and territorial borders. Thus, the 1946 Constitution recognized: Serbs, Croats, Slovenes, Macedonians and Montenegrins. However, for the status of Bosnia and Herzegovina, there was a substantial disagreement in terms of political and territorial status. As mentioned above, Yugoslav communists at the time thought that Muslim population as a religious group should declare itself as Serb or Croat or even to remain nationally undetermined. However, there seem to be some variations in interpretations of that period and the Muslim question; nevertheless, the question of recognition of Muslim population was throughout the years a complex one. According to some historians, Muslim identity was recognized in the national sense and that the archive documents show that Muslims were dealt with in same manner as Serbs and Croats (Torsti, 2003, p. 94). On the other hand, the literature of that period is interpreted as recognizing Muslim community with equal rights that Serbs and Croats have but not defining them by specific ethnic group or nationality. According to 1948 census of socialist Yugoslavia, the religion and nationality were separately indicated. According to the results 89% of Muslims were nationally undetermined, 8% Serbs and 3% Croats (Torsti, 2003, p. 94).

The second phase of *Titoism* lasted from 1940's to 1960's and Muslims were then seen as the opening way of strategy which was to emphasize Yugoslav nationality as more important than any other nationality. Eventually, this was one of the aims of socialism. While Muslims strived for the recognition, the communist regime saw a solution in installing Yugoslav identity and nationality as a primary one, and that way hindering and cutting down recognition of Muslims as a distinct group. Therefore, census of 1953 introduced new category of 'Yugoslav, nationally undeclared' which replaced Muslim option but with which most Muslims then identified. The primary identity was now Yugoslav, which seemed to be poor option for Muslim unique status. This struggle of identity within Yugoslavia, especially for Muslims would have consequences in the years to come.

The third phase of *Titoism* was from the 1960 onwards and it encouraged national expression as part of state liberation and decentralization, while the authority of Communist Party resulted in recognizing Muslims as a distinct nationality. By the 1961 census, they were able to be declared as Muslims in the ethnic sense but the 1963 constitution gave those individuals equal rights. Several years later, in 1971, Muslims were considered to be a distinct ethnic identity. However, this was a tumultuous period accompanied by national issues. The asset of so disparate Yugoslavia now turned against it.

In the late 1960s and early 1970s, Croats also lodged number of complaints that they were also underrepresented in Bosnian administration, which brought about a quota system based on one of each appointment. Moreover, Tito replaced the Croat leaders in Zagreb but this move did not eliminate Croat nationalism, it only postponed its outbreak. This period was also the time when the Croatian Spring appeared as a popular movement, which aimed for parts of western Herzegovina to be taken apart from Bosnia and Herzegovina and joined to Croatia. Similarly, the leaders in Belgrade and Novi Sad were also replaced because conspiracy theories among Serbs about losing Kosovo, Macedonia and Vojvodina intensified (Torsti, 2003, p. 94).

The national question of Muslims was also affected by the urban development because now the blocks being built in socialist regime became ethnically and nationally mixed. This was also true for other social places like schools, workplaces and even marriages. This fact made it more difficult hence to prove the ethnicity of Bosnian by name, since the secular names were more in common now. Torsti claims that it has been mentioned how those mixed marriages along with those urban generations actually helped Bosnians forget the past or the trauma of Second World War (Torsti, 2003, p. 96). Howsoever, when it comes to infrastructure, it is also important to mention one of the projects, which embodied coexistence of all main religious institutions and was as such perceived as united Yugoslavia *per se*. The project was Baščaršija which gathered all competing cultural symbols into one place. It was comprised of Ottoman urban infrastructure which accordingly was seen to compact Bosniak Muslims' claim to their uniqueness as a group, due to their heritage and culture. Despite Baščaršija's strong omen, comprehending narratives of all and thus tolerating its existence, it brought about political issues (Alić et al., 1999, p. 12).

For socialist Yugoslavia, Ottoman architecture was perpetually associated with Islam and foreign rule due to which the restoration of the Ottoman architectural heritage could be seen as a threat to the Catholic and

Orthodox communities. Thus, Muslims were also seen as 'other' because of their strong connection with the Ottomans. Consequently to this stance, the response of a government to this quandary was ponderous demolition of Baščaršija (Alić et. al., 1999, p. 12) Demolition was stopped because of the protests among some important figures of the city. In 1950's political changes came about along with change in policy of the government that started to accept cultural independence and changed approach towards historic monuments; Baščaršija as a result became historic district per se (Alić et al., 1999, p. 13).

It was only in between 1950's and 1960's when the Bosniaks started to be considered in scientific and political circles as a unique ethnic and national unity. Imamović identifies that in the second part of book 'History of Yugoslavian people', synthetic analysis was done on the influence of Ottoman conquest onto the ethnic movements in South-Slavic countries with the ascertainment that the process of recruitment of ethnic unity of Serbs, Croats, Montenegrins and Bosniaks was violated by their division into three religions - three countries in which those peoples had different status (Imamović, 1998, p. 564).

Challenges of the Islamic Revival

In 1969, in Ohrid (Macedonia), the largest congress in the history was held regarding the national question of Muslims which was to be posed scientifically. The crucial work was the report of Dr. Avdo Sućeska on 'historic basis of uniqueness of Bosnian-Herzegovina Muslims', which served as the foundation for the historical, cultural, literal works of Bosniaks, that followed afterwards (Imamović, 1998, p. 566). Meanwhile, especially after 1970's, the quest for recognition of Muslims coincided with the start of Islamic revival period in Muslim countries. This refers to the revival of religiosity that was felt from the very individual level to that of aspirations of introducing of Shari'ah into the legal system. The secularist system that was at stake, facilitated the need for protection of Islamic identity, especially in the environment full of different ideologies and unfriendly regimes. When Muslims, in 1974 were recognized as special ethnic group (nation) under the name of Muslims, their struggle was still not over. At once, the authorities aimed to create a Muslim nation that would however exclude Islam. But it was Islam which began to flourish in this revival. Several factors are believed to bring this revival in Yugoslavia. First was the economic growth stemming from worker remittances from

Western Europe as well as from international credits. This contributed to massive reconstruction of mosques within Yugoslavia. Another factor was the emergence of new generation of young Muslim intellectuals who emerged from Middle Eastern as well as the Yugoslav universities. It was also due to global trends of Islamic revival in 1979 which affected the restoration of Islam also in Yugoslavia (Karčić, 2001, p. 124).

The manifestation of the Islamic revival of Balkan Muslims also was through mosque reconstruction and building, education, publishing, usage of Islamic social symbols, political culture and organizations. and finally the emergence of Muslim institutions of solidarity. Mosque reconstructing during the 1970's immense, that until 1992, 1144 mosques, 557 *masjids*, 954 *maktabs* and 15 *tekijas* existed in Bosnia and Herzegovina (Karčić, 2001, p. 128). The construction and reconstruction was mainly possible because of economic prosperity as well as the foreign donations of which most important project in Bosnia and Herzegovina was reconstruction of Gazi Husrev- Bey's mosque in Sarajevo. The Islamic education was manifested through institutions like *medresa* (high school) and Faculty of Islamic Sciences (FIN) and through *maktabs* which were non-institutional and accessible to everyone. Since the post Second World War period, there were several hundreds of madrasas throughout Yugoslavia but remained only two in Sarajevo and Kosovo. The center of the Islamic publishing activity in the whole Yugoslavia was Sarajevo, which published several important works as well as the translation of the Holy Qur'an (Karčić, 2001, p. 131). The most important promoter of Islamic revival was *Preporod Newspaper* which was for the first time published on 15th September, 1970. There was an increase in the visibility of Islamic symbols and artefacts during this time despite the communist prohibition upon such items. One of the most important manifestations of the Islamic revival was presumably emergence of political organizations inspired by Islam. In Yugoslavia, particularly Bosnia and Herzegovina, SDA (Party of Democratic Action) emerged in 1990, under the leadership of Alija Izetbegović. The SDA attracted Bosniaks in Bosnia, Sandžak, Croatia and Macedonia and aimed to express their specific political interests.

However, the most important objective of the post-World War II Communist Party was the establishment of Yugoslavia as a secular, united and independent state. This goal in its very essence affected the religious as well as nationalist affiliation but consequently saw resistance. The response of the government was elimination of important institutions. This harsh behaviour was influenced by rapid industrialization as well as campaign against religion which was seen as a foundation of the nationalist divide. Suppressed were many monasteries, seminaries, convents and Catholic and Orthodox churches. This was followed by suppression of courts of Islamic law in 1946 and passing the law that prohibited wearing veil, in 1950 (Alić et. al., 1999, p. 12). Mainly imams from some towns and villages stayed in their profession until the closing of religious schools followed and making the maktab (teaching of children in mosques) a criminal offense, in 1952. Such governmental actions followed in all this period when even the Muslim cultural and educational societies were abolished in 1947 the Muslim printing house in Sarajevo was closed down, and no Islamic textbook was issued in Yugoslavia until 1964 (Alić et.al., 1999, p. 12). The Communist regime basically suppressed anything that was and could be associated with religion. Similar injustice like that of Muslims was faced also by other religious communities but for the Islamic community it was more difficult since it was carrying burden and aegis of the 'decadent and backward Ottoman tradition' as well as 'Turkish guilt'; besides, the Communist party instantly after 1945, was dominated by Serb staff that held anti-Muslim or anti-Turkish agenda, while the Muslims were less politically emancipated and thus were minority in the authoritative positions (Karić et. al., 2012, p. 145).

Although the endowment property (*waqf*) was completely destroyed in the Second World War, IVZ (Islamic Religious Community) did in 1947 renew its organizational structure and religious hierarchy and its peak was the Constitution by which the *reisul-ulema* or the highest authority for IVZ was chosen. A couple years later in 1969, the IVZ is called IZ only - the epithet of 'religious' was removed because it has such spiritual connotation (Imamović, 1998, p. 563). A repressive campaign to ban the veil and *feredje* started in the beginning of 1950's. (Karić et. al., 2012, p. 145). By this act of exposing Bosniak woman, one of the strategic aims of the Communist regime in terms of status of Muslim woman in society was achieved. Nevertheless, such and similar acts proved to only facilitate stronger expression of the identity of Muslims, whenever they could do so (Imamović, 1998, p. 563).

It is important to refer to a very famous group or organization which is always associated with as the biggest clash with Communism in that period. The Bosnian Young Muslims Organization was a reformist Islamic movement group that emerged in Sarajevo in 1939 and is even today a subject to many controversies. Attempts to characterize the movement often involved subversive measures, such as depicting members of the group as pan-Islamists that aimed to overthrow Yugoslavian state and to establish an Islamic order instead. On the other hand, there are sympathetic views where it was seen as democratic movement established based on Islamic humanitarian principles against the dictatorial communist regime of post-war Yugoslavia (Omerika, 2002, p. 11). They were however, in direct and open confrontation with Communist regime since 1946, protesting against militant secularization policy of new Yugoslavian government, which resulted in sending some of the members to prison.

The final defeat of this organization happened with the trial in 1949, when four leading members were condemned to death while others were sentenced to prison. After that period, the members were always still in contact and were in fact having an active role in the Islamic revival in Bosnia, which was partially possible due to the liberalization of policy regarding religion, in 1970's (Omerika, 2002, p. 11). The leader of Young Muslims was Alija Izetbegović and in his document of 1970, 'The Islamic Declaration – A Program for the Islamization of Muslims and Muslim Peoples', he envisioned that Muslims of the world would unite and launch religious and social revival, though not particularly referring to Yugoslavia and Bosnia and Herzegovina. That would be possible only by first engaging in extensive moral reconstruction and inner purification, that eventually transformed into a social and political revolution.

Although there was no reference to Yugoslavia and Bosnia and Herzegovina, the declaration was clear on the fact that when eventually Muslims become majority in the country as their population is already growing, they should demand their own state, because Izetbegović says that Islam and non-Islamic systems are incompatible (Perica, 2004, p. 77). Therefore, this stance of the Young Muslims group revealed some of the aspirations of which Yugoslavian state was mostly afraid. The second wave of persecution followed in 1983, with activists being tried by separatism and Islamic fundamentalism. However, the accusation was more an ideologically colored determinant of regime critics and not an accusation based upon real proof (Omerika, 2002, p. 11).

On the other hand, as communist regime opposed Islamic revival in Bosnia and Herzegovina in a way, it also saw a need for establishing the overall balance between the peoples within republic. Thus, in the period of mid 1960's, the crisis of relations between Yugoslav nations made the party to decide that the national equality of Muslims, Serbs and Croats was central, and thus there was a need for strengthening the republic of Bosnia and Herzegovina (Torsti, 2003, p. 95). For the party to achieve equality, it responded with a massive construction campaign in Bosnia, and asphalt roads soon extended from 56 to 3000 kilometres. Besides that, schools, libraries, telephone and electricity lines were built. This action partly contributed to the better status of Muslims.

The Weakening of Yugoslavia and its Collapse

The 1974 Constitution of Yugoslavia ceded most of its powers to the republics, leaving defence, foreign policy, currency, and customs to the federation. These central powers were within collective state Presidency that was comprised of representatives of the six republics and the two autonomous regions (Kosovo and Vojvodina). Such system of Yugoslavia resembled a confederation which was dominated by the one-party-system (Oellers-Frahm, 2005, p. 181). The first signs of disintegration of Yugoslavia appeared in 1980's, with the death of president Tito, when the severe economic and political crisis appeared and were to destabilize country. With the Tito's death there were three fundamental problems: the economy was inefficient, the country's institutional structure was incapable of maintaining Yugoslav unity, and the divergent ethnic interests still remained. The economic situation was getting worse with high inflation. which brought about decay in living-standard and consequently made people question legitimation of the political system (Oellers-Frahm, 2005, p. 181).

In 1980 the per capita GNP of Slovenia was more than twice the average for Yugoslavia, while that of Kosovo that had large Albanian majority was less than a third of the average. Moreover, Tito's inability to invest properly the considerable amount of foreign capital, also significantly contributed to the economic decline (Anderson, 1995, p. 8). Second fundamental problem of Yugoslavia was lack of effective institutional structure, able to solve economic in the 1980's. Thus, it was difficult to keep Yugoslav unity against so many deviant nationalist forces. For example, the eight-member Collective Presidency, with the post of President that rotated every 12 months could not deal with the multiplying problems. Hence, despite the efforts under Tito's regime to pacify different groups, their interests had not been reconciled because the 'national problem' was not resolved (Anderson, 1995, p. 5).

In the twilight of Yugoslavia's existence, Bosnia and Herzegovina found itself at the center of the World's greatest sporting spectacle. Sarajevo was the host of to the 1984 Winter Olympics. However besides underdevelopment, there was also a decrease of moral values and neglect of the youth. The greatest problem and reason for disintegration of Yugoslavia seems to have been the national question and the growth of nationalism (Torsti, 2003, p. 99). The developments that followed could not sustain the leading role of Communist party, which broke apart in January 1990 (Oellers-Frahm, 2005, p. 181). The breakdown of the Party was initiated by the leader of the Socialist Party of Serbia, Slobodan Milošević who forcefully abolished the autonomy of the previously autonomous provinces Kosovo and Vojvodina. Such Milošević's act was followed also by the replacement of Montenegrin leadership by a man with whom the predominance of Serbian votes was guaranteed. His actions manifested and fostered Serbian nationalism. This stance of Serbs facilitated nationalist movements also in other republics within Yugoslavia, especially in Croatia and Slovenia (Anderson, 1995, p. 9). Meanwhile, the collapse of Communism across Eastern Europe in between 1989 and 1990 was accompanied with new multi-party/ free elections system and followed by nationalist parties victories in most republics. It was the Serbian bloc which tried to reconstruct Yugoslavia to be dominated by them but which was against will of Croatia and Slovenia that were already preparing to gain their independence anyways. Bosnia and Herzegovina and Macedonia were for a new federal constitution for Yugoslavia, but were to follow the path of Croatia and Slovenia towards independence, if a new federation does not succeed. Such situation of potential disintegration saw resistance from Serb armed forces. According to all accounts, the rise of Milošević to power in Serbia since 1987 was central to the national question in the last years of Yugoslavia (Torsti, 2003, p. 97). In Bosnia and Herzegovina, the disintegration of the communist party in 1990 resulted in the formation of national parties. Beginning in 1989, Milošević and Croat President Tuđjman were largely present in the politics of Bosnia and Herzegovina. This meant that the main Serb party in Bosnia was Milošević's party (SDS) while the Bosnian Croat party was that of Tuđjman's (HDZ). In early 1991, Milošević and Tuđjman met and secretly agreed to partition of Bosnia, between Serbia and Croatia (Torsti, 2003, p. 97).

Serbs in fact aimed for a remodelled federation where the dispersed

Serbian population remained united in a single state, but where the Serbs would have political influence, since they are Yugoslavia's largest ethnic group (Anderson, 1995, p. 9). In 1991, a conference was held in The Hague where the Draft Proposal for a Yugoslav confederation was presented, according to which, republics would get a great deal of autonomy and would be joined together in a confederation and moreover the national minorities in each republic would have a large size of self-government. In the end, Milošević rejected this proposal, unwilling to grant the Kosovo Albanians a wider degree of autonomy. None of the other republics were particularly flexible in this discussion except for Bosnia and Herzegovina and Macedonia, both of which sincerely tried to find a middle ground on this issue. The president of Bosnia and Herzegovina, Alija Izetbegović, argued that the Yugoslavia's survival in some form was essential for Bosnia's survival as well (Anderson, 1995, p. 10). However, the inability of reaching an agreement in confederating federation as well as independence of Slovenia that followed was accompanied by the war and continued so in the years to come. As Slobodan Milošević always claimed that he wanted to save Yugoslavia, he is generally considered to bear most of the blame for its disintegration. He also rejected all proposals for reformation of the Yugoslav federation: the Slovenian-Croatian proposal; the Izetbegović-Gligorov proposal, and Lord Carrington proposal in October 1991 (*See* Netherlands Institute for War Documentation, p. 34).

In March of 1992, a referendum on the independence of Bosnia and Herzegovina was organised. However, at the time, Bosnian Serbs with Radovan Karadžić as their leader had already established their own autonomous Serbian region within Bosnia. When it came to the Croats, the majority of Bosnian Croats in the rural parts of Western Herzegovina and in some parts of central Bosnia wanted to secede from Bosnia and become part of Croatia. Therefore, this was a period of many events where every nation was aiming for its interest to finally be accommodated. For what was coming in the following years was truly a culmination of several decades long tensions between nations within Yugoslavia, that were only growing as the time passed. The bloodshed that begin were proof and manifest of hidden hatreds, different interests and the struggle for power among ex-Yugoslavian republics.

Conclusion

Following the Second World War, Bosnia and Herzegovina was under the administrative control of the newly created Yugoslavian Communist regime. The system of Yugoslavia was highly centralized and sought to keep all the nations that comprised Yugoslavia united. They believed that Communism would overcome national and religious identities. The very pursuit of unity was not serious however when it came to the recognition of Bosniak national identity. Due to the long standing animosities about Bosniaks being bearers of Ottoman history and their association with the Ottoman Empire, the process of accepting Bosniaks was doomed from the start. In just a few decades, Muslims were first considered in scientific and political circles as unique ethnicity and national unity between 1950's and 1960's. After that period, many scholarly works explaining Muslim's distinct identity emerged, which facilitated their further acceptance as a separate group in 1971.

Eventually, in 1974, Muslims in Bosnia and Herzegovina were seen as special ethnic group (nation) under the name of Muslims. The religious or Islamic revival in 1970's contributed to even more aversion towards Bosniaks since it was the opposite of what Yugoslavia strived for. Hence, as the will for religion increased among Muslims, the Communist regime constantly aimed to suppress it. However, it seemed that with the death of head of Communist regime, Tito, also Yugoslavia began slowly dying. This was especially manifested through societal decadence, economic decline, administrative decadence, etc. Moreover, the rise of Serb nationalism caused disorientation among other republics within Yugoslavia that now wanted to operate independently. This struggle with Serb aspirations and that of other republics, their inability to reach common ground, brought about total fall of Yugoslavia in subliminal and actual way. Eventually, the inevitable wars that followed on the area of ex-Yugoslavia were brutal and with harsh consequences – all in the name of ethnicity and religion.

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BOSNIA AND HERZEGOVINA AFTER INDEPENDENCE UNTIL DAYTON AGREEMENT (1990-1995)

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The emergence of Ante Marković, Yugoslavia's last prime minister, on the political scene and his stabilization program, published on 18 December 1989, created a further rift between Serbian President Slobodan Milosevic and the rest of Yugoslavia. Due to Serbian political and intellectual circles the Prime Minister's action was perceived as anti-Serbian and its aim was 'plundering of the Serbian economy' (Jović, 1995). It is interesting that the Serbian authorities were not clear about how to react on the concept of Markovic's economic recovery and stabilization. However, political situation was so burdened that every action was seen *proetcontra* no matter which issue was on the table. Because of such internal relations, Slovenian position was becoming more 'anti-Yugoslav' as well. Political and military developments ensured Serbian political elite that the collapse of the country began to Slovenians, but not for other nations, thus sending a signal to its hegemonic plans did not include Slovenia in any way. Six months later, again in the 'Serbian coordination' on 26 March 1990, it was recognized that the "process of disintegration of Yugoslavia is unstoppable" and therefore should provide limits within which there will be no war, and that BiH will not and cannot survive.

According to Filandra the only South Slavic nation that had no idea about the solution of the Yugoslav crisis was the Bosniak nation (Filandra, 1998). The political leadership of the League of Communists of Bosnia and Herzegovina, or Bosniak representatives in it, were too Yugoslav leaning therefore ideas about the collapse of the state party were 'nationalistic and enemy propaganda'. Finding solutions and positioning own people and its policies within the Federation and possible political process was far from political thought and action of Bosniaks within the Party. On the other hand, the critical masses couldn't raise voice and stand against the hawk lobby in the League. The existence of a living cultural scene in Sarajevo and elsewhere in the Republic did not have much of an impact on the League of Communists of Bosnia and Herzegovina. This creative energy in Bosnia and Herzegovina during the 1980s has been explained by Ivan Lovrenović as follows: “These extraordinary eighties were an exciting time, where you can see and hear the monolith regime creaks and unrelenting but is still warm, freedom is not won but is very close, it is already in practice and it’s only a matter of time when it will become full (...)” (Imamović, Emir 2011).

On 27 March 1990, the upcoming Bosniak political leaders held a press conference in Sarajevo at the Holiday Inn where they announced their intention of forming the Party of Democratic Action (SDA). The semi-annual meeting, among the founding of SDA at the Holiday Inn in the small auditorium and a large rally in Velika Kladuša (15.9.1990.), testified about the emerging nation-wide movement and unstoppable torrent that had brought and defined the Bosniak policy. It was about a year after initiatives in Croatia on the establishment of the first opposition party, the Croatian Democratic Union (HDZ) and the Croatian Social Liberal Union, later the Croatian Social Liberal Party (HSLS) (Glaurdić, 2011). Prior to the establishment of the SDA, many important political developments unfolded. In the Yugoslav republics Slovenia (April 22) and Croatia (May 6) multi-party elections were held in which forces of democracy had defeated and ousted the Communists from power. In this period, the Serbian leadership revealed that they do not plan to become part of any new confederation and could do without Slovenia, something that has already been in accordance to their political goals. The process of getting used to life without Yugoslavia was open. One of the arguments of Milosevic’s aggressive policy relied on the behavior of the West who had a stance of non-intervention in Eastern Europe, and the example of the Soviet intervention in Azerbaijan and demolition regime in Romania at the end of 1989 this clearly testifies to this.Elections in Slovenia and Croatia turned the political and electoral processes towards a radical and violent direction. On amendments to the constitution of the Croatian Parliament adopted on 25 July 1990, the Serbian side in Croatia responded with the rally in town of Knin, which gathered about 120000 people. About a month earlier, on June 27, Serbs formed the Community of six municipalities with Knin as the centre, what was the announcement of the Serbian rebellion in Croatia and mode of action of Serbian politicians in Bosnia and Herzegovina (Glaurdić, 2011).

The victory of national parties in elections held in Bosnia and Herzegovina (18.11.1990.) adopted the new political climate. The newly elected representatives of the people encountered with many problems, which required prompt action to establish the executive power. The economic situation in the Republic was far from satisfactory; the population had to deal with high inflation and the grey economy. However, the political problems that dominated the economic represented the biggest stumbling block for the already established coalition SDA-SDS-HDZ. Izetbegović already in June 1990 projected a coalition of national parties, even before his election victory and before the formation of the other two national parties. He argued such outcome of political relations with two clearly set conditions:

> I personally think that Bosnia and Herzegovina must govern a Muslim-Serb-Croatian coalition; because this would guarantee stability ... the Coalition will not be set either be agreed to those who intend redrawn borders of Bosnia and Herzegovina or deny the identity of the Muslim people (Izetbegović, 1990).

This seven-month period, from winning the elections until the beginning of large-scale military operations in April 1992, was a period of search for the political settlement. Izetbegović was unanimously elected President of the Presidency of the Socialist Republic of Bosnia and Herzegovina at the session of 20 December 1990. Same day during the joint Assembly the proposals and principles of government formation were also accepted. Already on 21 December 1990 Bosnia and Herzegovina had formed principles for establishment of government. Therefore such developments projected the belief that an agreement in Bosnia and Herzegovina is possible and achievable (Nikolic, 2011). The constitution of the government was completed on 30/31st January 1991 at the third joint session of Parliament when all officials were elected. According to the agreement, the most important party position that belonged to the Bosniaks was Deputy Prime Minister to Muhamed Čengić. The government was formed in a way to meet the ethnic principle acceptable to all political parties. The position of the Prime Minister was given to a Croat Jure Pelivan, and the Assembly to Serb Momcilo Krajisnik. These ethnic principles, opposed to everything else, functioned flawlessly.

The first major challenge to the newly elected leadership of Bosnia and Herzegovina was posed by Bogić Bogićević, the Bosnian representative in Yugoslav Presidency, during the debate on *The Order to Disarm Paramilitary Units*. He supported the efforts of the Serbian elite to prevent all processes which can be used by Slovenian and Croatian political elites in building their own military and police forces. Izetbegović sought emergency session to delay this decision. The Serbian leadership, especially Borislav Jović, attempted to isolate the newly elected President of Bosnia and Herzegovina from the Croats (Jović, 1995). Therefore, in the very beginning Izetbegovic was for Yugoslavia, but not at any price. He argued that the survival of the common state is possible but only with the inclusion of Slovenia and Croatia in the future common state. Apparently, he was among the opponents of the recognition of Croatian independence due to belief that survival of common state is possible.

The challenge for Izetbegovic's belief in common state was shaken up when Milosevic had quietly offered Bosnian leaders the division of Bosnia and Herzegovina, which very deliberately made big crack in the coalition SDA-SDS-HDZ. Obviously he was planning to get Bosniaks to work for Serb goals. The aim was to show the 'new' Yugoslavia as the only possible state and political framework for the Bosniaks. They played on card of Bosniak smallness and powerlessness. These developments have certainly shaken up the foundation on which Izetbegovic thought of Yugoslavia whereby Bosnia and Herzegovina should become an equal republic within the Federation.

The road to Bosnian independence and the attempt to re-establish the sovereignty of Bosnia and Herzegovina was initiated on 27 February 1991 by joining the Declaration on the State Sovereignty and Indivisibility of Bosnia and Herzegovina in parliamentary procedure. The 1991 was marked by a tendency of SDA and other pro-Bosnian political parties to establish the republic, which most importantly is reflected in its own sovereignty. Izetbegovic has often emphasized this position of Bosnia and Herzegovina and its limited sovereignty over other Yugoslav republics. Bosnian authorities, in fact, after the optimistic beginning started slipping into a deepening crisis and distrust. HDZ BiH encouraged Croatian independence and intensified patriotic feelings as a result of the JNA attacks and Serb rebel forces in Croatia, they crossed and erased Yugoslavia as a state framework in which Croats will live. On the other hand, SDS B&H took the position that Yugoslavia will guarantee survival of Serbs in Croatia and Bosnia and Herzegovina. They considered it as the lowest limit of Serbian demands for positioning Serbs in one state. SDA, in turn, sought a solution somewhere in between. Here, 'somewhere in-between' cohabitated dreams of an independent and free state of B&H. The war that began in the second half of 1991 and the opposing views of key political leaders, particularly the SDA and SDS, did not contribute towards the softening of the political scene.

Many argues that the violence in former Yugoslavia was due to extremely passive role of the international community. Therefore, the US Secretary of State James Baker decided to visit ‘country in the collapse’. It was well-known that Slovenia and Croatia were preparing to declare their own independence. Already 13/14th June 1991, Slovenia has decided not to pay income to the federal budget. A week after that (21 June), the US Secretary of State noted after the departure from Belgrade that he had experienced a total debacle and he is sure that Yugoslav leaders decided to go to war (Nikolić, Kosta-Petrović, 2012). But Bakers debacle had been a triumph for Serb politics. His supporting Yugoslavian unity, by Milosevic and the EC was seen as giving legitimacy to federal structures to take the military action. Then, similarly so Douglas Hurd, British Foreign Secretary, noticed that many Western diplomats accepted Milosevic’s logic and language of ‘primal hatred of Balkan tribes’. On the one hand, he claimed that Britain had no interests in the Balkans except for lasting peace in the region (Glaurdić, 2011). In addition, the French position that Belgrade has legitimate right to ensure the territorial integrity of Yugoslavia was indirect support to Milosevic to start wars across former Yugoslavia.

The total confrontation of Bosniak and Serb policies in Bosnia and Herzegovina took place during the discussion on *The Memorandum of Sovereignty of Bosnia and Herzegovina* and *The Platform of the Presidency*. In fact, *The Declaration* and other documents were required for the application of Bosnia and Herzegovina to the EC. Fortunately, these documents were adopted on 15 October 1991. Then, President of the SDS, Radovan Karadžić, uttered his famous statement that the Muslim people would just disappear, which was understood as open threat to Bosnia and Herzegovina and Bosniaks (Nikolić, Kosta-Petrović, 2012).

On 9-10 December, 1991 during the negotiations in Maastricht, Ministers of Foreign Affairs of EC member states set specific conditions as an expression of their own arrangements, which have to be fulfilled on the road to independence of Soviet and Yugoslav republics. The agreement was confirmed in Brussels on 16 December at the meeting of the Ministerial Council. The Declaration on Yugoslavia and those republics that were on the path to independence were invited to make observations until 23

December 1991 (Nikolić, Kosta-Petrović, 2012). The Declaration had 5 requests that had to be fulfilled by the applicant. While Senator Al Gore was openly against the survival of Yugoslavia, Secretary of State and the State Department were disappointed by EC attitude expressing 'great fear' (Glaurdić, 2011).

The Presidency of B&H (20 December 1991) had adopted the decision to send a request for an international recognition of independence of Bosnia and Herzegovina. However, the Serbian Presidency members voted against it. The request/application for recognition B&H was sent the next day, 21 December 1999 (Nikolić, Kosta-Petrović, 2012). This development was the final stage on the road toward B&H independence. On November 18, 1991, the Croatian community of Herceg-Bosna was formed, envisioned as mono-ethnic (Ribičić, 2000). It was a response to Serb attacks on Bosnia and Herzegovina by ethnic regionalization (forming of Serb Autonomous Regions) which was systematically carried out by the SDS, but also an indication of the concept advocated by Croatian political leaders, both in the Croatia and in Bosnia and Herzegovina. On 21 December 1991 when B&H sent an application for recognition of independence. Soon after on 9 January 1992 *The Assembly of the Serbian people in Bosnia and Herzegovina* decided to 'access preparations for the establishment of the Republic of Serbian Bosnia and Herzegovina as a federal unit within the federal state of Yugoslavia' (Bilić, Tuđman, 2005).

The Arbitration Commission of the Conference on Yugoslavia, known as the Badinter Commission, on 11 January 1992, discussed the situation in the Republic after the illegal act of the proclamation of Republic of Serb Bosnia and Herzegovina, submitted *The Opinion on Fulfilment of Conditions for the Recognition of Certain Yugoslav Republics* (Glaurdić, 2011). Bosnia and Herzegovina was included in Opinion No. 4 in which it is said that for its recognition B&H have to organize a referendum in which the citizens will decide. The referendum was, after marathon session, announced for February 29 / March 1, 1992. The referendum question was: "Are you for a sovereign and independent state of Bosnia and Herzegovina, a state of equal citizens and peoples of Bosnia and Herzegovina, Muslims, Serbs and Croats and members of other peoples who live in it?" (Bilić, Tuđman, 2005).

After the great response on the first day, 29 February 1992, when Bosniaks and citizens with left-ranking political views, on the second day of a referendum, March 1, 1992, Croats came out *en masse* to vote. It is often said that the citizens of Croat nationality went to vote after Sunday Mass at which catholic clergy announced that they should vote for the independence of Bosnia and Herzegovina. This referendum was successfully completed, and the REC (Republic Election Commission) after processing said that of total number of voters (3,253,847) on referendum responded 2,073,568, or 64, 31%. A positive response to the referendum question gave 99, 44% (2,061,932) (Begić, 1997).

Serbian aggression on Bosnia and Herzegovina started as a *blitzkrieg*. The Serb forces tried to occupy the territories, which they wanted to include in their new state. To achieve those goals, in the course of military offensives and ethnic cleansing of acquired territories they committed war crimes and genocide against the Bosniaks and Croats. Actually, their operations began beginning from April 1992 in Eastern Bosnia.

After 2 May 1992 (when Serbs unsuccessfully tried to remove Izetbegović and replace him with Fikret Abdić who was connected to Serb security agencies) began a voluntary mass influx of Bosnians in the defence forces which showed that people, if nothing else, crossed the psychological barrier and become aware of the war that had arrived in their own backyard. Activities that Izetbegovic, then, undertaken mainly were facing the international community and world public. Already on 6 May the B&H Presidency negotiated the appearance of Foreign Minister Haris Silajdzic in Helsinki (Finland) at the meeting of the CSCE (later OSCE).

On 12 May 1992, the illegally formed Serb Assembly adopted 6 strategic goals of the Serbian people in Bosnia and Herzegovina: the separation from the other two nations in B&H, creation of a corridor between Semberija and Krajina, elimination of the Drina as a border separating Serbian States, establishing borders on the Una and Neretva, division of Sarajevo into Serb and Bosnian parts and exit of RS on sea. It was clear, even to General Mladic that it can be achieved only through genocide. “We cannot cleanse nor can we have a sieve to sift and only Serbs to remain or Serbs to fall down and others to go”, said to representatives discussing these six points and said emphatically: “(...) I do not know how Mr. Krajisnik and Mr Karadzic will explain it to the world. That is, people, genocide”.

On May 22, 1992 during the midst of the escalation of tensions B&H was admitted to the United Nations, and at the end of the month, the Security

Council adopted a resolution (Resolution 752), which condemned the aggression of Serbia and Montenegro (FRY) on Bosnia and Herzegovina. Domestically, the Presidency tried to connect patriotic forces in a united front so measures were undertaken to secure the representation of all pro-Bosnian political parties in the government. On June 15, 1992 'government of national unity' was formed, as Izetebegović called it, with Jure Pelivan as a Prime Minister. Four days later, Presidency declared a state of war in Bosnia and Herzegovina. On June 26, 1992 B&H adopted *The Platform of the Presidency*, a document which had to prove ourselves and to the world that the leaders of Bosnia are defending values of freedom, democracy and human rights. For Izetbegovic this act remained only on paper because "the ideals of this lofty declaration collided with brutal force on the ground and in the world that was more indifferent than in favor. The force did not win, but they are not ideals" (Izetbegović, Alija 2005).

In September began the conference in Geneva and after almost two months (27 October), the Finnish diplomat Martti Ahtisaari, who was head of the special working group, offered the document *Possible Constitutional Structure of Bosnia and Herzegovina*. The basic guidelines of this document noted that it is necessary to reject the model which is based on three separate state based on ethnic principles, while the compromise is found in the fact that the central government has only those powers that are necessary for the functioning of the state. Ethnic concept at the end won and all negotiations from December 1992, become negotiations of national leaders. It mostly wasted Bosnia and Herzegovina as a state, but, over the wishes of Croat and, in particular, the Serb side, respectively, pragmatism of international factors, inevitably accepted the ethnic political concept.

By the beginning of 1993 on the ground war was in worst stage. The international community attempted to find peace solution through negotiations in Geneva offering Vance-Owen Peace Plan. After failure of this plan due to the rejection of the Serb delegation, war conditions became terrible. In Summer 1993, probably was the most dangerous period in Bosnian history considering its possibility to survive. The new opportunity for peace process emerged when Andrei Kozyrev, the Russian Foreign Minister, convened a meeting of the UN Security Council for the purpose of deployment of troops in "security zones" (Srebrenica, Zepa, Gorazde, Sarajevo, Tuzla and Bihac) that were newly created in order to protect Bosniak population, yet such actions created the ghettos. On 22 May 'Five' (USA, UK, France, Russia and Spain) has launched the so-called *Program* *of joint action*, which practically deny the Vance-Owen plan and launch a new diplomatic offensive (Bilić, Tuđman, 2005). Izetbegovic admired Germany, which did not participate in developing *The Program*. Its Defence Minister Volker Ruhe, *Program of joint action* called the 'moral disaster', while the German newspaper "Westdeutsche Zeitung" wrote that "Those who killed, persecuted and raped – won."

The French news agency, *France Press* found a document, which provided a constitutional position of B&H according to new peace plan, published in the Paris Le Figaro on 23 June in 1993. *Nine constitutional principles for Bosnia and Herzegovina*, as the document was entitled, provided the confederate ethnic division of B&H into three parts (Bilić, Tuđman, 2005). The second half of 1993 dominantly presented effort of the international community to finish war in B&H by giving to Croats and Serbs possibility to achieve their goals through the creation of tripartite B&H. As a result of these diplomatic experiments the Bosnian crisis was looming. In order to strengthen and consolidate the achieved level of negotiations, the co-chairs decided to calling politicians on the British carrier *Invincible*. The reason for this venture of 20 September was an attempt to finally resolve the issue of access to the sea, on which Izetbegovic has insisted (Silber, Little, 1996).

According to Izetbegovic's memoirs, he used Owen's great desire to come to an agreement to schedule the *Bosniak Sabor* on 27 and 28 September in Sarajevo and the session of the Assembly of Bosnia and Herzegovina after that. These two meetings have historical character for B&H and the Bosniak people. First, parliamentarians rejected the plan from *Invincible* and second, Bosniaks returned the old national name. During these days, Fikret Abdic, member of Bosnian Presidency decided to establish autonomous region in north western Bosnia and, through it, to punch Bosnian legal institutions (Mulaosmanović, 2013). Situation was very difficult during Winter 1993/4 but Bosnian Army became serious factor which forced the Croatian President Franjo Tuđman to make truce with Bosnian side.

The negotiations in Geneva were led by the Bosnian Prime Minister, Haris Silajdzic and the Croatian Foreign Minister, Mate Granic. On 10 February significant progress in the negotiations process was achieved, which according to Ivo Komsic, contributed to the final collapse of *The*

Plan of joint action (Owen-Stoltenberg plan). Perhaps the last pressure on the Croatian side was made by Pope John Paul II. During his visit to the Vatican in February Pope said to Granic that "at any costs it is necessary to stop conflicts of Croats and Bosniaks and conflicts of Catholicism and Islam (...)" (Komšić, 2006). On the March 1 1994, the Washington Treaty was signed and the Federation of B&H was formally established.

On 21 March 1994, under the mediation of Charles Redman parties began talking about the *Union* between the two republics and the ratio of 51:49. On 4 July in Geneva, the Contact Group has drawn up its own plan - *Proposal of the territorial-political organization of B&H*. They gave fifteen days to parties in B&H to vote on the proposal, with the message that the party that rejects the proposal would be sanctioned. Douglas Hurd, Claus Kinkel and Alain Juppe stressed that the plan reflects the unity of these countries, not only about the principle of territorial division of 51:49 per cent, but also on the specific demarcations as well as on the measures to be applied if the parties accept or reject the proposal. "The side which rejects the plan will be faced with a decisive response of the international community," said Kinkel. US Secretary of State Warren Christopher noted that the six ministers specifically discussed in detail what to do if the Bosnian Serbs do not accept the proposal of the Contact Group. "Sanctions will be increased," said Kozyrev, Russian envoy, and ultimately "will propose to the UN Security Council to lift the embargo on arms shipments to the Government of Bosnia and Herzegovina" (Bilić-Tuđman, 2005). However, this plan did not succeed. The genocide in Srebrenica (11.7.1995.) was a trigger for the international community, especially to USA to find solution for Bosnian crisis. Very important was the meeting of NATO and Russia in London on July 21 at which it was decided that Gorazde must be defended and most of the credit for this goes to Secretary of State Warren Christopher, who by the end was determined that the time was right to 'draw a line in the sand' alluding the speech Bush Sr. from 1990 to 1991 on Iraq (Holbrooke, 1998).

On 1 November 1995 delegations were gathered in Dayton, OH (military base Wright-Peterrson) where they began peaceful negotiations. After twenty days of hard negotiations the US President Clinton announced 'good news', claiming that an agreement will be signed. Speaking on this occasion Izetbegovic uttered his famous sentence: "This maybe isn't just peace but is more just than continuing the war. In the situation as it is, the world as it is, a better peace could not be achieved. God is our witness that we have done everything in our power to injustice for our people and our country is less". Reporter from Bosnian magazine Ljiljan asked Izetbegovic what he meant by 'The world as it is ...' He responded - a world in which is possible to take an unjust war and impose an unjust peace. The Dayton Agreement was signed in Paris on 14 December 1995 and in addition to the General Peace Agreement contained 11 annexes (Mulaosmanović, 2013).

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PART III

LAW REFORM IN BOSNIA AND HERZEGOVINA

BOSNIA AND HERZEGOVINA LAWS: ISSUES, OBSTACLES AND WAY FORWARD

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The Dayton Agreement (DPA) aimed to empower the government and its public administration as to create functional and democratic state in Bosnia and Herzegovina. However, DPA slowed down the decision-making processes and effectiveness of the state authorities. In particular, changes in the field of law, dealing with the fate of the country, could have been made earlier. Therefore, the common interest of the people of Bosnia and Herzegovina, regardless of their ethnicity, is to make serious legal reforms in order to replace the ineffective and expensive system that exists today. These changes depend on the willingness of Bosnian citizens to embrace and support these changes. The primary aim of this chapter is to argue that despite the difficulties in achieving these changes there is indeed a way forward as I have already stated in my title. Many fundamental issues, which seem to be obstacle towards progress, are in fact directly related to the law. This chapter, will in the legal terms, evaluate the current situation in the Bosnia and Herzegovina and propose relevant solutions.

The Need for Socio-psychological Consensus in the Law Reform

In any state laws are usually created according to already existing socio-political and cultural conditions of particular country. Aristotle believed that a state must take into consideration what is realistically possible when designing its political discourse and laws. He rightly stated: "We should consider not only what form of government is best, but also what is possible, not only from what government is best, but also what is possible and what is easily attainable by all" (Aristotle, *Politics*, 1288b; 37-39). From these conditions, further institutions and more specific policies can be developed.

The political system of contemporary Bosnia and Herzegovina was created in 1995 by the Dayton Agreement at the end of the aggression on Bosnia and Herzegovina. The current Constitution of Bosnia and Herzegovina was part of this Agreement, namely Annex 4. However, the Agreement was signed to ensure peace in the region and to form an interim period on temporarily basis between Bosniacs, Serbs and Croats. Contrary to the general statements in the SETA report saying that *“Dayton Agreement is consisted of terms that satisfied all three ethnic groups living in the country”* (Ekinci, 2014, p. 19) it was not voluntary, rather the opposite (see: Holbrooke, 1999), for Bosniacs who lost important part of the population and territories due to forced migration and massacres. Also, the DPA was the deal that had to be signed but it had hardly satisfied all involved conflicting parties. This Agreement, created by the good will of Bosniacs, gave the right to Serbs, who already had independent country (Serbia), to create a separate entity (Republic) within another country, and despite their demographical minority status, it gave Croatians totally equal administrative rights in the country. Since the structure weakened central authorities, it enabled Croatians to act semi-independent in the zones of the Croatian majority. Such unjust model was not seen in any part of the world, a model which will hardly hold together three people that fought against each other and even more to force them to act as a partners in same government (Izetbegović, 2000).

From an administrative perspective, this Bosniac majority country was subjected to 3 levels of partition: 1) The “Federation of Bosnia and Herzegovina” which was formed by Croatian and Bosniacs by Washington Agreement in 1994, and consisted of 10 cantons, 2) The “Republic of Srpska” populated by Serb majority after the war and 3) “Brčko District” which is held under the common supervision of Bosniacs, Croats and Serbs. Furthermore, each part has its own Constitution, legislative organs, government, flag and symbols, while all 3 constituent peoples have their own president that jointly represents them. This is additional factor that contributes to the deepening of the administrative chaos. Considering their structure all these regions were equipped to act as separate states. B&H’s political apparatus is perhaps one of the most complicated in the world. Bosnia has 3 presidents at the state level and 2 at entity level. There are 13 Prime Ministers; 1 state level, 2 entity level, and 10 more at the cantonal level. Overall, there are approximately 760 parliamentarians at the state, entity, and cantonal levels.

This temporary constitution was created to be merely transitional solution that was meant to only last for a limited time in post-war Bosnia and Herzegovina. It was meant to create the conditions necessary for a system that works, for economic development and growth, to heal war wounds, to meet the basic needs of social structure; and can be understood *only* as such. Today it is clear that the aforementioned complex structure, created by the DPA, the constitutional and legal structures, have not met Bosnian society's expectations. The Agreement itself should not be abolished or annulled, but it must be redesigned and improved according to the contemporary conditions Bosnia finds itself situated in. This does not cause only basic legal problems in the country on high levels of government; it has an impact on all other institutions and substructures of B&H. Because of the above-mentioned reasons there is an urgent need for public administration reform at all levels of B&H. Discussions on "restructuring and rearrangement" on all levels have been discussed since the initial beginning of establishment this current structure (Seizović, 2012, p. 428).

General Law Reform and the Opening of Decision-Making Paths

The functioning of a complex legal structure established by the DPA, primarily based on ethnic divisions, twenty years after the end of war is a miracle in itself. Such ineffective legal system and structure has been seen by most scholars and administrators alike as outdated, redundant, and unnecessarily complex (Gromes, 2011). The following example gives the best illustration of the overall systems complexity: education reform was taken as a starting point on a way for compliance with the European Higher Education Area (EHEA). B&H's harmonization with the Bologna system was meant to establish an efficient and modern system that everyone could agree upon. Despite that system, things function on a strange basis: Decision-making authorities have been divided into several structures and at several levels that easily creates jurisdiction overlaps that result in a dysfunctional system at the state level. The field of education in the Republic of Srpska is centralized and under full authority of this entity, while, in entity Federation of Bosnia and Herzegovina, besides Federal Ministry of Education that has coordinating role there are 10 cantonal ministries of education. In addition, Brčko District has its own ministry of education (Tanović, 2013, pp. 1-2). These 12 separate administrative units have exclusive rights in dealing with educational issues within their territory including the prescription of laws, and the adopting and implementation of separate budgets for education. At the level of Federation of B&H entity, the Federal Ministry of Education and Science undertake only the coordinating role of Cantonal Ministries of Education without any executive role. Since 2003, the Ministry of Civil

Affairs at state level is entrusted with a task of defining the educational strategy at the national and international level as well as the harmonization of strategy with entity authorities. Therefore, there is a need for consensus of totally 14 ministries of education for any law text in order to enter into force. It is difficult, and almost impossible to introduce any reforms in such complicated coordinating mechanism. If the administration made a system built on compromises and if closed for new things, it is unable to make consensus on crucial issues.

What Can Be Done Despite Dayton`s Constitutional System?

A serious public debate related to the administration established by the DPA should be initiated these days; however there is always the possibility of political and economic crisis that could cause further complications at this stage. Thus, considering all these issues as well as complex structure created by DPA it should not be neglected the fact that there is still a lot of work to accomplish in Bosnia-Herzegovina today. Regardless of ethnic or religious divisions within the Bosnian population, the citizens of Bosnia and Herzegovina need to agree that emphasis should be focused on the "common interest" of all in B&H. The political leaders in B&H, that are slowing down the progress on the common needs of the country and its' peoples, should overcome their disagreements by consulting general public opinion even including the consensus over certain issues. Bosnian peoples must be convinced that future reforms are of common interest for everyone in the country.

There are several justifications usually used by domestic authorities as well as Bosnian citizens in context of lacking the positive progress of Bosnian society in general, and in context of public administration functioning in particular. The first and foremost important argument used in above-mentioned context is the Bosnian Constitutional system itself. A complex, three-headed constitutional system is actually the most widespread excuse for any issue in Bosnia and Herzegovina. Without any doubt, this unique complex administration structure that is established on joint decision-making of country's three ethnicities just as it would in any other country in the world, is automatically interfering with work of government and administrative system. The second major justification used to legitimize obstacles for reforms is that Bosnia and Herzegovina suffered a devastating war. However, it has been clear that this tragic reality and its damaging results were not any greater than those experienced by Japan and Germany after the Second World War.

The absence of the motivation and belief that no change is possible represents the most important element, from psychological perspective, of broader social support for development and persisting on pessimistic approach mainly represented in lacking of hope in the future could be seen as the leading negative factor that results in declining of one community. As we might call obstacle that keeps peoples from believing in change, failure of past initiatives and the accumulation of bad trials, deters people from making the conversion attempts. In any society, in order to make progress, there is a need to create possibilities and opportunities for upcoming changes and revoking a positive perspective and attitudes within that specific society.

Today, widespread corruption remains a major problem throughout most of the world, especially in the realm of politics and public administration. However, this is not any type of excuse for such behavior. When looking at the World Transparency International's *'Corruption Perceptions Index'*, excluding the North America and Western Europe, Bosnia and Herzegovina is actually better positioned than some other more developed countries such as China, Russian Federation, Thailand, India, Venezuela, Argentina, Kazakhstan, Azerbaijan, or the other developing countries (See: CPI, 2014). Despite this, the growth rate of Bosnia and Herzegovina remains very low. Last but not least, an important justification could be emphasized "lottery logic" of domestic politicians, local representatives but of the society in general as well. The citizens of B&H have to learn that success and change comes with renunciation, a lot of efforts and huge amount of sweat, and not by chance.

Table 1. Postwar law changes initiatives in B&H

REFORM	DESCRIPTION	APPLICABLE LAW
Judicial Reform	- Reappointment of all judges and prosecutors. - Establishing High Judiciary and Prosecutorial Council - Establishing of Court of B&H - Establishing of Prosecutor's Office of B&H	-Law of the High Judiciary and Prosecutorial Council (2004) - Law on The Court of B&H (2000) - Law on the Prosecutors Office of B&H (2002)
Police Reform	- Reappointment of all police officers in B&H - Established Directorate for Coordination of polices bodies of B&H - Establishment of State Investigation and Protection Agency - Agency for the Prevention of Corruption and Coordination of the Fight against Corruption	- Law Directorate for Coordination of polices bodies of B&H (2008) - Law on State Investigation and Protection Agency (2004) - Law on the Agency for the Prevention of Corruption and Coordination of the Fight against Corruption (2009)
Sector of Defense Reform	- Establishing of Armed Forces of B&H	- Law on Defense of B&H (2005) - Law on the Service in Armed Forces of B&H (2005)
Education	The Bologna Process introduced in 2005	- State Framework Law on Higher Education (2007)
Fiscal Reform	- Establishment of Indirect Taxation Authority - Introduction on VAT (value added tax) - All payments to Single account	- Law on Indirect Taxation System (2003) - Law on VAT (2005) - Law on payments to Single account and the distribution of incomes (2004)
Security Reform	- Established Intelligence and Security Agency of Bosnia and Herzegovina	- Law on Intelligence and Security Agency of Bosnia and Herzegovina (2004)
Public Administration Reform	- Establish Civil Service Agency of Bosnia and Herzegovina - Establishing the Public Administration Coordinator's Office	- Law on Civil Servants of Bosnia and Herzegovina (2002) - Decision of Council of Ministers (2004)

Employment Law of Issues, Obstacles and Solutions

The unemployment rate in Bosnia and Herzegovina is very high and resolving it should be one of Bosnia's priorities in order to reduce the negative economic migration of Bosnian citizens, especially its most talented students and other members of the educated labor force.Several steps should be taken in order to make it feasible. It is necessary to reduce number of legal and bureaucratic obstacles for foreign investment in the country's capital and eliminating many obstacles blocking the way for the employment such is the reduction of taxes on employment, new approach policies towards employers and fostering opening new job possibilities. These changes should be made at institutional level that would involve B&H's parliament decisions and legislative changes based on the feedback from entrepreneurs. For instance, touristic and educational capacities, especially in context of foreign students in B&H that could represent a hub for economic development for the future of this country due to the lack of a clear tourism policy and a strict visa regime for more than a half of world. This creates mitigates exogenous sources of capital and other resources that could facilitate the development of Bosnia and Herzegovina. The country is economically stagnating because it is unable to set up solid ground to facilitate the export process of a small number of industrial, agriculture products as well as livestock. In addition, promotion of entrepreneurship in the country, encouragement of domestic production, and promotion of small and medium-sized investments providing tax incentives, could be a boost for creation of competitive environment in B&H, but in region as well.

Besides these pressing issues, the protection of human rights, improving the inefficient and often incompetent bureaucracy through the establishment of municipal services that ensure higher public participation and support, are common issues that nobody in the country can reasonably object to. Resolving a majority of these issues and the constant fight against corruption are strongly related to the legal reform. Beyond any doubt, the only address where any legal reforms in Bosnia and Herzegovina could be made is law and legal *"Acquis Communautaire"* (Ogurlu, 2015). This is the closest legal system where it is possible to achieve consensus. In order to work properly, old, complex and obstructed legal system that exists in the country has many topics to learn from the *"Acquis Communautaire"*. Law on education of European Union, preventing ethnic discrimination laws and conventions, cartelization, investment incentives and exports regulations; represent an important part to the solutions that are also applicable in Bosnia and Herzegovina.

The Reform of Public Administration is a Prerequisite for Success

Some of the basic features that can be directly regulated by the law and foster the development of this country in context of serious public administration reform in Bosnia and Herzegovina:

- The introduction of e-governance;
- The reduction of bureaucracy by simplifying of administrative procedures;
- Creating an educated civil service and improving the quality of existing civil servants;
- Requiring a Civil Service examination when selecting government employees as is commonly done in other European nations;
- Creating a more competitive economic environment;
- Privatizing many of the outdated socialist era policies thus paving the way for higher employment, tax reform, assessment of customs procedures and fares, ultimately facilitating in encouraging large scale foreign capital investment;
- The establishment of free trade zones;
- The restructuring of municipal services;
- The establishment of Techno-parks to encourage new technologies, researches and innovations.

The process of rebuilding the state within the framework of international supervision, the Police Reform was one of the four major reforms made in Bosnia and Herzegovina. This was done within the scope of European Union interests. The other reform initiatives are: Public Broadcasting Service Reform; Reform in Cooperation with International Criminal Tribunal for Former Yugoslavia and Public Administration Reform (Celador, 2009, pp. 231). Besides, the important initiatives regarding Education Reform were made while the education in Bosnia was aiming at establishment of the elements on the European standards, legal regulations and important steps about the building institutional capacities have been taken. The general framework of education at the state level had been accepted step-by-step between year 2004 and 2008. These included: a Draft of Law on Preschool Education, Secondary Vocational Education, State Framework Law on Higher Education and Law on Preschool, Primary and Secondary Education. Strategy Guide (Strategic Directions for the Development of Education in B&H with the Implementation Plan 2008 - 2015) contributed significantly to the realization of all these reforms at the State level as well as for the development of education for the period 2008-2015. The purpose of all these reform efforts is full membership commitment to the European Union.

Indeed, the planned administration reform these days should be implemented in its full capacity in Bosnia and Herzegovina. In fact, the great majority of peoples' critics about the state and government are related to the problems at lower levels of public administration.

Administrative Procedural Law (APL)

Administrative Procedural Law (APL) is one of the crucial subjects of contemporary administrative law. APL regulates all the procedural law related to procedures, processes, applications, petitions, time limits etc., for the sake of reducing bureaucracy and facilitating the administrative procedures (Ogurlu, 2005). This is a very important issue of all countries regardless of being a developed or developing countries. This is also important for B&H even more than other countries because of constitutional structure of the state.

Many national and international reports on Public Administration of B&H describes it as: "dysfunctional, inefficient, outdated, cumbersome, corrupted," beside divided administrative levels. However, for a transparent, effective and coherent administration, a single procedural law in B&H is highly needed, complying with common European administrative decision-making standards since the administration of the country divided into the several administrative levels which produce problems (Seizović, 2012. p. 426).

E-Government in B&H

Information and communication technologies through Internet restructured classical government concepts. Thus, public administrations operated and functioned through those new tools. Restructuring public administration with the facilities of e-government provide optimization, efficiency, productivity, accountability and transparency (Ogurlu, 2014, p. 17).

There are two steps for establishing of infrastructure of e-government in B&H. Firstly, Decision on Electronic Operations and e-Government in the Council of Ministers of Bosnia and Herzegovina (Official Gazette of Bosnia and Herzegovina, OG, No. 7/10) December 2009. The decision of the Council of Ministers of B&H regulates electronic activities related to clients, "equipment use, documents handling, communications with clients and other public entities and performing clerical tasks" in addition to main rules of e-Government. Secondly, after one year, in November 2010, The Council of Ministers decided on "the Communication Strategy and Action Plan" also. This plan includes improving web pages and on-line communication in administration, connecting Council of Ministers' institutions under one intranet system (Seizović, 2012, pp. 419-420).

New Concept of Municipality

The establishment of new municipal services that will strengthen conversion of public administration and ensure understandable public involvement and support are issues upon which everyone can agree regardless of the country's past. The appearance of new understanding of the municipality in Europe after 1945 played an important role in settling the countries on their feet after the war. In the 1970s, Scandinavian countries that were generating their own resources in the municipality and were offering onsite services could be used as a role model. The present day municipalities passed beyond the garbage collection and urban planning. By providing resources and turning produced supplies into service and offering them to the people in their own purview, it was turned into an active component. For Instance, in past 20 years Turkey has reached a stage to be taken as one of the best examples of municipality organization in the world. The municipalities that started by creating small resources, today came to the point where they produce gigantic mega-projects in metropolises.

It is possible to make local units more active than current ones if "more particular administrative reform" in Bosnia and Herzegovina was to be made in a way to transform municipalities into more autonomous and faster decision making units capable of generating its own resources with administration that will be hard-working and success-focused in accordance to the word given to local community during elections. Within this, it is necessary to establish more modern, reasonable, flexible Municipality laws and regulations that will support it in order to increase the competence of the resources produced by municipalities.

Concluding Remarks

Improving the outdated Dayton and constitutional reform are crucial and indispensible for the future of B&H. I would like to emphasize that I am only calling for *improvements* of the Dayton, not the *abrogation* of it. This will re-open closed legal structures, bureaucracy and processes from top to down. Furthermore, the examples from successful models developed by the neighboring countries that are appropriate for the society in Bosnia and Herzegovina should be implemented. Even though, that each country has its own local differences and conditions it should not be an excuse for following the positive path established by the other countries. For example, examining the Macedonian Law for successful administrative reforms in Macedonia could be beneficial for Bosnian legislation as well. The possibility to set up company within one or two days in Macedonia and Montenegro should also be implemented in Bosnia and Herzegovina. When it comes to higher taxes and fees when establishing new companies, the country should be following the ratios of entity RS that is found within reasonable rates.

The encouragement of foreign investments together with simplification of visa procedure for foreigners such as in Macedonian legislation and application of similar would be extremely beneficial. Furthermore, it should be realized that issues such as tourism legislation, establishment of foundation and private universities and their monitoring legislation, banking legislation, land acquisition by foreigners, supporting farmers and their promotion, private hospitals, practice in areas such as e-municipality could be taken from the Turkish legislation as well.

In the context of development perspective and full membership to the European Union, the reforms required by the European Union must be conducted. The way to achieve this is in an expedient manner to introduce a stronger management structure that can make decisions quickly. Thus, changing the Constitution and thereby making more centralized authorities is necessary prerequisite for previous step. For this purpose, the pressure and guidance by the international powers is essential. In terms of constitutional amendments the state institutions of Bosnia and Herzegovina and Parliament, means the decision-making mechanisms, do not work properly or they operate too slowly. Initiatives about certain topics should be taken by the High Representative, especially *"Acquis Communautaire"* and even its affiliated issues. Political leaders and regional leaders must be the preventer in disputes rather than being problem solvers after the disputes occur.

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PART IV

BANKING SECTOR IN BOSNIA AND HERZEGOVINA

BANKING SECTOR IN BOSNIA AND HERZEGOVINA: TRENDS AND OUTLOOK

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The banking sector in Bosnia and Herzegovina certainly represents today one of the most developed industries. This developing trend is partially due to global banking groups that brought the best-practice solutions to the banking sector to Bosnia and Herzegovina. The aim of this chapter is to describe the evolution of the Bosnian banking sector in the past two decades. The development of the banking system may be split into four phases: Socialism 1945-1991; war period and crisis from 1992 – 1999; a strong growth phase in the period from 2000-2007; and a moderate growth and stagnation phase from 2008-2015. Each of these phases will be described and their main determinants identified. The sources of funds and ownership structure of local banks will then be discussed. The banking sector's outlook for 2015-2022 will be described in the last section. Conclusion summarizes shortly the article and brings most important findings.

Bosnia's financial system is extremely bank-centric. The local capital market is in its infancy, making the role of the banks even stronger. Investment funds and leasing companies have lost their strength as a result of global economic crisis, particularly in their importance within the financial system. The insurance industry share is stable. As we can see in Table 1, the banking sector dominates financial services. In 2005, investment funds had relatively high share of 11.54% of total financial services; this may be explained by strong economic growth in the country followed by high level of local and foreign investments. The global financial crisis resulted in the fall of stock market values globally, which was strongly felt in Bosnia. After the stock market bubble reached its maximum level in 2007, stock market values rose by four times compared to the beginning of 2006. The crisis reduced stock market values by six times at the start of

2009 (Sarajevo Stock Exchange, Banja Luka Stock Exchange Databases). The share of investment funds in 2014 was only 3.02%. The share of Insurance companies has been relatively stable throughout the period and stood at around 4-5%, except for year 2008, when it was 3.45% as a result of the bubble economy and too large shares of micro-credit organizations and leasing companies. At the same time, the banking sector strengthened its share, increasing from 78.26% in 2005 to 87.35% in 2014. Overall, the financial system became even more bank-centric because of global financial crisis.

Table 1 Financial services sector in B&H 2005-2014

	2005	**share**	**2008**	**Share**	**2014**	**Share**
Banks	12.156	78,26%	20.821	80,82%	22.821	87,35%
Investment funds	1.792	11,54%	1.242	4,82%	790	3,02%
Insurance and reinsurance companies	676	4,35%	889	3,45%	1.356	5,19%
Microcredit organizations	344	2,21%	1.210	4,70%	646	2,47%
Leasing companies	564	3,63%	1.600	6,21%	512	1,96%

Source: Statistics of insurance sector in B&H, Yearly Reports (2007 - 2014)

Historical Overview of the Bosnian Banking Sector

The banking system of Bosnia and Herzegovina was a part of Yugoslav financial system and had a long record of reforms from 1945-1992. In the first stage, the banking system was centralized with the existence of a mono-bank system in which the National Bank of Yugoslavia functioned as a central bank and as a commercial bank. In 1954, the mono-bank system was abandoned with the introduction of a self-management system in the economy. In the new banking system, local communal banks, local cooperative savings institutions and post-office savings banks were founded while central bank was the supervisory authority. In the final stage of reforms that took place from 1974-76, a three-tier financial system was introduced consisting of national central bank, the Social Accounting Service which operated the payment mechanism and various commercial banks. An interesting part of the reform allowed companies to become founders of banks and simultaneously their net borrowers (Green and Petrick, 2002).

During the period from 1992 to 1999 the strongest commercial banks in Bosnia came from Belgrade, due to the centralized economic system of Ex-Yugoslavia. Another came from Ljubljana, Slovenia. In addition, several local banks worked within large company systems, but they were not allowed to do any business with external business partners, except for the companies within their business system. Shortly before the war, the banks from Belgrade and Ljubljana withdrew money from the country and became illiquid at the start of war. Upon the outbreak of the war, from 1992-1993, a new banking law was introduced to allow all local banks to make payment transactions, while former "company" banks got a license to work with external parties. During the war, the banks continued to work mostly with payment transactions within the country, and some international payments.

The largest impact of war on the banking sector, besides destruction of the banks and collapse of companies and the overall economy, was the lost confidence of retail depositors in the banking sector. Significant retail deposits were placed with Ljubljanska Banka; ultimately, the bank decided not to pay out deposits to owners outside of Slovenia. The legal case was finally resolved by the European Court for Human Right Justice, Strassbourg, France in 2014. The court ordered Slovenia to pay out depositors, but the decision has not been enforced yet. Therefore, reviving confidence in the banking system was a large obstacle for banks, as deposits were held "under the pillow." Official statistics for the banking sector from 1992 – 1996, a time frame that parallels wartime in Bosnia, are not available. In Table 3: *The Largest Sources of Funds of the banks in Bosnia and Herzegovina 1997 – 2014;* we see how low retail and corporate deposits were shortly after the war in 1997. Today, confidence in the banking system has returned, but there are funds outside of the system that will never be attracted back.

Besides a low funding base and inadequate maturity structure of funds (most of the funds were short-term), this period was marked byalarge number of banks. The regulatory minimum capital requirements were quite low, and this allowed for the formation of small banks with suspicious ownership structure, personnel with inadequate banking skills and experience, and poor technical skills.

The strong-growth phase from 2000-2007 signified the foundation of the Bosnian Central Bank and its currency board system, pegged to the Euro, signaled a stable currency to investors and market participants.

Most local businesses operate with European economic partners, and this reduces currency-related risks. However, certain industries are sensitive to currency risks posed by American dollars. Regulatory framework for the banking sector supervision was developed in this period with the support of United States Agency for International Development (USAID) that ensured the quality of the regulations. The banking sector in the post-war period played an important role in the economic development of the country. The country's strong GDP growth in specific periods corresponds with the growth of banking sector assets. A correlation analysis of GDP vs. loans, deposits and banking assets implies an almost perfect correlation of 1 from 1997-2014, which strongly supports the thesis that the banking sector had an important role in the economic recovery and development of post-war Bosnia and Herzegovina.

An annual growth rate (CAGR) of the banking sector assets from 2000-2007 amounted to 23.6%, which may be considered a Strong Growth Phase. This period was marked with optimism resulting from external and internal factors. External factors were the saturated markets and free sources available in the EU. In this period, low-cost deposits and credit lines from parent banks and international financial institutions were available to local banks. This significantly boosted growth in local banks' banking assets. Bosnia's local stock market experienced strong growth, in which locals and foreigners invested in local investment funds and publicly-listed companies very intensively. Some local banks were prepared to go public (for instance, Fima Banka, owned by local and Croatian investors, was prepared to raise capital through the stock exchange—unprecedented in the Federation's banking sector).

Financial-deepening of the economy measured as GDP to total assets ratio of the banking sector increased from 36% in 2000 to 90% in 2007. The general trend in developed economies for this benchmark was 50-100% in 1986, and it dramatically increased to 100-230% in 2009 (Hawksworth and Niven, 2011).

Table 2: Financial deepening of the economy of B&H 1998 – 2007

Figures in '000 E	No of Banks	Nominal GDP	Total Assets	Total Loans	Assets/GDP	Loan/GDP	NPL ratio (%)	Return on assets (%)	Return on equity (%)	Liquid assets to total assets (%)
1998		**9.219**	3.733	**2.921**	40%	**32%**				
1999		**10.571**	3.904	**2.781**	37%	**26%**				
2000	55	**11.790**	4.265	**3.017**	36%	**26%**	21,2	**-1,8**	-7,0	**37,3**
2001	48	**12.641**	5.575	**3.339**	44%	**26%**	17,9	**-1,1**	-4,8	**44,6**
2002	40	**13.946**	6.345	**4.281**	45%	**31%**	11,0	**-0,3**	-2,0	**33,8**
2003	36	**14.690**	7.688	**5.122**	52%	**35%**	8,4	**0,4**	3,4	**35,1**
2004	33	**15.998**	9.400	**5.927**	59%	**37%**	6,1	**0,7**	5,8	**35,7**
2005	33	**17.198**	11.875	**7.544**	69%	**44%**	5,3	**0,7**	6,2	**36,1**
2006	32	**19.426**	14.750	**9.199**	76%	**47%**	4,0	**0,9**	8,4	**35,9**
2007	32	**21.896**	19.603	**11.851**	90%	**54%**	3,0	**0,8**	8,6	**37,7**

Source: Central Bank B&H statistics web portal, IMF World Economic Database

Besides strong growth and increase of financial-deepening ratios, this post-war period also marked intense consolidation of the banking sector in which the number of banks reduced from 55 to 32 as shown in Table 2. The banks were either sold, or had to be liquidated in the process of insolvency. Therefore, this period was marked with an intense merger and restructuring period lead by international banking groups. This had one positive outcome of bringing international best practice banking solutions to the local market, and as a result, improving the quality of service in the local banking sector and significantly improving efficiency ratios through increasing economy of scale effects. Key performance ratios significantly improved: ROA rose from -1.8% in 2000 to 0.8% in 2007, ROE rose from -7% in 2000 to 8.6% in 2007, while at the same time banks' liquidity (measured by liquid assets to total assets ratio) remained unchanged at 37%. NPL improved from 21.2% in 2000 to 3% in 2007. Such a fall of NPL ratio may be explained by a very strong growth phase of the volume of loans, which rose by four times in this period. On the other hand, the period was too brief for loans to default.

The global economic crisis strongly affected the local economy and the banking sector. In the period from 2008-2014, the annual growth rate (CAGR) of the banking sector assets was extremely low and amounted to only 2.2%. The consolidation of the banking sector continued, and in this period the number of banks fell from 32 to 26 both through local mergers and liquidation. Financial deepening ratios, when measured by assets to GDP, remained at 90%, while loan to GDP ratios rose from 54% to 62%. There is still considerable room for growth of the banking sector when taking into account financial deepening ratios. On the other hand, profitability ratios varied from year to year, reflecting the global economic crisis and low domestic economy growth effect. Liquidity worsened continuously and fell from 30% in 2008 to 26.8% in 2014. However, the liquidity ratio is still within normal levels and implies room for further loan growth. The data for the end of 2015 are not available yet, but based on the inter-year results, the trends from previous years should not change significantly.

The sector's NPL ratio rose from 3.1% in 2008 to 14.2% in 2014 as a result of poor economic growth and a crisis in certain sectors of the economy. When compared with regional economies in Bulgaria, Croatia, Slovenia and Serbia (where NPL ratio ranges from 18 – 24%), the NPL ratio in Bosnia is lower (Papa and Carluzzo, 2015). From a behavioral economics perspective, this may be explained by psychological factors and the mentality of Bosnian people who are generally more risk-averse, both in business and private financial management. However, the ideal NPL ratio of 5% is still to be achieved in the forthcoming period. This period demonstrated the banking sector's strong dependence on funding from abroad. Most of foreign sources of funds came from the EU. The same is true for the region of Southeast Europe and Central and Eastern Europe. The sources of funds from local banks changed tremendously during the stagnation phase of banking sector growth. The details of this important issue are discussed in the next section.

Table 3 Financial deepening of the economy of B&H 2008 – 2014

Figures in '000 E	No of Banks	Nominal GDP	Total Assets	Total Loans	Assets/GDP	Loan/GDP	NPL ratio (%)	Return on assets (%)	Return on equity (%)	Liquid assets to total assets (%)
2008	30	**24.984**	21.118	**14.509**	85%	**58%**	3,1	**0,4**	4,2	**30,0**
2009	30	**24.307**	21.010	**14.050**	86%	**58%**	5,9	**0,1**	0,8	**30,9**
2010	29	**24.879**	21.178	**14.543**	85%	**58%**	11,4	**-0,6**	-5,5	**29,0**
2011	29	**25.772**	21.898	**15.311**	85%	**59%**	11,8	**0,7**	5,8	**27,2**
2012	28	**25.734**	22.325	**15.942**	87%	**62%**	13,5	**0,6**	4,9	**25,4**
2013	27	**26.262**	23.446	**16.405**	89%	**62%**	15,1	**-0,2**	-1,4	**26,4**
2014	26	**27.321**	24.469	**16.888**	90%	**62%**	14,2	**0,7**	5,2	**26,8**

Sources of Funds

According to a *Unicredit* Banking Study in 2015, 34 billion EURO of external funds, consisting mostly of parent banks' funding, were withdrawn from Central and Eastern Europe's (CEE) banks from 2008-2013. These funds were replaced by local deposits and capital. Thus, the outcome of the crisis in CEE was a sustainable funding model that was less vulnerable to risks associated with external sources of funds. The external liabilities to total assets ratio in CEE in this period fell from 21%

in 2008 to 13.5% in 2014 (Papa and Carluzzo, 2015). The effect of external funding withdrawal was more pronounced in Bosnia than in other CEE countries, where the external liabilities/total assets ratio fell from 30.7% in 2008 to 13.7% in 2014, as shown in Table 4: The Largest Sources of Funds of the banks in Bosnia and Herzegovina 1997 – 2015. At the same time, an external funding ratio of 45.4% in 1997 shows that almost half of banking assets were funded by external liabilities; this presented the most significant source of banking assets shortly after the war. In 2008, 30.1% of Bosnian banking assets was funded by external liabilities, which was still extremely high. As of July 2015, Bosnia's external liabilities to total assets ratio was 12.7% and was lower than the CEE average of 13.5%. Taking into consideration the low banking assets growth in Bosnia and Herzegovina from 2018-2014, one may conclude that the reduction of external funding had significant impact on the banking sector and the economic development of the country.

Table 4 - The largest sources of funds of the banks in B&H 1997–2015 (Figures in '000 BAM)

Date	Public institutions & companies	Private companies deposits	Retail deposits	Other deposits	External Funding	External Funding/Total assets
1997	639,9	378,7	273,4	90,4	1.513,8	45,4%
2000	655,1	546,4	522,5	229,8	1.577,1	37,0%
2007	4.336,51	2.320,23	5.165,97	264,51	5.165,70	26,4%
2008	3.833,02	2.544,02	5.205,84	292,22	6.361,90	30,1%
2014	2.610,89	3.329,29	9.042,04	393,85	3.363,10	13,7%
July 2015	2.542,29	3.243,37	9.560,32	409,85	2.999,40	12,2%
net growth 2000/2007	3.681,38	1.773,88	4.643,51	34,74	3.588,60	
net growth 2008/2015	-1.290,73	699,35	4.354,48	117,63	-3.362,50	

Source: Central Bank B&H statistics web portal & authors calculations

By analyzing the table above, one can note that deposits in the post-war period were at extremely low levels for both local companies and private customers. This low deposit base may be explained by a very low level economic activity in the post-war period due to the physical and organizational destruction of local companies and lost confidence in the banking sector. Furthermore, before the war, significant retail deposits were placed with Ljubljanska Banka, a bank with its headquarters in Slovenia and branches in all ex-Yugoslav republics. This bank decided not to pay out deposits to account-holders outside of Slovenia.

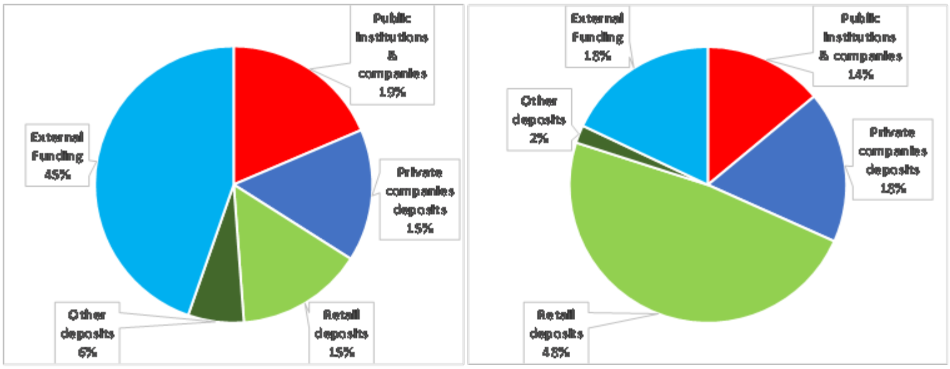
However, the formation of a Central Bank based on a currency board principle was important in creating monetary stability. In addition, the arrival of Austrian banks into the banking market helped bolster the confidence of private customers and increasing local saving deposits. As a result, one may see an extraordinary growth of private customer deposits by 4.5 bn KM in the period from 2000-2007. Furthermore, public institutions and companies deposits rose by 3.7 bn KM in this period. Significant part of public institutions deposits arises from the privatization of the Public Telekom Company in entity RS amounting to 1.4 bn BAM in 2007. Private nonfinancial companies raised their deposits by 1.8bn KM. Foreign liabilities in this period rose by 3.6 bn and created one of the largest sources of funds of local banks. Foreign liabilities comprised mostly deposits and credit lines from parent companies of local banks and credit lines from international financial institutions, like the World Bank, aimed at strengthening local companies. Foreign liabilities reached their peak value at the end of 2008, which amounted to 6.361 m BAM.

The world economic crisis had an important impact on external funding of the banks, which fell to 3.363 m BAM in 2014. In 2008-2009, the European Bank for Reconstruction and Development (EBRD), the IMF, the European Commission, and other international financial institutions initiated a so-called Vienna agreement. As part of the Vienna Initiative, Western European banks signed country-specific commitment letters in which they pledged to maintain exposures and to support their subsidiaries in Central and Eastern Europe (De Haas et al. 2012). This certainly helped prevent immediate spill-over effects of the financial crisis and expansion of a larger banking panic. However, one may see that in the period that followed, the Western banks strongly reduced their CEE exposure and significantly reduced their risk appetite.

With the collapse of Lehman Brothers in autumn 2008, and a liquidity crisis in the European banking market, a bank-run took place in Bosnia. In four months, retail depositors withdrew 700m KM from their bank accounts, reducing the retail deposits by 11% in this short period. However, banks in Bosnia were highly liquid, and this has not produced any undesired consequences. Deposits gradually came back to the financial system in the following year. In 2014, one may see that the largest source of funds came from retail deposits, which reached 9.042 m BAM--almost three times larger than foreign liabilities of 3,363.1m BAM, and more than three times larger than private companies' deposits. Public institutions and companies deposits amounted to 2.610 m KM. They present the third largest source of funding for the local banking sector. The Graph 1 Structure of the Sources of Funds of the Bosnian Banking Sector shows how this position tremendously changed from 2000 to 2014.

Graph 1 Structure of the sources of funds of the Bosnian banking sector

a) 2000 b) 2014



Source: Central Bank B&H statistics web portal & author's calculations

From 2012-2015, a new trend emerged with new credit lines coming from the non-EU countries. Turkish Ziraat Bank provided a credit-line to Turkish Ziraat Bank in Bosnia and Bosna Bank International (BBI), amounting to 150 million EURO (293 million KM). On the other hand, the largest group of Bosnian bank capital owners are from the EU, which was strongly hit by the crisis. A new regulatory framework in the banking sector imposed by Basel II and Basel III regulations affected local banks, which reduced their risk appetite and growth potential. Most large banks significantly reduced their lending to corporate customers. Nevertheless, the worsening quality of nonperforming loans in the banking sector and absence of new and attractive corporate projects additionally affected the appetite of the banks to take more risk. The result was that corporate departments were downsized in favor of larger risk departments and workout and restructuring departments. Therefore, the trend of attracting credit lines from non-EU countries is of great importance for the Bosnian banking sector.

Ownership structure 2000-2014

The economic and political impact on Bosnia and Herzegovina from the region and the world can be analyzed through the banking sector's condition. The ownership structure of Bosnian banks has significantly changed throughout this period. To analyze changes in shareholder structure of the banking sector in Bosnia and Herzegovina, the ownership structure has been evaluated over a period from 31.12.2000 to 31.12.2014. In 2000, 47% of the shareholding equity was held by the State, 28% of capital was domestic-private, and 26% foreign-private capital. As of 31.12.2014, foreign-private capital was 82%, domestic-private capital 14%, while the State only had a 4% share. During this period, foreign-private capital overtook most State capital, while the domestic-private capital share decreased by 50%. Given the capital structure in 2014, one may conclude that the majority of the banking sector is controlled from abroad. This invites a deeper analysis of foreign equity holdings as of 31.12.2014, which is made below.

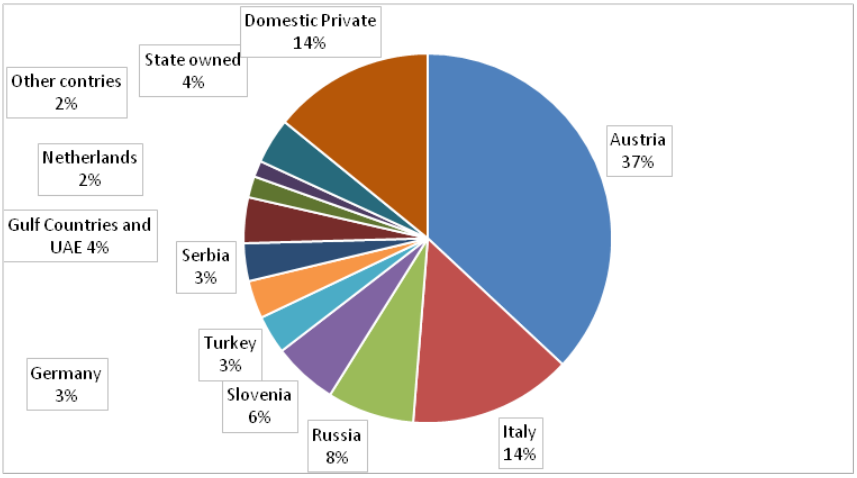
Table 3: The structure of shareholding capital of the Bosnian banking sector as of 31.12.2000 and 31.12.2014

Figures in '000 KM	shareholder ownership		31.12.2000		31.12.2014
Federation of Bosnia and Herzegovina	state capital	220.847	43%	32.364	4%
	domestic private	159.325	31%	1.038.832	14%
	foregin private	135.201	26%	162.354	82%
	total	515.373		1.233.550	
Republika Srpska	state capital	85.807	60%	40.000	7%
	foregin private	9.765	7%	451.048	77%
	domestic private	47.182	33%	93.406	16%
	total	142.754		584.454	
Bosnia and Herzegovina	state capital	306.654	47%	72.364	4%
	foregin private	169.090	26%	1.489.880	82%
	domestic private	182.383	28%	255.760	14%
		658.127		1.818.004	

Source: Banking Agency of Federation of B&H, Banking Agency of RS and own calculations

In the graph below, the ownership structure of Banks in Bosnia and Herzegovina was shown as of 31.12.2014. As one can see, Banks from Austria are the largest shareholder in the local banking sector, holding 38% of the shareholding capital. The second largest Shareholder is Italy, and the third largest shareholder is Russia. Banks from the EU hold 65% of the capital of Bosnian banks, while non- EU countries hold 17% of capital. The domestic-private capital share is 14%, while State-owned capital is 4%. The Russian portion of capital is actually being controlled from the head office of Sberbank in Vienna, further indication that most bank capital is controlled from the EU and this increases EU shareholdings to 73%.

Graph 2: Structure of foreign capital ownership of the Bosnian banking sector as of 31.12.2014



Source: Banking Agency of Federation of B&H, Banking Agency of RS and authors calculations

Strong economic ties with Austria were built during the Austro-Hungarian Monarchy from 1978-1814. Investors coming from Italy are mostly due to inflows from Unicredit, the global banking group with its main office in Milan, Italy. Besides *Unicredit*, *Intesa Sanpaolo*, with a head office in Torino, Italy, has shares in the Bosnian banking sector.

The banking sector is mainly owned and depends from foreign private capital, which implies that many important economic decisions are made outside of Bosnia and Herzegovina. Setting up business strategies and lending policies are often done outside of country, which makes it highly dependent on external parties. Setting business strategies abroad might not have the best effect on the development of the local economy. This calls for the need to strengthen local State banks and local private banks' roles.

Future Outlook and Prospects (2015-2022)

Bosnia's economic outlook is positive; GDP growth rates of 3-4% are expected in the long term (IMF World Economic Database). With the country's progress towards EU integration and structural reforms, the growth outlook could even improve with diminished political tensions. Industries with highest potential in the future growth of the country are infrastructure development, the automotive industry, agriculture, tourism, information technology and education.

The role of the banks in the financial system will remain strong, but slightly diminish due to the increased size of the insurance sector and investment funds. With pension reform, private pension funds will be introduced and the share of investment funds will increase. In terms of the number of banks further consolidation of the banking sector will continue. Several domestic private banks are expected to merge into one bank, and the state will strengthen the role of state banks. This will improve the profitability and efficiency of the banking sector. Project finance is expected to gain importance, due to the inflow of foreign investments that start new business.

Some large banking groups from the EU present in the market have announced rescaling and reduction of their operations globally, including Bosnia and Herzegovina. On the other hand, the growth of the banks originating from non-EU countries will continue, and new banks can come from the East (Turkey, Russia, China and the Middle East). This will impact the ownership structure of banks. Furthermore, Ziraat Participation Bank, based on Islamic Banking Principles, has been granted permission to operate in participation banking in Turkey; this bank already has experience in the Bosnian market through *Turkish Ziraat Bank*. The introduction of their daughter company in Bosnia is very likely, and this would increase the market share of Islamic Banking. Further inclusion of Islamic Banking into Bosnian financial system regulations would potentially attract further newcomers.

With increased economic growth and new funds and credit lines available, the NPL ratio should reduce. Asset growth in the banking sector would improve and range between 5-10%. Increased usage of IT and e-solutions in the Banking will slightly impact the strategy of banks and reduce the need for new branches. However, traditional banking will remain a core business.

Conclusion

The banking sector of Bosnia and Herzegovina went through turbulent times depending on macroeconomic, social and political conditions of the country. Based on an analysis of economic growth and the banking sector's key performance indicators, three different business cycle trends lasting for seven years were identified.. The banking sector played a crucial role in the economic development of Bosnia and Herzegovina in the post-war period, and may be considered one of the main pillars of the economy. The takeover of state banks positively impacted the quality of services in the banking sector and improved financial deepening ratios.

The health of economies depends on the level of development of small and medium enterprises. The financial crisis reduced an access to funds for these companies to even lower levels. The trend of attracting funds from non-EU economies appeared to be very important for the economic growth of the country. Bosnia's economic outlook from 2015-2022 is positive, assuming further progress towards EU Integrations. Industries with highest potential in the future are infrastructure development, the automotive industry, agriculture, tourism, information technology and education. Strengthening of the state's role and the role of local private banks on key economic industries seems to be important to further growth and development of the economy and the banking sector in the long term. Furthermore, diversifying sources of funds and attracting of funds from different parts of the world and countries with higher economic growth are very important for the sustainable growth of the economy.

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LEGAL ACCOMMODATION OF ISLAMIC BANKING IN BOSNIA AND HERZEGOVINA[1]

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Islamic banking and finance is a relatively new phenomenon in comparison with conventional banking that is much more common in the world today. Nevertheless, the exponential and double-digit compound annual growth of Islamic banking and finance over the last three decades has caught the attention of the major banking and finance players all over the world. It is estimated that the current market size of the Islamic banking and finance ranges from USD 1.66 trillion to USD 2.1 trillion (Laldin, 2016, p. 6). It is also expected that the number will grow to USD 3.4 trillion by the end of 2018 (Laldin, 2016). Most of the Islamic banking and finance assets are concentrated in the Middle East and Asia but other emerging markets are also showing promising future growth and prospects, particularly markets in Europe given some recent developments and initiatives undertaken by a few European countries (IFSB, *Islamic Financial Services Industry Stability Report 2015*, pp. 7-8). The Islamic banking sector, in particular, is the largest segment of the global Islamic finance industry with total assets amounting to around USD 1.7 trillion in 2014 (Bank Negara Malaysia, 2014 – *A Landmark Year for Global Islamic Finance Industry*, p. 7). It continues to have an impressive growth rate not only in the mature Islamic banking markets like the GCC and markets in the Asian regions, but the same growth can also be seen in Europe. Besides the presence of the existing Islamic banks in some of the European countries, there are plans to establish Eurozone's first full-fledge Islamic bank in Luxembourg offering *Shari'ah* compliant retail, corporate and private banking services in the region (IFSB, *ibid*, p. 15). It is also said that the bank will have its branches in Belgium, France, Germany, and the Netherlands (IFSB, *ibid*, p. 15).

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One of the main causes of the exponential growth of Islamic banking and finance all over the world is Islamic socio-economic dimension of wealth building through well accepted ethical and economic norms stipulated by *Shari'ah* (See: Abu Backer, 2009; Baksic, 2001; Kamali, 2008). The entire Islamic banking system is mainly based on two fundamental principles: the prohibition of *riba* (interest) and the promotion of *bay'* (trade). The Qur'an explicitly and in the strongest terms prohibits riba in four different verses. The first verse explains that interest deprives wealth from God's blessings (See Qur'an, 30: 39). The second condemns placing interest with wrongful appropriation of property belonging to others (See Qur'an, 4: 160-161). In the third reference, it instructs Muslims to stay clear of interest for the sake of their own welfare (See Qur'an, 3: 130). The fourth establishes a clear distinction between interest and trade, making the former prohibited and the latter permissible (See Qur'an, 2: 275-281).

The prohibition of interest is also mentioned in the *hadith* (statements, actions, and tacit approvals of the Prophet Muhammad (p.b.u.h.)). The Prophet Muhammad (p.b.u.h.) condemned not only those who take interest, but also those who give interest and those who record or witness the transaction. As per Jabir, the Prophet (p.b.u.h.) cursed the receiver and the payer of interest, the one who records it and the two witnesses to the transaction and said: "They are all alike (in guilty)" (Imam Muslim, *Kitab al-Musaqat*). Again, from Abu Said al Khudri, the Prophet (p.b.u.h.) said: "Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt - like for like, and hand-for-hand. Whoever pays more or takes more has indulged in *riba*. The taker and the giver are alike" (Imam Muslim, *Kitab al-Musaqat*). The justification for the prohibition of riba is that it creates selfishness, miserliness, greed and malevolence. The very act of lending money on the basis of *riba* reflects the fact that the lender only cares for the principal and *riba* on it that must be paid by the borrower under all circumstances (See: Ali Mohamed, A.A. 2008; Annotation of Statute, *Islamic Banking Act 1983 (Act 276)*, 2009).

On the other hand, the equitable distribution of wealth and socio-economic justice promoted by the Islamic jurisprudence undoubtedly attracts a lot of attention in the presence of the prevailing capitalist-entrenched Western economic model which is indifferent towards the socio-economic inequalities as a result of which the gap between the poor and rich is widening. Islamic banking model has been seen as a viable alternative in many European countries including Bosnia and Herzegovina (B&H) (See: Wilson, 2007/02; Balz, 2007, p. 551).

The humble beginnings of the Islamic banking industry in B&H date back to the time of Ottoman Empire (1463-1878). During those times, B&H was flourishing as the center of trade and education in the Western part of the Ottoman Empire. One of the reasons for B&H's rapid development at that time was a notable presence of trade activities (i.e. banking). Early modes of Islamic financing were achieved through the existence of, for example, non-interest credits which were given by the merchants to the peasants, *waqf* (endowment) funds, and *manafi sanduci* (budgets for poor) (See: Hadzic, 2005, pp. 295-297). This historical exposure to Islamic banking principles together with the demand from the Muslims resulted into initiatives which later led to the establishment of *Bosna Bank International d.d.* (BBI), the first and the only Islamic bank in B&H. BBI was established on 19 October 2000. The founders of BBI and its shareholders are *Islamic Development Bank* (45.46%), *Abu Dhabi Islamic Bank* (27.27%), and *Dubai Islamic Bank* (27.27%) (See http://www.bbi.ba/bs/static/osnivaci-banke). The bank claims to be operating banking business in compliance with *Shari'ah* though in a very difficult legal environment.

One of the main obstacles faced by the Islamic banking industry in B&H is the lack of effective legislative protection provided to Islamic financial institutions. There are no laws specifically regarding Islamic banking. All existing legislations are primarily meant for conventional banking system. It is because of the absence of such law that the operation of *Shari'ah* compliant products is very difficult if not impossible. Further, an Islamic bank has to compete with the conventional banks that are very well established and protected by conventional banking laws.

Having said the above, it has been contended by some scholars that the establishment of Islamic banks under the current banking laws in B&H is possible. However, Islamic banking business is not defined and, practically speaking, Islamic banking products and services are allowed only to the extent of their consistency with the existing conventional banking laws. In other words, the effective implementation of Islamic banking principles is limited. This is also the view of BBI's management who opine that existing conventional banking laws and regulations in B&H do not afford formal recognition to Islamic banking products and services (Bukvic, 2016). The management also claims that BBI faces difficulties in conducting its banking business which is supposed to be *Shari'ah* compliant. In fact, the bank has hardly managed to come out with a few products that are both conventional and *Shari'ah* compliant. Those products are structured using the combination of different *Shari'ah* instruments in a quite limited form, such as; *musharakah* (partnership), *musharakah mutanaqisah* (diminishing partnership), *ijarah* (lease), *wakalah* (agency), and q*ard al-hasan* (gratuitous loan) (see: www.bbi.ba).

The nature of the required legal framework for the Islamic banking industry in B&H is unique in the sense that it must be in line with three sets of laws; local banking laws, *Shari'ah*, and EU directives and policies. In order to have any legislative changes successfully passed in B&H, including changes on banking law, the changes must be consistent with the current EU directives and policies because B&H is a potential candidate for EU membership and anything that could steer it away from the EU would be strongly contested and probably rejected by lawmakers and public. Thus, the legal framework for the Islamic banking industry needs to be developed in the EU context.

Regulation of Banking Sector in Bosnia and Herzegovina

Banking sector is the largest and most robust sector in the financial system of B&H. It accounts for about 86% of the financial system assets (IMF Country Report No. 15/2014, p. 10). 82% of these banks are foreign-owned banks, while domestically-owned banks account for 16% and public banks 2% respectively (IMF Country Report No. 15/2014, p. 10). As of 6th January 2016 B&H has 27 commercial banks, 9 in the Republic of Srpska (RS) and 18 in the Federation of Bosnia and Herzegovina (FB&H) (see: http://www.fba.ba/index.php?page=27; http://www.abrs.ba/banke/banke_lat.htm). Approximately half of the banking assets are owned by the five largest banks (IMF Country Report No. 15/2014, p. 10). Unlike many other countries where the banking sector is under the purview of national central banks, banking sector in B&H is licensed and supervised at the entity levels by the respective banking agencies of the two entities, i.e. Banking Agency of the FB&H and RS Banking Agency.

There are two set of laws that regulate the banking sector in B&H. First is the Entity Banking Laws. Even though both entities have their own separate banking laws, they are nevertheless, harmonized to a great extent. FB&H has the Law on Banks of the FB&H (See Law on Banks of the FB&H (Official Gazette of the Federation of B&H, Numbers 39/98, 32/00, 48/01, 27/02, 41/02, 58/02, 13/03, 19/03, and 28/03) while RS has the RS Law on Banks (see: Official Gazette of the Republika Srpska, Number 44/03). Both of these laws regulate the establishment, business operation, governance, supervision and termination of the commercial banks (See Article 1 of the Law on Banks of the FB&H and The RS Law on Banks). Since BBI is the only Islamic bank at the moment in all of B&H, and is situated in the FB&H, this chapter will concentrate on the Law on Banks of the FB&H. The chances of having Islamic banking in the RS are very low at the moment due to many factors some of which are; a relatively small Muslim population (limited demand), and a hostile approach from the RS's political elite towards almost anything that comes from the FB&H. Therefore, this chapter limits its discussion to the FB&H and the proposed amendments to the existing Law on Banks of the FB&H. The implications of the Law on Banks of the FB&H on the implementation of Islamic banking in FB&H are also dealt with later on in the chapter.

Another set of laws relevant to the banking sector of B&H is Banking Agency Laws. FB&H applies the Law on the Banking Agency of the Federation of B&H (See Law on the Banking Agency of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation, No. 9/96;27/98;20/00 (OHR), 45/00, 58/02 (OHR), 13/03 (OHR), 19/03, 47/06 (OHR), and 59/06), while RS enforces the Law on the Banking Agency of Republic of Srpska (See Law on the Banking Agency of Republica Srpska (Official Gazette of Republica Srpska Number 10/98, 16/00, 18/01, 71/02, 18/03, and 39/03). Both of these Banking Agency Laws specify the goals, independence, powers and responsibilities of the banking agencies in both entities.

The Central Bank of Bosnia and Herzegovina (CBBH) was established by the Law on the Central Bank of Bosnia and Herzegovina which was passed by the Parliament on 20th June 1997. The CBBH then officially started its operation on 11th August 1997 (See 2014 Annual Report of CBBH at p. 9. http://www.cbbh.ba/files/godisnji_izvjestaji/2014/GI_2014_en.pdf. Accessed on 7 January 2016). The CBBH is a body established at state level, and it is entrusted with the supervision of monetary policies throughout B&H. Even though the CBBH has no direct jurisdiction over the licensing and supervision of the banking sector in the country, suggestions have been made by some that the regulation of the banking sector in B&H should be centralized under the CBBH. It remains to be seen whether their aspirations will become a reality in the near future.

Legal Accommodation of Islamic Banking in B&H

The establishment of Islamic banks in B&H is not an issue since it is allowed by virtue of the existing laws. In fact, banks are corporations and, as such, are subject to the Law on Foreign Direct Policy of B&H, entity Company Laws, and Law on Banks. However, there are no provisions with regards to Islamic banking operations. For Islamic banks to be competitive, they must be enabled to operate successfully by offering various Islamic banking products in parallel with the conventional banks. That could be achieved once a legal framework within which Islamic banks could operate effectively is established. Without this framework, the implementation of Islamic banking would be problematic.

As mentioned earlier, the law regulating banking in FB&H is the Law on Banks of the FB&H (Law on Banks) (See Law on Banks (*Official Gazette of Federation of Bosnia and Herzegovina, Number 39/98, 32/00, 48/01, 27/02, 41/02, 58/02, 13/03, 19/03, and 28/03*). The Law on Banks does not prohibit the establishment of Islamic banks as it does not expressly specify that banks must take and give interest (Fikret Hadzic, *Islamic Banking and Economic Development*, at p. 308). In this regard, it could be said that the situation in B&H is not as difficult as in some other European countries, where even the establishment of an Islamic bank is impossible since it cannot fit into the definition of a "bank" according to their banking laws (See Pietro Abbadessa, 2010. in ed. M. Fahim Khan and Mario Porzio, at pp. 207-210). What the Law on Banks does, however, is that it precludes Islamic banks from offering products and services based on Islamic contracts which are most commonly used by Islamic banks around the world. The precise provisions of the Law on Banks which impede Islamic banking operations together with the suggested solutions are discussed hereinafter.

Article 39 of the Law on Banks of the FB&H

Article 39 of the Law on Banks specifies the activities that the banks are allowed to conduct:

1. receiving money deposits or other payable funds;
2. making and purchasing of loans and financial leasing;
3. issuing all forms of monetary guarantees;
4. participating, buying and selling for its own account or for account of customers of money market and capital market instruments
5. providing payment system and money transfer services;

6. buying and selling foreign currencies;
7. issuing and managing payment instruments (including credit cards, travelers' and bankers' cheques);
8. safekeeping and managing of securities and other valuables;
9. providing financial management services;
10. purchase and sale of securities; and
11. anything that shall be incidental for the forgoing from Item 1 to 10 of this Article." (See Article 39 of the Law on Banks).

It should be noted that Article 39 does not include trading activities. This raises a very important issue since in its essence the Islamic economic system promotes trading as an alternative to interest which is strongly prohibited (See Qur'an 2:275). As a result of Article 39, an Islamic bank in B&H is not allowed to use some of the most commonly used trading instruments by Islamic banks around the globe, such as: *murabahah* (profit or mark-up sale), *salam* (deferred delivery sale) and *istisna'* (manufacturing sale).

Further, Article 39(2) of the Law on Banks provides that one of the activities that a bank could conduct is "making and purchasing of loans and financial leasing" (See Article 39 (2) of the Law on Banks of the FB&H). However, the question then arises as to whether the instrument of *ijarah* (leasing) used by Islamic banks is the same as "financial leasing" mentioned in Article 39(2)? The instrument of *ijarah* which is used by most Islamic banks around the globe is basically "operational leasing" whereby the bank usually acquires the property and then leases it to the customer. The risk as to property will remain with the bank throughout the leasing period (F. Hadzic, p. 311). This is different from the financial leasing where the risk associated with the property throughout the leasing period is transferred from the bank to the lessee. Hence, the original form of *ijarah* or the operational leasing alone would be very difficult to implement in B&H without the use of some other financing instruments. What an Islamic bank perhaps can do in B&H, as explained by Hadzic, is to establish an *ijarah* company which would do the leasing whereas financing part would be done by the Islamic bank (F. Hadzic, p. 311). The only Islamic bank in B&H, BBI, offers some of its products by way of combination of *musharakah* and *ijarah* (products: tourism, education, dental and medical services, driving license, Hajj and Umrah financing, and purchase of consumer goods and home appliances), and combination of *musharakah mutanaqisah* and *ijarah* (products: housing, home remodeling, car purchase, mortgage, appliances, agriculture, project liability redemption, production facilities, buildings, and transportation vehicle).

Article 22 of the Law on Banks of the FB&H

Article 22 of the Law on Banks provides the following: "No bank shall, directly or indirectly, without prior written authorization of the Agency:

1. hold a Significant Ownership Interest in a legal entity or indirectly in a subsidiary of that legal entity that exceeds 5% of the bank's Core Capital, or
2. hold the aggregate net value of all Participation Interests of the bank in other legal entities and in subsidiaries of those legal entities to exceed the equivalent of 20% of the bank's Core Capital.

A bank cannot directly or indirectly have a Participation Interest in a legal entity that exceeds 15% of the bank's Core Capital, and the Participation Interest in a non-financial entity the Participation Interest cannot exceed 10% of its Core Capital nor can the Participation Interest exceed 49% of ownership of non-financial legal entity.

Total amount of all Participation Interests of a bank in other legal entities may not exceed 50% of its Core Capital, and total amount of all Participation Interests in other non-financial legal entities may not exceed 25% of the bank's Core Capital" (See Article 22 of the Law on Banks).

Article 22 limits the use of the instrument of *musharakah* by the Islamic bank in B&H. The equity investment cannot exceed 50% of the bank's capital. According to Hadzic, the application of the classical *musharakah* model of financing is not really practical in B&H due to the following reasons;

1. It is costly and administratively difficult;
2. It is suitable to be used for huge projects whereas a bank in B&H is limited by Article 22 that restricts its usage for small projects only;
3. The bank needs to have a large number of well-experienced employees for managing big complicated projects;
4. The time factor whereby the bank will have to wait for longer time to obtain profit:
5. Fair and just keeping of the records and their presentation to the partners is challenging; and

6. The partners cannot give guarantees in case of loss except in case of negligence on their part (F. Hadzic, pp. 310-311).

Having said the above, the importance of musharakah for Islamic banking is tremendous. Many Muslim scholars argue that the way forward for Islamic banking and finance is to reduce reliance on debt-based instruments and, to move towards risk-sharing instruments (Mirakhor, 2009, pp.1-3).

Amendment to the Law on Banks of the FB&H

Given that the Law on Banks does not allow certain modes of financing which are commonly used by Islamic banks throughout the world, an initiative was made by BBI and supported by a number of members of the Bosnian Parliament to amend the Law on Banks of the FB&H. On 13th April 2005, the House of Representatives of the Parliament of FB&H in its 18th session passed an amendment which was put forward by a Member of Parliament, Izudin Kesetovic. The amendment proposed the following to be included under section (part) 2 of Article 39 of the Law on Banks:

> The banks that are conducting their business compliant to Islamic principles are allowed to practice, in their business activities, products of Islamic banking (cost plus sale, leasing, and joint venture) but only for the purpose of financing the clients of the banks. (Fikret Hadzic and Dzemal Klepic, 2009, pp. 279-299).

Subsequently, this amendment was slightly changed by Club of Bosniak Members of Parliament after their consultation with Cabinet Ministers. The slightly changed version of the amendment read:

> Banks are allowed to use instruments of Islamic banking in undertaking their activities (trade with profit margin, leasing and joint investment) but solely for the purpose of financing their clients".

The second version of the amendment is more encompassing in the way that it welcomes all banks in the FB&H, regardless of whether they are Islamic or not, to offer products based on Islamic principles. It was believed that by allowing conventional banks to offer Islamic banking products and services, competition among the banks would increase and, consequently, the quality and the competitiveness of the products and services would improve. Nevertheless, the amendment requires not only green light by the House of Representatives, it also needs to be passed by the House of People of the Parliament of the FB&H. Unfortunately, the amendment did not go through the House of People as there was inadequate support from Croat representatives.

It is regretful and sad that the amendment was rejected for no good reason. In fact, the benefits of passing the amendment are plentiful which could have been shared by everyone. Some of the most common ones are listed herein below:

1. Creation of a healthy competition between the banks and having a level playing field for both conventional and Islamic banks. All the banks, conventional and Islamic, would be able to compete in offering the best products and services to their customers. The ones who would consequently benefit the most are the customers regardless of their religions.
2. Passing of the amendment would enable foreign investors from the Muslim countries and members of the OIC to channel their investments into B&H in *Shari'ah* compliant manner. Most of these investors would refrain from placing their capital in the conventional banks due to the fear of committing great sin, i.e. participating in interest-based business which is strongly prohibited in Islam. That is precisely why many Western countries have introduced Islamic banks in order to enable investors from Muslim oil-rich countries to invest their capital. Their investments would in turn boost the entire economy of the country.
3. By passing the amendment to the Law on Banks, the basic human rights of large Muslim population of B&H would be protected. Interest which includes interest-based products and services is strongly prohibited to Muslims (see Qur'an, 2:275). Therefore, forcing conventional banking services onto Muslims tantamount to denying them their basic human right to live by their religious and ethical beliefs.
4. As B&H is potential candidate for EU membership there is a need for B&H to harmonize its standards with the standards adopted by the EU countries. Formal introduction of Islamic banking into the legislation of B&H through the amendment to the Law on Banks could actually strengthen the banking system of B&H and it does not in any way contradict the EU banking regulation spirit. In fact, many EU countries have introduced Islamic banking either by having Islamic financial institutions offering Islamic banking products or by allowing banks to

operate the so called "Islamic Windows" (See European Central Bank, "Islamic Finance in Europe", Occasional Paper Series No. 146, June 2013).

Issues Surrounding the Amendment to the Law on Banks of the FB&H

As seen above, the amendment to the Law on Banks was not passed. Institutions that were expected to give encouraging remarks about the amendment had instead done the contrary. This is traceable in official letters in which the representatives of important institutions such as Banking Agency of the FB&H, Ministry of Finance of the FB&H, Delegation of the European Commission to B&H, and the World Bank expressed their opinions which discouraged the passing of the amendment.

First, in a letter dated 8th April 2005 which was addressed to the Federal Ministry of Finance, the Director General of the Federal Banking Agency opined that there is no need to change the existing Law (official letter Number 04-1-362/05). He expressed his view that the Islamic bank (i.e. BBI) already operates in accordance with Islamic principles. He argued that the amendment would result in placing the banks and clients in an unequal position in the unique financial market of B&H by limiting the usage of certain Islamic banking products and services to certain banks and clients. He also added that the existing Islamic bank had been operating in accordance with Islamic principles since the year 2000 without any problems.

The concerns expressed by the Federal Banking Agency are understandable to a certain degree. The Banking Agency must ensure that the banks are treated equally. Furthermore, it is true that the only bank which operates according to Islamic principles (i.e. BBI) operates within the existing legal framework. However, the remark about BBI having no problem in its operation is disputable. As mentioned earlier, the BBI's offerings are limited by the existing legislation which does not allow it to offer products based on pure trade with profit margin, leasing and joint investment. The bank has no choice but to use a combination of a few instruments which may be difficult. Besides that, as the aim and objective of the Federal Banking Agency is to create equal opportunities for all banks and customers throughout the FB&H, the Islamic bank should be given an opportunity to offer a variety of Islamic banking products and services since it cannot use interest-based instruments which the conventional banks are conveniently using.

Second, the Federal Ministry of Finance in a letter dated 4th May 2005 addressed to the Government of the FB&H stated that there is no need for the amendment to be included in the Law since the existing law already allows the banks to conduct their business in accordance with the Islamic banking principles (official letter Number 04-02-2076/05). Hadzic offered interesting rebuttals to the arguments by the opponents to the change of the existing Law (See Fikret Hadzic, 2005). He argues that despite above claim; the fact is that the existing Islamic bank (BBI) does face problems due to the limitations in the existing banking law. After all, that is one of the reasons why the initiative was taken to change the law. If everything was perfect as claimed then why would the BBI initiate the amendments in the law in the first place? Furthermore, Hadzic highlighted the need for Islamic banks to have ownership of the property that they are going to sell to their clients, which is disallowed under the existing law (See Fikret Hadzic, 2005).

The letter further provided that the passing of the amendment would sway away from the intention of having a harmonized entity banking laws and the idea of having one Banking Law in B&H. Hadzic countered this by saying that it would be much easier to include the amendment into the supposed Law on Banks of B&H from the entity banking laws (See Fikret Hadzic, 2005).

One of the arguments raised in the letter by the Federal Ministry of Finance was that B&H must build up a banking system that would correspond to that of the EU countries. Furthermore, the ministry claimed that the Islamic banking system contains significant deficiencies which the developed banking systems have removed over the last seventy years. With respect, this argument is factually flawed. In the past few years the trend and the role of the traditional banks is changing in the EU. The traditional banks are moving away from the traditional giving of credits with interest rates towards the development of various products. This is exactly what interest-free banking offered by the Islamic banks has been promoting. Therefore, the amendment is in no way incompatible with the modern trends of the banking system of the EU countries, but on the contrary, it constitutes the desired change towards a modern banking system. This is looking at the fact that even some of the leading EU countries are offering Islamic banking products. It is undeniable fact that the Islamic banking system might have some defects; but the conventional banking system is no defect-free either (See Fikret Hadzic, 2005).

The letter by the Federal Ministry of Finance stated as well that the instruments which are used by Islamic banks would derogate the prudential basis of the modern banking system. The letter stated the following:

> The minimal standards of exposure to the credit risk, risk of financing the persons related to the bank, investing the funds in shares of non-financial companies, and implementation of these principles could lead into jeopardizing the market structure, competition, and protection of the users from creation of an illusion on the special "charity and grant" banking." (Official letter Number 04-02-2076/05).

The prudential basis of the modern banking system cannot be derogated by the Islamic banks and their products as all the standards and laws which must be adhered to by the conventional banks are applicable to Islamic banks too. There is no exception given to the Islamic banks when it comes to prudence and consumer protection. It is clear that Islamic banks are not "charity and grant" institutions as claimed. Charity is important aspect which Islamic banks cherish but, in principle, Islamic banks are financial institutions which are profit oriented (See Fikret Hadzic, 2005).

Another interesting letter is that written by the Head of the Delegation of the European Commission to Bosnia and Herzegovina dated 19th May 2005 which was addressed to the Minister of Finance of the FB&H. In this letter, the Head of the Delegation expressed his view about the amendment to Article 39 of the Law on Banks of the FB&H whereby he stated that "not only it is unnecessary, but also possibly counterproductive, to introduce a regulatory regulation that is rather stating the fact than opening a new window of opportunity for the banking sector." The concern raised by the Head of the Delegation is that B&H should progress towards a single B&H regulatory framework for banking activities. This concern is justified. B&H indeed needs to strive to have the single regulatory framework. It is true that creating a single regulatory framework for banking is one of the prime aims that B&H needs to achieve, but the creation of a legal framework for Islamic banking by enacting the amendment to the Law on Banks of the FB&H at the entity level would contribute to the feasibility of having a single regulatory framework at the state level which regulates, among other things, Islamic banking too. Having Islamic banking provisions does not in any way disadvantage those who are not interested in it. So why then oppose it?

Forth is the letter written by Country Manager of the World Bank, Country Office Bosnia and Herzegovina, dated 6 June 2005 which was addressed to the Minister of Finance of the FB&H. Basically the opinion given was in line with the opinion given by the European Commission. He specifically mentioned the importance of having a single Banking Law at the state level. However, at the same time, he acknowledged the possibility of having Islamic banking provisions included in the single Banking Law at the state level in the specific section of that Banking Law which would explain in detail the supervision, risk management, and information disclosure procedure. This letter, in fact, reinforces the possibility of having a section of the Law discussing the Islamic banking aspect. The words from the World Bank are indeed encouraging.

Finally, on 25th August 2005 the Minister of the Federal Ministry of Finance sent a letter to the Banks Association of B&H asking for their opinion about the amendment. Subsequently, on 30th August 2005, the Banks Association in a letter addressed to all its members requested opinions about the amendment.

Even though the issue has been raised nationwide, until today the amendment has not been passed to law and the BBI remains to operate within an unpredictable conventional banking law framework.

Does Islamic Banking Industry Comply with the EU Legislation?

B&H is a potential candidate for EU membership and according to the B&H Precedency Chairman, Dragan Covic, B&H is expected to send its application for the candidate status at the beginning of 2016 and obtain full candidate status by the beginning of 2017 (See http://www.slobodnaevropa.org/archive/news/latest/500/500.html?id=27451519). That being the case, the laws and standards in B&H ought to be harmonized with the laws and standards of the EU. It is in the EU's interest that B&H has stable and developed banking sector. An unstable banking sector in an EU country can cause instability in the whole of EU. Because of that, EU takes necessary precautionary measures when accepting new member states. These precautionary measures can be seen in a number of conditions that a potential candidate state needs to fulfill before becoming an EU member. One very important aspect of the conditions is the compliance with the EU banking standards. These standards provide for the harmonization of the banking laws throughout the EU member states and all potential and candidate states must ensure that these standards have been adopted.

At this point, it would be useful to explore the EU's attitude towards the Islamic banking industry and whether its laws are accommodative of Islamic banking.

The EU's Approach to Islamic Banking

There are three types of institutions in the EU that have been allowed to operate in the market (See M. Fahim Khan and Mario Porzio, 2010, pp. 1-7): credit institutions (banks), investment firms and payment institutions.

Credit institutions (banks) are defined by Article 4(1) (a)(b) of EU Directive 2006/48/EC (the European Banking Code) (See Directive 2006/48/EC of the European Parliament), which states: "Credit institution means (a) an undertaking whose business is to receive deposits or other payable funds from the public and to grant credits for its own account, or (b) an electronic money institution within the meaning of Directive 2000/46/ EC" (See Article 4 (1)(a)(b) of the Directive 2006/48/EC).

The credit institutions (banks) in the EU have an obligation or duty to repay deposits. Thus, the full risk of the investment of those funds is with the banks and the depositors are always guaranteed the return of their deposits. Furthermore, for credit institutions (banks) to operate their business, they need to obtain authorization from national authority of the EU state in which they want to operate their business. The national authority of that particular state must be empowered by national law to give such authority. Article 6 of Directive 2006/46/EC provides: "Member States shall require credit institutions to obtain authorization before commencing their activities. Without prejudice to Articles 7 to 12, they shall lay down the requirements for such authorization and notify them to the Commission" (See Article 6 of the Directive 2006/48/EC.).

Therefore, if the credit institution fulfills all requirements, authorization must be given accordingly. However, there are a few situations where the national authority can reject granting the authorization based on Article 12 of Directive 2006/46/EC.

1. Article 12(1) provides the following: "The competent authority shall not grant authorization for the taking-up of the business of credit institutions unless they have been informed of the identities of the shareholders or members, whether direct or indirect, natural or legal persons, that have qualifying holdings, and of the amounts of those holdings."

2. Furthermore Article 12(2) states: “The competent authority shall not grant authorization, if taking into account the need to ensure the sound and prudent management of a credit institution, they are not satisfied as to the stability of the shareholders or members.”
3. Finally, Article 12(3) explains that the competent authorities shall not grant authorization if the close links between a credit institution and another natural legal person prevents effective exercise of their supervision by those authorities. In addition Article 12 (3) states the following: “The competent authorities shall not grant authorization if the laws, regulations or administrative provisions of a third country governing one or more natural or legal persons with which the credit institutions have close links, or difficulties involved in the enforcement of those laws, regulations or administrative provisions, prevent the effective exercise of their supervisory functions” (See Article 12 (1,2,3,) of the Directive 2006/48/EC).

The credit institutions are required to provide all necessary information to the competent authorities on a regular basis so that the competent authorities can ensure that they comply with all the necessary requirements according to Article 12(3).

The second types of institutions allowed to operate in the EU are investment firms. Article 4(1) of Directive 2004/39/EC defines an investment firm as: “Any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or for the performance of one or more investment activities on a professional basis” (See Article 4, section 1 (1) (a)(b) of the Directive 2004/39/EC).

The investment firms need to get authorization from the relevant national authority of the EU member state where the investment firm wants to do its business. Article 5 of Directive 2004/39/EC provides the following: “Each Member State shall require that the performance of the investment services or activities as regular occupation or business on a professional basis be subject to prior authorization in accordance with the provisions of this Chapter. Such authorization shall be granted by the home Member State competent authority designated in accordance with Article 48” (See Article 5 of the Directive 2004/39/EC). The competent national authority shall grant authorization if all necessary requirements have been fulfilled by the investment firm. Article 10 of Directive 2004/39/EC deals with situations where authorization by the competent national authority could be rejected (see Article 10 of the Directive 2004/39/EC).

One of the unique features of the authorization of credit institutions and investment firms by the competent national authority is the acquisition of "EU passport" status. This means that upon obtaining authorization from the competent national authority, credit institutions and investment firms are allowed to open their branches throughout the EU and to provide cross-border services as long as they abide by the statutory rules of the state from which they obtained authorization. However, these above mentioned rules in the Directives are applicable in a case where the headquarters of a bank is in one of the EU member states. One may wonder what would be the situation if the headquarters are somewhere else and the bank wants to open a branch in one of the EU countries? The EU Directives do not provide for this situation. But what is certain is that the EU countries are not allowed to discriminate between domestic and foreign (not within the EU) financial institutions. The European Commission definitely will pose very particular conditions with the foreign institutions. The foreign financial institutions may be allowed to operate through financial intermediaries.

The third types of institutions are called payment institutions which are intermediaries between banks and investment firms. Article 4 (4) of Directive 2007/64/EC asserts that "payment institution means a legal person that has been granted authorization in accordance with Article 10 to provide and execute payment services throughout the Community" (See Article 4 (4) of the Directive 2007/64/EC). However, credit institutions (banks) are in the best position since they are able to perform payments and investments under the same regulations.

Does an Islamic bank fit into the definition of a credit institution?

One of the issues that is often raised is whether an Islamic bank could be regarded as a credit institution under the EU Directives? (Adnan Trakic, 2012, pp. 17-33). It is clear from the definition of a credit institution given in Article 4(1)(a) of Directive 2006/48/EC that credit institution undertakes collection of deposits from public whereby the return of the deposits is guaranteed, and it also grants credit with interest. It is clear that both of these activities are not within the lawful scope of an Islamic bank. Definition of an Islamic bank which has been approved by the General Secretariat of the Organization of the Islamic Conference (OIC), is as follows: “An Islamic bank is a financial institution, which applies statutes, rules and procedures that expressly state its commitment to the principles of Islamic Shari’a and prohibit the receiving and paying of interest (*riba*) on any of its operations (See Mohd Ma’sum Billah, “Islamic Banking and the Growth of Takaful”, in *Handbook of Islamic Banking*, 2007), at p. 401). Therefore, by its definition, an Islamic bank is different entity from a conventional credit institution (See M. Fahim Khan and Mario Porzio, op. cit., at p. 4).

For example, Abbadessa argues that the contention that an Islamic bank does not qualify as a bank in Italy by the definition of a “bank” according to Italian law is difficult to disagree with. He contends that Islamic banks do not conduct “banking” (i.e. collecting deposits from public with a guaranteed return and the granting of credit with interest) and yet these two conditions are prerequisites which ought to be fulfilled in order for the institution to be a bank (See Pietro Abbadessa, “Islamic banking: impression of an Italian jurist”, in *Islamic Banking and Finance in the European Union: A Challenge*, 2010, at pp. 207-210). Therefore, in the situations like in Italy, there should be a solution found for the Islamic banks either by way of having the two first requirements just formally mentioned in the corporate object clause, while at the same time, allowing the Islamic banks not to follow them, or by creating some express legislative previsions allowing Islamic banks to operate if the first two conditions in relation to “banking activities” are not fulfilled.

Furthermore, one of the most widely spread Islamic banking instruments is *murabahah*. *Murabahah* financing is based on trading agreements, i.e. Property Purchase Agreement (PPA) whereby the bank purchases the property which has been chosen by the customer and then sells it back to the customer at a mark-up price through Property Sale Agreement (PSA) (see Sudin Haron and Wan Nursofiza Wan Azmi, *Islamic Finance and Banking System: Philosophies Principles and Practices*, 2009, at pp. 134-135). This product, for example, does not completely comply with EU law and its application in EU countries could face some legal issues. The questionable practice of *murabahah* is the part where the bank upon the selling of property, for instance, a car, to the customer is not willing to give a warranty in case of any defect in the property and the bank usually assigns the warranty clause to the customer (See Kilian Balz, “Islamic Finance for European Muslims: The Diversity Management of Shari'ah—Compliant Transactions", Winter 2007, *Chicago Journal of International Law* 551). This practice of murabahah financing contradicts EU Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees (See EU Directive 1999/44/EC).

Islamic banks usually do not take the additional risk when selling property under the *murabahah* financing agreement. However, EU Directive 1999/44/EC expressly protects consumers and the seller must give a warranty to the buyer if the property that is being sold is new. Consumer protection is very significant in the EU as can be seen from Article 1 of EU Directive 1999/44/EC which provides the following: "The purpose of this Directive is the approximation of the laws, regulations and administrative provisions of the Member States on certain aspects of sale of consumer goods and associated guarantees in order to ensure a uniform minimum level of consumer protection in the context of international market (See Article 1 of the EU Directive 1999/44/EC).

Furthermore, Article 3 (1) of EU Directive 1999/44/EC which provides for the rights of the consumer states: "The seller shall be liable to the consumer for any lack of conformity which exists at the time the goods were delivered" (See Article 3 (1) of the EU Directive 1999/44/EC). Therefore, EU Directive 1999/44/EC does not prohibit the concept of *murabahah* financing, but it does require it to be remodeled to suit the EU minimum standards of protection for the consumer.

In some other jurisdictions, like in Malaysia for instance, an Islamic bank is usually not considered as seller of goods but rather as a financier or intermediary (see Malaysia's Sale of Goods Act 1957 (Act 382). This could be one of the possible arguments used by Islamic banks in Europe to avoid the obligations imposed by EU Directive 1999/44/EC on the seller of consumer goods and the associated guarantees. Although the general view is that Islamic banks are regarded as financial intermediaries, there might be a situation where Islamic banks need to deviate from being an intermediary. The best example is the case of leasing and lease-based financing (See Seif I. Tag El-Din and N. Irwani Abdullah, "Issues of Implementing Islamic Hire Purchase in Dual Banking Systems: Malaysia's Experience", *Thunderbird International Business Review*, Vol. 49(2), 225-249, March - April 2007, at p. 235). Before the bank is allowed to lease the property it must purchase the property and acquire the ownership. In Malaysia, in most cases, the bank will acquire beneficial ownership while the legal title would be on the customer. This ownership naturally assumes rights, liabilities and risks associated with the property. In fact, the ownership defies the Islamic bank's basic position as a mere financial intermediary. Therefore, the claim that the Islamic bank is a mere intermediary is difficult to sustain as the Islamic banks are actively involved in the financing facility and are undertaking the associated risks.

EU member countries are required to follow EU legislation and ensure that those laws and regulations are being implemented in their own country. If Islamic banking is to be implemented in EU countries, Islamic banks need to ensure that their products are in accordance with EU legislation. Therefore, B&H as a potential candidate of the EU, has to ensure that Islamic banking products implemented by Islamic banks in B&H are in accordance with the EU legislation.

Conclusion

Islamic banking is a relatively new phenomenon that has already established its presence in B&H, however it is wrong to conclude that the principles on which the Islamic banking industry operates is completely new to the region. The traces of well-developed Islamic economic principles and their practice by the people in B&H go back to the time of the Ottoman Empire's presence in B&H. Although some of those practices are questioned by some contemporary Muslim scholars on the *Shari'ah* compliance grounds, at that time, they were understood as lawful. Currently, BBI claims to be the only bank in B&H which offers Islamic banking products and services in accordance with *Shari'ah*. However, the scope of its products, services and operations is limited by the existing conventional banking laws. The bank is obliged to operate Islamic banking business within the existing conventional banking legislations which are drafted to suit the needs of the conventional banks only. The proposed amendment to Article 39 and 22 of the Law on Banks of the FB&H would be highly desirable for the betterment of the overall economy of B&H. The enactment of the amendment would be further step towards the EU since Islamic banking has been already introduced in some EU countries. Islamic banking industry nowadays represents a stable and attractive industry that is becoming more accepted around the world. EU legislation may pose some obstacles to the establishment of Islamic banks, primarily because an Islamic bank cannot be regarded as a bank under the EU Directives.

However, if the Islamic bank could fit into the definition of a bank under the national banking laws of an EU member country this could be a good start.

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IS THE ECONOMY OF BOSNIA AND HERZEGOVINA READY TO ENTER THE "BRUSSEL'S ERA"?

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Beginning from the 1990s the socio-political and economic transitions in the former Yugoslavia were evolving together. Similarly so capitalist open market economies were introduced in all other former socialist countries of Central, Eastern and Southeastern Europe. However, these transitional processes of were interrupted by the entry into force of the Dayton Peace Agreement. Therefore, in the past two decades the need for a more intense transition from the Dayton to the Brussels have already been confirmed by a recently concluded Stabilization and Association Agreement (SAA) and the entering of B&H into the phase of contractual relations with the EU. Certainly, the EU candidate status and with it better development policy will improve the functionality and competitiveness of B&H's economy. Over the last 15 years, during the EU accession process, our country has been facing a wide range of political and economical issues. One of the first priorities in coming years of the Brussel's era should be the establishment of the necessary framework for a sustainable economic system. Unfortunately, B&H has made little progress towards becoming a functional market economy that complies with the so-called criteria of convergence (European Commission, 2014).

The transformation of the economic system in B&H, and its economic reform process began 20 years ago. Overall, the most difficult phase of transition has almost ended, but the qulity of life has not been improved as a result of such transition. At the same time, the processes of restructuring the industry and economy of B&H has been very slow, while the lack of change in the structure of economy remained obvious. There are significant natural, geographic and demographic advantages that B&H could use during the transition from the post-communist economy to market oriented one. However, these processes have significantly slowed down during the war's time in the period between 1991 and 1995. "Gradual therapy" approach to the economic restructuring, from a planned to a market economy in the last few years caused a reduction in production volume, exports difficulties, slow down the reform process and difficult process of privatization and the rising unemployment. During 20 years of transition, B&H has not been successful, as the other countries in the region (i.e. Croatia, Slovenia), to remove the various market constraints that led to anomalies accompanied by low standards of living, social disintegration, unemployment, weak rule of law and others.

Objectives and Methodology

Research in the function of fulfilling conditions for B&H accession to the EU is focused on the exploration of the economic benchmarks to be met by the accession countries. Set criteria is mostly economic oriented and the focus of the research has to be put on the economic criteria and conditions that B&H needs to pursue. The analysis focuse on the progress in implementing reforms to be pursued by all EU candidate countries. All Western Balkans countries, on the path to joining the EU must abide by the accession criteria for their integration into the EU. In B&H, as well as many other neighboring countries in the region, the EU accession process gaves a strong incentive to the political and economic reforms in the country. Problem analysis of (the economic) convergence of B&H to the EU is conducted based on the synthesis of the following research:

1. A critical and comparative analysis of the basic economic indicators of B&H and other candidate countries for the full EU membership, in order to verify the compliance with the conditions of real convergence and nominal convergence;
2. An overview of major European Bank for Reconstruction and Development (EBRD) transition indicators, over the last ten years, followed by a brief examination of some of the key factors that are associated with the functioning of the market and the competitive ability of the economy.

The research is structured in a way to cover certain important aspects of the economic convergence. In addition, the aim of this research is to understand the sources of B&H's economic growth and the upcoming changes in the structure of the economy and an employment prospects. This criterion for measuring progress towards a real convergence will be calculated by using: GDP per capita (GDP/cap). In order to examine a real convergence's performance on a more disaggregated level, two partial comparisons should be developed. They will be utilized to determine whether B&H, in recent years, reduced the differences in levels of development in comparison to the less developed members of the EU.

The second criterion related to the institutional convergence is investigated by using the following indicators to measure a progress in: large scale privatization, small scale privatization, governance and governance and enterprise restructuring, Price liberalization and trade & forex system. These data will allow us to analyze the structure and dynamics, but also the nature of changes in B&H's economic structure, over time.

Transition Progress in B&H

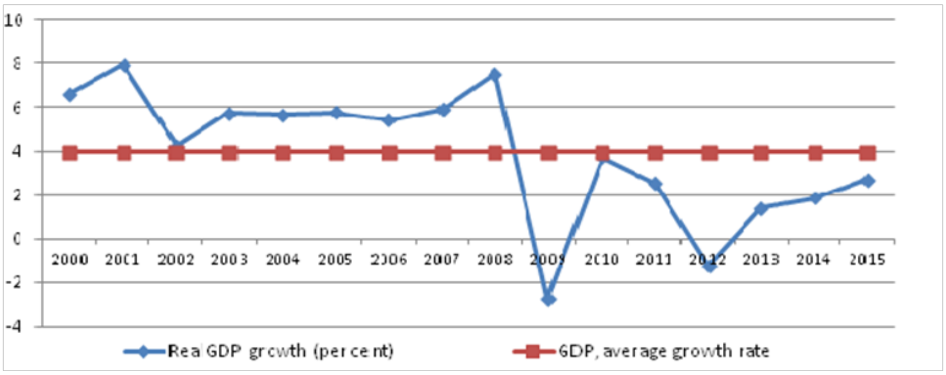
The economic trends in the last two decades, with extremely negative consequences, indicated that significant challenge for the coming decade will be the economic recovery and implementation of structural economic reforms. Moreover, a high drop in output, a high unemployment rate and a lack of investment, indicate the need to adopt stimulus measures that should be better coordinated and aligned to reduce administrative burdens and to accelerate the process of transition.

In post-war period B&H economy was marked by overall deterioration of long-term and structural trends. These include: the de-industrialization of the country, Euroisation in the monetary system, the structural deficit in foreign trade and a relatively high level of external indebtedness of domestic economy. Despite the setbacks on macroeconomic reforms, between 2000 and 2015, B&H's GDP growth per annum, averaged 3.94 percent, while GDP's growth has also been sufficient to allow for increase in cumulative GDP growth. This was the result of the economic policy carried out in recent times, in terms of the transition and the cyclic movement of the world economy. Recorded economic growth was mainly driven by a recovery in domestic demand and exports (See figure 1). Although, B&H's adjustment and reform process has been gradual in the implementation of the necessary transitional reforms, in the past decade; the effects of these changes are less visible in the standard of living of ordinary citizens. Some reforms' efforts have been implemented, as well, but some others have shown very modest results.

What B&H has accomplished, so far, and what is necessary to be done to meet most of the conditions set before the EU membership? It is certain that it is necessary to implement a number of reforms, before all,

all legislative reforms, followed by the restructuring of the economy. One of the important factor that can determine whether there is an economic development is the movement of GDP in B&H. Namely, in B&H, in the period between 2000 and 2008, a GDP growth was recorded, as it is evident in the Figure 1.

Figure 1 Real growth rates of GDP over the period 2000-2015



Source: Author's elaboration on World Bank Database, WEO data, 2015.

Furthermore, the transition progress has been made, within, small scale privatization and large scale privatization, price liberalization and trade & forex system. In 2014, B&H was given by EBRD, the grade of 3, in small scale and large scale privatization and received mark 4, in price liberalization and trade & forex system 2014 (see Table 1).

Consequently, it could be concluded that B&H implemented relatively easily the liberalization of prices and trade & forex system, and conducted the rapid sale of most state owned companies, involving large-scale direct sales of shares in companies to the public. In contrast to a success in previous indicators, it has recorded the failures in governance reform. In this context, it is relevant to note that, EBRD score for governance and enterprise restructuring's indicator reveals that it has not significantly changed for over a decade (i.e. 2003-2014) and indicates the slowing B&H's progress towards a market oriented economy. Overall, between 2000 and 2014, B&H has made a moderate progress towards all the annual EBRD indicators, so, that the average annual EBRD indicators increased from 2.33 (2000) to 3.1 in 2014.

Table 1. Transition progress in B&H measured by EBRD indicators

	2000	2001	2002	2003	2004
Large scale privatization	2.0	2.3	2.3	2.3	2.3
Small scale privatization	2.3	2.7	3.0	3.0	3.0
Governance and Governance and enterprise restructuring	1.7	1.7	1.7	2.0	2.0
Price liberalization	4.0	4.0	4.0	4.0	4.0
Trade & Forex system	3.0	3.0	3.0	3.7	3.7
Competition Policy	1.0	1.0	1.0	1.0	1.0

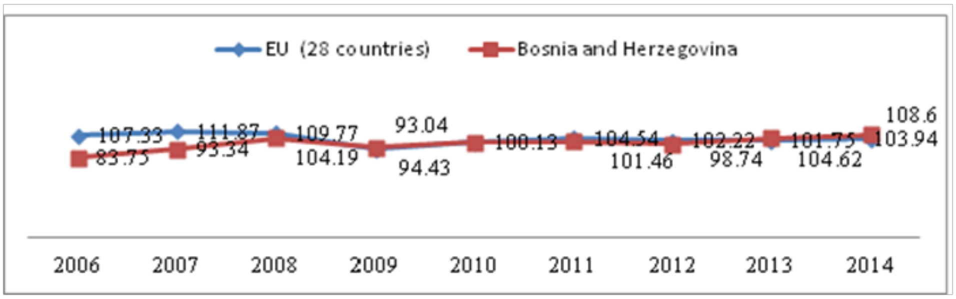
	2005	2006	2007	2008	2009
Large scale privatization	2.7	2.7	3.0	3.0	3.0
Small scale privatization	3.0	3.0	3.0	3.0	3.0
Governance and Governance and enterprise restructuring	2.0	2.0	2.0	2.0	2.0
Price liberalization	4.0	4.0	4.0	4.0	4.0
Trade & Forex system	3.7	3.7	3.7	4.0	4.0
Competition Policy	1.0	1.7	2.0	2.0	2.0

	2010	2011	2012	2013	2014
Large scale privatization	3.0	3.0	3.0	3.0	3.0
Small scale privatization	3.0	3.0	3.0	3.0	3.0
Governance and Governance and enterprise restructuring	2.0	2.0	2.0	2.0	2.0
Price liberalization	4.0	4.0	4.0	4.0	4.0
Trade & Forex system	4.0	4.0	4.0	4.0	4.0
Competition Policy	2.3	2.3	2.3	2.3	2.3

Source: Transition Report, EBRD, (2014)

The volume of trade and investment between the Western Balkans and the EU is an important factor because Europe remains the largest trading partner of the Western Balkans. The EU market is essential for the export-oriented sector of Western Balkan countries. Notwithstanding these differences, the data also suggests that after 2000, B&H entered a phase of rapid liberalization and deregulation of foreign trade regime. Generally, the better business environment has enabled it to accelerate further liberalization. Consequently, one must view that the parallel process was a sharp reduction in price, as well as the elimination of other forms of protectionist economic policies. If we look at trade openness indicators for B&H, or sum of exports and imports of goods and services, as measured by the share of GDP, tendency of its growth between 2006 and 2014, becomes, clearly visible. The export growth has increased the openness of the economy, so the B&H's trade openness indicators have grown by 29.7% over the period, 2006-2014. To the contrary, EU-28 has a less open economy than B&H (see Figure 2).

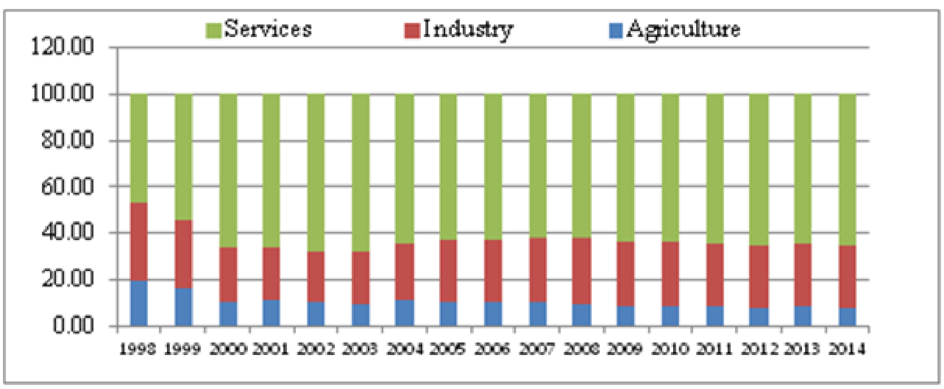
Figure 2. Trade openness over the period 2006-2014: B&H vs. EU28



Source: Author's elaboration on Eurostat data

The transition process in some areas has often been slow, and was marked by frequent reversals. In B&H, as well as in most transition economies, the processes of on-going premature de-industrialization are on the scene, thus, resulting in significant reduction of the country's industrial capacity, particularly in the heavy industry or, rather, manufacturing industry. Many of them could not fit in the new market conditions; while some have lost their broad local or regional markets. It is obvious that this has an impact on macroeconomic trends in industrial production, labor employment and of B&H citizens' standards of living.

Figure 3. Gross values added by activities in B&H 1998 - 2014



Most importantly, new issues and questions are being raised regarding the premature deindustrialization. The contribution of industry sector of B&H to the economic growth is modest. Industry's share in B&H's economic output has been declining steadily, for more than 15 years. The data shown in figure 3 reveals that the share of industrial production, as share of total gross value added decreased from 33.41 (in 1998) to 26.78% (in 2014). During the analyzed period, the industrial sector was in the process of restructuring and privatization. An industry production in B&H is greatly influenced by a manufacturing industry. Lack of intensive investments in outdated equipment and improvement of production process technology, on the one hand, and insufficient encouragement of post-privatization restructuring, on the other hand, are the main constraints to create a new, and more efficient economic structure. Structure of gross value added (GVA) in the process of transition in B&H to market oriented economy has been undergoing significant changes having in mind that B&H's economy was traditionally rooted in the primary sectors in pre-transition times. Perhaps, the most fundamental point is that in the last 15 years, the largest sectors, which contributed to the economic growth have been driven, mainly, by: the telecommunications, trade and the financial sectors that are growing rapidly. Service sector is B&H's largest economic sector, generating 65.66% of the domestic's total GVA (2014). On an annual basis, the share of the agricultural sector, in GVA, for B&H peaked at 7.56% in 2014, followed by industry (26.78%), and the service-providing sectors (65.66%).

The industry sector and the agricultural sectors have declined in recent years from 33.41% to 26.78% and 19.44 to 7.56%, respectively. The agricultural sector recorded by far the largest decrease in GVA over 60 percent, as measured by the percentage. Declining importance of the industrial sector's share of GVA is explained by the stronger growth of the service sector and deteriorating international competitiveness of B&H. Moving closer to the EU requires a much higher economic growth rate.

Real and Nominal Convergence among the Western Balkan Countries

In the first years of transition, B&H had a moderate pace of privatization, in comparison to other republics of the former Yugoslavia. Today, the economic structure of B&H is not compatible with the EU, and its per capita purchasing power is far below the EU's average. Macroeconomic stability has been maintained, but it hasn't proved to be sufficient to attract

FDI inflows, while the industrial policies and regulations are incomplete and contradictory. It has been shown that the consistent implementation of institutional reforms (e.g. liberalization of trade and capital flows and the development of market financial system), with structural reforms' efforts (i.e. privatization of state owned enterprises and local banks), did maintain the macroeconomic stability.

At the starting point, B&H's economic indicators have not been so successful, in comparison with the old EU economies (EU-15), and even more with the advanced transition countries (e.g. Czech Republic, Hungary, Slovenia, Poland and Slovakia). However, these comparisons would have a limited impact, since there are numerous differences in vital economic indicators making it unreal to compare the countries, along many dimensions. Thus, perhaps a better approach would be to compare B&H with its neighbors, while, otherwise, all Western Balkan's economies share similar, fundamental, economic values, at the start of transition. Accordingly, we begin by identifying the sample covering eight Western Balkans countries, three of which are countries from the group of newcomer EU countries (e.g. Croatia, Bulgaria and Romania) while other countries were granted the candidate's status (i.e. Albania Macedonia FYR, Serbia). The key priorities of our country in the coming period are to intensify the process of European integration for a full involvement in the EU. The importance and relevance of this research stems from the fact that B&H had formally entered the contractual partnership with the EU, by signing the Stabilization and Association Agreement. One of the most important questions for economists is whether, there is a convergence, between countries and regions. The B&H shared the fate of most of the Western Balkans countries (with the exception of Croatia), in terms of speed and the degree of convergence with the EU. Many studies have shown that the consequences of war, the dominance of oligarchs, over the economic and political life, corruption and organized crime, poor governance and weak rule of law slowed the further economic progress.

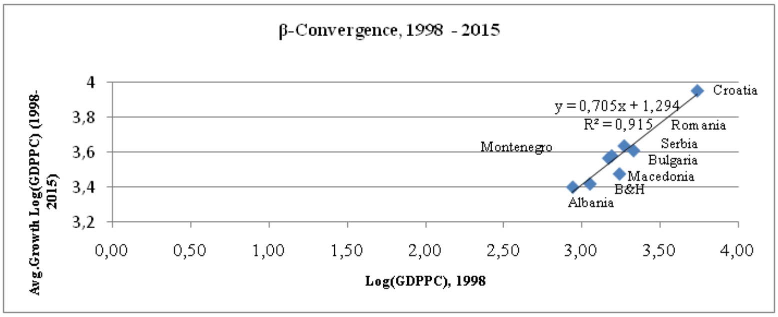
Countries on the path towards the EU are required to meet the criteria of real and nominal convergence. The contemporary literature distinguishes between two types of economic convergence: sigma convergence and beta convergence (Barro, Sala & Martin, 1995). Beta-convergence known as "rate of convergence", means that poor countries grow faster than the richer ones. On the other hand, Sigma-convergence represents a decrease in the level of dispersion of GDP per capita, between different countries. The application of the above-mentioned indicators allow us to look into the reduction of differences in economic performance, among the analyzed member states and candidate countries for the EU accession. The abolition of barriers to trade and mobility of factors of production are the essential conditions for a joint rapid development and convergence. It is therefore important to achieve a high degree of convergence of the country that could benefit from the integration and management of a common policy.

The real convergence may be defined as the reduction of the differences in levels of development and it is expressed in terms of real gross domestic product per capita (Gaspar, 2001). Real convergence requires sustainable economic growth, in the candidate countries, and for this there is a need for an assessment of a symbiosis existing between the macroeconomic and microeconomic policies. Very important, in any discussion on the development of economic activities are the efficient domestic business regulation, tax regulation and general political stability, which all represent significant problems for B&H, as well as for other countries in transition. In order to determine whether the standard of living in B&H really is comparable with neighboring countries, it is necessary to analyze ß-convergence, among the selected Western Balkans countries (Figure 4). Our research is based on data provided by the International Monetary Fund (World Economic Outlook Database), during the period between 1998 and 2015.

Using regression analysis of absolute ß-convergence it is justified by the assumption that a relatively homogeneous group of countries most likely share a common, steady-state growth path. The scatter diagram graphs pairs of numerical data, and trend analysis indicate the existence of ß-convergence, at a rate of 0.70%, based on the most recent available data. R2 model is extremely high (91.5%) and the explanatory variable is statistically significance ($P < 0.05$ for the whole period). Overall, this indicates that the variable in question being represented by GDP per capita, explains the high percentage of the variance in the average rates of growth of GDP per capita. The fit trend line, shown in Figure 4, reveals that there is no inverse relationship, between initial GDP per capita levels (1998) and subsequent growth over the period, from 1998 to 2015. Consequently, the obtained value of β coefficient was positive ($\beta = 0.70$) and it implies the trend of divergence or that the inequality between the analyzed countries has increased. Our simple correlation between initial

GDP per capita, in 1998 and, subsequent growth over the period from 1998 to 2015, does provide strong evidence, which supports divergence trend within the Western Balkans countries. Accordingly, it can be concluded that B&H's performance is in line with other neighboring countries that have had similar initial income levels, with a clear trend of divergence, over time. Figure 4, below, shows some values for: t-statistics, p-values, and the estimated b coefficients that measure the speed of convergence.

Figure 4. Analysis of convergence among the Western Balkan' countries by using Beta-convergence, 1998-2015 (logarithms of GDP per capita in $, 1998)

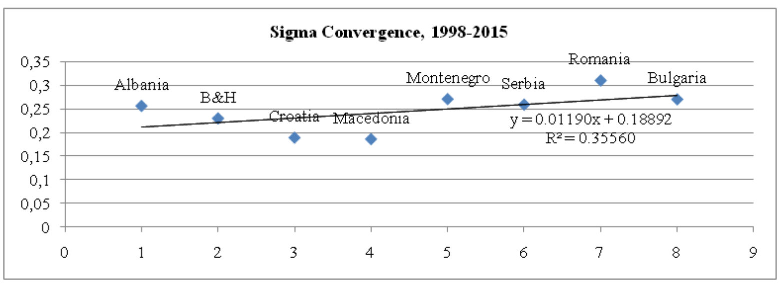


	Coefficients	Standard Error	t Stat	P-value
Intercept	1.294479435	0.283638140	4.56384	0.00383532
Slopes	0.705695941	0.087305257	8.08308	0.00019211

Source: Author's calculations on World Economic Outlook Database

Our findings of sigma convergence show the levels of GDP per capita for Western Balkan countries, over the period from 1998 to 2015, as well as the respective coefficients of variation in Figure 5.

Figure 5 Sigma-convergence among the Western Balkan' countries, 1995-2015 (standard deviations of logarithms of per capita GDP)



	Coefficients	Standard Error	t Stat	P-value
Intercept	0.188928571	0.033055	5.715626	0.001242
Slope	0.011904761	0.006546	1.818683	0.118837

Source: Author's calculations on World Economic Outlook Database

Sigma-convergence was analyzed by monitoring the dynamics and tendency of the variation coefficients of (as a measure of dispersion), GDP-a per capita, along with the trend line for the Western Balkan countries. In the case of absolute convergence, measured by the sigma-convergence, the regression parameter has a positive sign, but it is not statistically significant. Accordingly, as expected there is no evidence that B&H is converging to the more developed countries from the sample, since it has similar initial income levels. The income differentiation between the economies increased over time, caused higher income dispersion, and thus a slower rate of sigma convergence. During the same reference period (1998-2015), within the Western Balkan countries sigma convergence was not determined. The value of the estimated coefficients was not statically significant and had a positive value (0.18), indicating a trend of divergence.

Conclusion

In recent years, the role of the EU in the Western Balkans has become more articulated by local and international policy-makers. This is confirmed by granting of EU candidate status to Former Yugoslav Republic of Macedonia (FYRM), Montenegro, Albania and Serbia. However, serious progress towards the EU integration, requires significant efforts in restructuring the economy in line with the competitive pressures and market forces in the medium term, in relationship to the EU. This situation is not surprising considering all the events, on the one hand, and the level of development of social relations in the region, on the other hand. The purpose of the whole process of approaching the EU is to encourage the policy change in a real convergence and eliminate wage differences. Accordingly, the real convergence can be achieved only with a long-term sustainable high growth rates in terms of macroeconomic stability and institutional effectiveness.

The findings of this study presented in the figure 4 and figure 5 indicate that in the post transition period after 1998, in the Western Balkans countries divergent trends of selected indicators were recorded. Also, our analysis shows that there are also many significant differences among Western Balkans countries, in terms of dynamics of regional disparities, as a direct result of national characteristics (institutional factors), economic factors (level of economic development), and the effects of sequencing and reform speed on output performance in transition. The analysis of principal beta and sigma convergence components revealed a particular structure of the reform policies undertaken in the Western Balkans. The recent period of very rapid transition's changes in the Western Balkans countries resulted in the different stages of their economic development (e.g. Croatia, Bulgaria and Romania are more developed, while the B&H, Serbia, Albania, Macedonia, Montenegro less developed countries). It was shown that the transition process has produced more complex effects on the regional disparities. With regards to the economic criteria necessary for integration in the EU, it is obvious that B&H has made only limited progress towards establishing a functioning market economy. Consequently, further reform's efforts are needed in B&H to maintain the economic progress, in order to be able to cope with competitive pressures and market forces, within the EU.

The effect of negative a transition of the economic indicators and the liberalization of the economy had an impact on the strengthening of import dependence and the reduction of domestic production, which has to be stabilized, in the medium term, if we want to realize the strategy of joining the EU. Overall, B&H is on the path of a very complex and demanding process. During negotiations on EU membership, in addition to its political demands, this process put numerous economic preconditions and suggestions for integrated economic policy reforms, as the obligation of decision makers to further the development patterns. Joining the EU for the candidate countries will require the process of harmonization of their economic indicators with EU countries, by exposing themselves to even stronger competition. Accordingly, B&H, as a future candidate for a full EU membership has the responsibility of coordinating their economic performances with at least the average of the EU member states' levels.

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World Economic Outlook Database..

AGRIBUSINESS AND ITS POTENTIAL IN BOSNIA AND HERZEGOVINA

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The first question this paper will adderss is whether we need a strategy of agribusiness development and what that strategy would involve? The importance of the strategy, as well as its flexibility, is influenced by today's unpredictable economic trends (Plojović & Bušatlić, 2011). It is essential in facilitating the overall economic development of the region to define what are the key industries or economic branches. If agribusiness is one of these economic branches, it is important to design what it is and what would be its support activities. In agribusiness and agriculture it is not easy to change the strategic directions of development because if we once predicted that the main activity in agribusiness should be animal husbandry and processing of milk and meat, it is not possible, in a subsequent period due to changes in the market conditions, to state, in some strategic document, that the next main activity would be, for example, fruit growing.

What to do with the investments already made in the area of animal husbandry and processing of products? On the other hand, in order to build resources in fruit how many years do we need? For these reasons, it is important to define what are the main potentials and resources for the development of agribusiness. The basic resources are defined by the size, number and connection of land belonging to individual farmers. On the other hand, very important factors are: quality, composition and position of the land. If we want to group the factors that influence the formation of the strategy for development of agribusiness as follows:

1. Natural factors (land, insolation, water availability);
2. Demographic factors (population, age, information);
3. Infrastructure factors (road network, communications, water supply, the existence of storage and processing capacity);
4. Community support (financial and organizational support of the municipality, the Republic, international organizations, interested institutions support;
5. Legal and economic environment (regulation of loan, financing, mortgage, pledge).

Previous Studies

There are numerous previous studies regarding this topic. Manay different authors who used different approaches presented the possible challenges confronting agribusiness development in B&H. They were trying to point out the way of meeting this challenge. For this occasion, as the basis of our research, we use the official documents that are created by the teams which were organized by the European Commission, FAO, as well as the Federal Ministry of Agriculture, Water and Forestry of B&H, Waterpower Engineering and Forestry. Besides the studies and reports that were conducted by certain institutions, for the purpose of this paper, authors rely on some examples from the book such as "Banker to the Poor" written by Nobel Prize winner Muhammad Yunus. Also as the key reference in their research, the authors take the work of Swinnen who paid special attention to the challenges of sustainability of small agricultural producers in the market. He proposed some very important solutions that could be applied in Bosnia and Herzegovina. In the part that describes the organization of small farms, authors, in addition to their own research use the results of Ravindran, Toader & Valentin. In their works, they separately emphasize the sustainability of small rural households, while in the part related to the financing they use data obtained from the work of Zender R., (2015). This author explored the alternative sources of financing of the small rural households because the classic sources of financing are expensive and difficult to obtain. Also, the authors rely on their own publications which were investigating individual segments of agribusiness development opportunities and this report somehow poses the summarizing and critical review of the previous research.

The Need for Strategic Planning in Agribusiness in B&H

When it comes to the strategic planning in a particular area or region, we need to start from defined groups of factors. *The first group consists of natural factors*. The first among the natural factors is the land and in order to have the adequate analysis of the land, every individual agricultural producer or head of the agricultural holdings should have the analysis of their land. But even if each individual or agricultural holding had the information about the composition of their land, it would be incomplete information for strategic planning. The problem is in the processing of information, because if every individual has information only for his or her land, it cannot be the basis for decision making when it comes to the creation of strategy development in agribusiness. Information about the structure and composition of soil should be generated and available for processing and consideration.

The project that has been organized in a similar way was the project Bahus that was designed for the development of wine production. In that project, all information about the areas where grapes are grown or it is planned to be grown, were collected. The data were focused on the size of area, composition, orientation, slope, exposure to the sun, the winds and all the other factors that affect the quality of the vine. In this way, each individual could have information about which type of crop will give the best results in the given field. We believe that such kind of the project should be implemented also on the area of B&H since the climate and other circumstances are very similar. This database could be integrated with Google Earth, and in that way any interested person could see the characteristics of the land that they want to buy, rent or cultivate. Another factor is the availability of water. When we speak about this factor, it is very important to emphasize that problem with water supply has been handled only in the last decade. When we talk about the water supply, we primarily talk about the natural resources and water from the rivers. Most of agricultural producers solved the water supply problem individually, so it is almost impossible for them to finance their own accumulation for the conduction of the water supply in the dry months. This problem could be solved at the level of local communities, which would organize the construction of these reservoirs of water in the villages included in the municipality region.

The next group of factors is demographic factors. In this group, before everything, is the population. We are witnessing that the population in the countryside is constantly decreasing. At the same time, we have the process of land fragmentation. Because each generation, that is generally not interested in agriculture, contributes to fragmentation of land only by the process of inheritance. As the consequence of this we have the paradox that relates to the reduction of the number of inhabitants and the reduction of arable land per capita. The bad thing in all of this is that there remain a large number of untreated surfaces, which is the untapped resource. The aging population is another indicator that points to long-term problems; simply put, B&H's agricultural population is getting older. This means that there are fewer capable people to produce and be productive. If we talk about a relatively old population in the country, then we must point out that older people are less willing to change. This can also be supported by their perception that they are the last agricultural generation in the country and thus there is no need to change and to invest further. In conclusion, we may state that the demographic factor is very influential in the formation of the strategy for development of agribusiness.

The third group of factors is infrastructure factors. The road network is not the prerequisite for business development it is the prerequisite for life in general. The question is whether the infrastructure is the prerequisite for economic development or its consequence. If we look at infrastructure as precondition for the economic development, then the problem is easier because we are in the position to say that there will be economic development if infrastructural conditions are improved. If we look at infrastructure, as the result of economic development, then we are forced to adapt the economic development to other factors, and to wait for the improvement of infrastructure conditions as the result of this development. We think that, for purposes of this analysis, the infrastructure should be considered as the prerequisite for development. If you want to establish a farm in the village, you have to transport the raw materials to the farm and deliver the finished products to the customers. The truth is that, if the road network is bad, it will be difficult or even impossible, but when the job progresses, then you are able to invest in improving infrastructural conditions. The second part of the infrastructural conditions that do not depend on us as individuals, but on the interests of the state and large companies, is communication. Communication, in the rural areas, is kept to the minimum. For example, the data transfer speed that is available via WLL is 64-128Mb / s. With such data transfer rate it is impossible to work comfortably on the internet at all. If we add the bad signal coverage and the fact that wireless and fixed telephony are unreliable and highly dependent on the weather conditions, then we can say that the network of communication, in the area that we are dealing with in this research, is in very poor condition. The existence of storage and processing capacity is a factor that also influences the development of agribusiness. With this factor arises the same question; whether it is the prerequisite for development or its consequence. Once again, we believe that this factor will is the prerequisite. Because in view of the financial and organizational strength and the ability of individual agricultural producers, we can say that they need help in the building of these capacities.

An impartial reader could criticize authors of this text by saying that it is not problem in terms of the infrastructure but in the disorganization of certain manufacturers, who would, by association, achieve synergistic effect and build their own storage and processing facilities. Also, one might say that it is the task of the economy and the markets. However, we believe that agricultural producers operate in very difficult conditions because, for many years they had to produce cheap products in order to keep social peace and to ensure cheap food for the towns. On the other hand, we have large companies that are actually monopsony or cartels that condition small farmers, which leads to the reduced efficiency because of reduction in the prices at which farmers sell their goods. In the long term, it has reduced the amount of products, because farmers are unsatisfied with the price difference and as consequence they switch to another product or activity.

The fourth group of factors is community support (financial and organizational support for the municipalities, cantons, Federation and international organizations). In the first phase of development of agribusiness, as the economic sector, it is necessary to define who are the key players for collaborate with. This means that the key stakeholders have to be identified. Because of that, we believe that it is necessary to work on the promotion of association. Immediately after promotion of the associations, establishment of professional associations in each sub-area agribusiness should be done. The initiator of association, at first, should be the municipality or the Office of Economic development or perhaps even the regional development agency. The question is, whether the driver behind the association should be the University Institute for Development at the first place. After the initial actions of the establishment of such associations, we should work on building their capacities. It is crucial that the local and state authorities, together with international organizations, support the establishment and the maintenance of such associations.

In our perception of the association, there are several types. For example, in agriculture, we mostly talk about cooperatives, clusters, incubators and the associations of citizens for the purpose of promoting certain ideas. The idea of cooperatives has been proposed many times, but it was usually related to the development of projects for the purpose of obtaining the grants from various international organizations. Because of that, the right question here should be what form of organization do we really need? We need the organization whose primary objectives will be to spread the knowledge and to find markets.

When it comes to spreading knowledge, the key thing is spreading it between the members as well as introducing new technologies in the production process. It is also important to provide training for members in order to learn how to use it and what are the advantages and disadvantages of their usage. The second part of the exchange of knowledge is related to the expertise gained from institutes, universities and professional services. Therefore, the second function of association should be consisted out of finding the new markets and better positioning in the existing one.

Association, necessarily, should have the manager that is in charge of product positioning in the market, negotiate with purchasers and that is responsible for the ways of contracting and logistics. All this will make sense only if both conditions are fulfilled. If only the exchange of knowledge is fulfilled, then we will have the products that will be produced by individuals in the large quantity and they will be unable to place them correctly in the market. Then we come to the situation where milk producers are willing to spill their milk rather than to give it to the purchaser. If it is just about selling the products, then there are situations where only “association” takes the “cut” for themselves, where there is no sufficient amount of products they need in order to improve their negotiating position or where they are not able to respond to the needs of large customers.

With regards to the environment, we want to emphasize several things such as that we are connected in the market, that poor agribusiness sector affects the shortage of agricultural products in the market, which results in the increase in their prices and leads to the higher costs of food, which eventually reduces the purchasing power of the population for the purchase of other products. Therefore, if we want to help other sectors in the business, we primarily have to help the food production sector that will results in situation where consumers with that extra money, saved by lower prices of food, will increase demand in other sectors. If this is not the case then we have a Gifen paradox, in which the increasing share of income is spent on the food, which automatically decreases the "turnover" in other areas, resulting in employment reduction and which at the end leads the reduction in turnover of the companies. This is also stated in the paradox of "banana plantations."

Support of the environment must be also present preference for domestic over imported products. From the aspect of the country, this means that we should buy products produced in Bosnia and Herzegovina before we decide to buy imported products. The same mindset can be transferred to the region and the city and that each of these systems (the system of national economy, the system of the region, and the system of the city) looks like the Robinson Crusoe paradox. This paradox shows that every system should ensure sustainability for itself in the isolated environment, and that the priority is to export or exchange the goods. Such exchange of the goods, even at the mercantilist view, must have the positive balance, because otherwise the system is not sustainable in the long term.

The aim of this support would be to influence the way of thinking that we primarily need in order to meet the needs of the domestic market. We do not want to do it only with single product, but with all necessary products. Further, the same market should not be overloaded with products from which we will charge the best value since it could lead to the saturation of the markets and to the drastic drop in the price of the product. This kind of production distribution, the natural distribution has existed before and functioned exceptionally well. In the market of the town Novi Pazar, it was known from which village comes a particular product; it was known that corn usually comes from the village X, that cabbage comes mainly from village Y and so on, so they all had their market niche that were covered and surpluses were sent to the neighboring markets.

It is important to note that, in that period, Robinson Crusoe was applied to the last detail, that the market was covered by local products, that the customers knew that the money was given to their neighbors and fellow citizen and the money that remains in the system. If something was to be taken out from the system, it was mostly for the purpose of buying something that was not provided by domestic producer which, in our case, was mainly salt and gas. The environment must be aware of its actions, every consumer should know exactly where its money is going and when you buy the agricultural product in a supermarket chain or a large retail store, whose owner is not in your system, you made two mistakes: first, you damaged the producers because the margin remained at the reseller, and second error is that this same margin left your system and that all of you that are part of the system are "poorer" for that amount of money. Therefore, in this part of the environment, among many other things, we want to point out, in the most possible obvious way, the slogan "Buy Domestic ".

Legal and economic environment is the fifth group of factors and it is of great importance for the development of any economic activity. The economic environment defines the degree of the growth and development while the legal environment directs, encourages or limits you. When we talk about the economic environment, we must point out that in our market, except the loans and leasing arrangement there are no other ways for borrowing or purchasing of movable or immovable property. The first way is the loan arrangement with the bank. Loans to farmers are advertised as loans with the lowest interest rate. If we take the example of the bank, whose name will not be mentioned in this occasion, which provides loans to farmers we will see that the maximum loan amount is up to 35,000 euros. The amount on which this loan can be taken is different, as well as the repayment period, and here we will use the mentioned amount and the period of 60 months since the state prescribed that time limit as the period of depreciation of PDV for purchased equipment. The offer of the bank states that in the case €35,000 at 60 months, total repayment is €46.000. The total cost is €11.000 or in relative figures 35% of the money you borrowed, and here we have not counted the cost of loan processing, which, in this case, amounts to 2%. This means that the interest expense (11,000 / (60 months * 22 work days) is 8,33 €/day and that repaid loan (46,000 / (60 * 22)) is 34,85 €/day. The problem is not in the amount of daily payables, but the problem is in 35% of the amount of the debt that you have to provide for interest and all of that is indexed in euros. The other way is leasing. Most of agricultural producers are not familiar with it and have no confidence in this option. Furthermore, the legal framework in our country is not familiar with venture capital or venture investments, and provides no possibility for the placing of such capital in agribusiness. In the part concerned with the solutions, we should state that that work of microfinance institutions, institutes and joint ventures should be legally regulated, as well as the possibility of subsidizing interest rates.

Global Agribusiness Development

Agricultural products play very important role in the world economy and world trade. Although neglected, agriculture plays the key role in development, the basis that not only meets the needs for food, but also provides the basis for industrial and economic development. Agricultural production is economic activity that provides food, the channel that reduces poverty and hunger, the important factor of rural employment and important factor of economic growth, as well as a significant source of foreign exchange for many countries, which export these products.

Rapid industrialization and structural changes in the economies of the countries around the world have led to the neglecting and decline in the importance of agriculture. It increased the share of the secondary and tertiary sector in GDP and the share of agriculture declined significantly. In period of 2007-2012, the average share of added value of agriculture in the world's GDP was 3%, while this share was less than 2% in developed countries, more than 10% in developing countries and about 7% in the transition countries (Table 1). Agriculture plays very important role in the exports of many countries. It accounts for, an average, 7% in developed countries and 6% of total merchandise exports in developing countries, as well as 4.5% of merchandise exports of countries in transition. However, in the case of individual countries, especially developing countries, the agricultural export counts more than 60% of total merchandise exports. Agriculture also provides significant opportunities for employment, accounting for one-third of total employment in the world, and in some regions over 70% of total employment. Rural population, on average, counts more than the half of the total population in the world, while in many groups of countries, it accounts for more than 50% and 60% of the total population (Table1).

Table 1: Importance of agriculture in certain regions, 2007-2012

Region	The share of exported agricultural products in total merchandise exports	The share of agricultural employment in total employment	The share of added value of agriculture in GDP	Share of rural population in the total population
	2007-2012	2007-2012	2007-2012	2007-2012
World	**6,5**	**30,8**	**3,0**	**51,1**
Developed countries	**6,9**	**4,4**	**1,6**	**24,7**
Developing countries	**5,9**	**40,0**	**10,2**	**57,3**
Africa	8,0	51,2	16,5	62,1
North Africa	3,7	32,2	13,5	49,9
West Africa	13,1	53,6	33,1	58,3
Central Africa	4,5	...	20,7	66,0
East Africa	38,0	74,6	32,7	79,7
Southern Africa	7,3	21,7	5,3	55,5
Latin America and the Caribbean	18,9	17,3	5,9	22,6
South America	22,3	17,1	6,9	18,3
Central America	13,0	17,7	4,6	29,9
Caribbean	11,5	17,0	3,3	36,5
Asia and Oceania	3,6	42,9	10,8	61,4
Western Asia	2,7	24,3	5,9	35,5
Eastern Asia	1,8	42,8	9,8	57,5
South Asia	7,8	46,1	17,6	69,6
Southeast Asia	7,1	44,3	11,8	55,9
Oceania	13,4	70,6	13,1	76,8
Southeastern Europe and ZND	**4,5**	**17,5**	**6,9**	**36,8**
Southeastern Europe	13,4	25,8	10,7	47,8
ZND	3,9	17,0	6,6	36,0

Source: UNCTAD, *2013, World Investment Report 2013, New York and Geneva, p. 101.*

In world trade, the role and importance of agricultural products was changed over time. Agricultural products belong to the category of primary products, which have occupied important place in the world trade for ages and during the nineteenth and early twentieth century, it had the dominant position in the structure of the world merchandise trade. Significant change comes after the Second World War, when this category of products, primarily due to long-term declining trend of its price and the rapid growth of exports of industrial products, more than halved its share in world merchandise exports, from 57% in 1950 to only 22% in 2000 (ARCOTRASS, 2006; p. 63). During the twentieth century, major changes occurred in the structure of international trade, considering that until the second half of the century the most important role in the structure was occupied by agricultural products (Agribusiness and Development, 2013; p. 36).

Compared to the other two categories of products; mining and industrial products, the production of agricultural products had the slowest growth, which was directly reflected in the slow growth of exports of these products and reduced participation in the world trade. The share of agricultural products in the world merchandise exports in 1995 was 11.7% and 9.9% in 1999 (Swinnen, 2015; p. 108).

Table 2: World merchandise exports by major product group, 2009 (Billions USD and %)

	Agricultural products	Fuels and mining products	Industrial products
Value	1169	2263	8355
The share in world merchandise trade	9,6	18,6	68,6
The annual percentage change 1980-85	-2	5	2
1985-90	9	3	15
1990-95	7	2	9
1995-00	-1	10	5
2000-09	9	11	7
2007	20	15	15
2008	18	33	10
2009	-13	-36	-20

Source: WTO, International Trade Statistics 2010, Geneva, p. 43.

In the first decade of the twenty-first century, the value of agricultural exports has grown continuously, and in 2009 the value was more than doubled compared to the decade earlier. It reached 1,169 billion USD (Table 2). This was influenced by the increase in prices of agricultural products since 2004. The share of agricultural products in world merchandise exports declined continuously until 2006, from 9.9% in 1999 to 8.0% in 2006, and from then it has increased from 8.3% in 2007 (Bajramović, 2011; p. 52) to 9.6% in 2009 (Table 2). That was contributed by the high growth rates of exports of agricultural products, considering that the average growth rate for the period 2000-2009 was 9%, while the annual percentage change in 2007 was 20%. It means that it was 5% bigger than the annual percentage change for the fuel, mining, and industrial products (Table 2). We can say that the end of the first decade of the twenty-first century brought some stabilization and growth of the world trade in agricultural products. Even in the period of the global financial crisis, the total trade in agricultural products in the world has shown the greatest resistance, achieving the smallest drop in comparison to the other two groups of products; fuels and mining products and especially industrial products whose trade had the largest decline (Bannikova, Baydakov & Vaytsekhovskaya, 2015, p. 36). Total world exports of agricultural products has also achieved the lowest decline, compared to the decline in exports of other two groups products (Table 2). World exports of agricultural products declined by 13% in 2009, which is 7% smaller drop than the decline in exports of fuels and mining products while it represented 12% smaller drop than the decline in exports of industrial products.

Agribusiness in EU Countries

On June, 22nd of 2000, the European Union, at the meeting of the European Council in Brussels brought Economic Policy Guidelines for Sustainable Development, which emerged from the Amsterdam Treaty for all members of the Union. The most important objective of the European Union was sustainable development and environmental protection as the main determinant of the future production and further development at all levels of entrepreneurship.

Forum for Environmental protection will monitor the achievement of the EU objectives at three levels: the marketability (competitiveness), employment and environmental protection. To achieve the objective regarding the economic policy for sustainable development, throughout the Union, forum has made the statement (IPP- Integrated Product Policy) as the guidelines for operation of the working group at the Council of Europe which was headed by Mr. Uno Svednin. To achieve sustainable development, there are also some of the problems such as: lack of clear concept of sustainable development on which EU insists, lack of communication at all levels within the EU and insufficient understanding of the importance and significance of sustainable development in the headquarters in Brussels, especially in Eastern Europe, due to the political situation.

The measures that the EU is preparing are the new engagements, which are directed to the problems:
a) coupling of production with the respect to environmental standards;
b) the limited use of resources (mining and oil), and more use of alternative energy sources in the production;
c) favorably affect the political and other measures on the social behavior of entrepreneurship;
d) participation of stakeholders, with all available resources, in developing the economy while protecting the environment;
e) Encourage alliances and partnerships, and various associations, to sustainable development with the help of modern means of communication (internet and other media) and eventually affect the final consumer by communication policy coherently and systematically at European, national and local level, in order to raise its environmental awareness, social responsibility and food culture.

An Ecological marketing system monitors and investigates the customer's wishes and needs with the help of the marketing mix, instruments of communication mix (event-marketing, CRM) bonding the customer permanently with biologically produced food and getting the permanent customer because of the quality of the product (TQM) and ability to meet their needs for certain object (product). Marketing of organic agricultural products affects the external variables; influence the formation of public opinion, affects the behavior, culture and social entrepreneurship orientation, and their production, which aims to protect the environment. If it is the company, which produces organic food, this would be the done with the use of natural fertilizers, clean water, and unpolluted soil and with environmental protection. European Agency GfK for market research stated that 57% of Germans felt eco conscious and show environmental awareness. The survey was conducted in 1993. In 1999, Research has shown that environmental awareness was much lower and according to citizens the reasons for that were other priorities such as the unification of Germany, the accumulated problems of asylum seekers and foreigners and weak cyclical policies. For this latest survey, it is evident how the external political and economic factors affected the ecological awareness. However, there is another question: If in Europe, in most countries, citizens are environmentally conscious, why to wait so long to start organic production of agricultural products and foodstuffs as the most important areas in meeting basic human needs? This question also applies to the production of the energy by means of wind, sun, water and fuel cells (hybrid car and electric car). For this question there is only one answer and it is that some of these products, for example, hybrid cars have not been fully tested, does not show the effectiveness of the product on the market as well as insufficient competitiveness compared to the existing vehicles. The research that were done by GfK on a bio products showed that less that 50% of participants answered that they can distinguish some ecological products from other products based on the value in a way that they rank manufacturers and method of packaging. The demand for organic products in Western Europe is growing by an average of 10% depending on the product, brand and quality.

Opportunities for Development of Agribusiness in B&H

Bosnia and Herzegovina has more than 1.5 million hectares of arable land, out of which 70% is hilly area. In this area, with clean waterways and unpolluted air, land is largely uncontaminated, which is a great convenience for the establishment of sustainable organic agriculture. Economic aspects of organic agriculture and its applicability in B&H, as well as the possibility that some of the disadvantages of BIH for the development of agriculture can be turned into strengths, have resulted in attempts of some organizations and individuals to start organic agriculture in B&H. The biggest problem was the price of certification and communication problems that emerged from the fact that there was no certification body in B&H, but the services of certification were provided by the foreign certification body (Italian, English, etc.).

In the period 2001-2004, in B&H, part of agricultural producers directed their production to the organic one, which is done according to the prescribed standards. In Bosnia and Herzegovina, there are all natural preconditions for the application of "organic farming" or food production. Among these conditions is the existence of agri-production regions, which differ in the type of soil, orographic, hydrographic, and climatic but also with different altitude. There is also the willingness of farmers to work more or less successful in order to produce the products, but they also differ in their general educational and cultural level. In order to enable agricultural production, it is necessary to keep in mind that it will require the special knowledge, time and effort.

For B&H, it is fortunate that in the past, except for some areas, mostly it has not used enormously high doses of mineral fertilizers and that pesticides per building unit are least used in the Europe. This is the reason why the soil is not contaminated like in some other countries and because of that, it is much simpler to switch to the organic food production. This production is based on the application of methods of integrated production where, for each crop or cultivar, the model, according to specific conditions, is designed, and where there is the application of integrated food, primarily organic fertilizers and integral method of protection of plants. This can be achieved both in the protected area (greenhouses, tunnels, etc) and in the open fields, but there may be pollutants in water and air. Special attention must be paid to the quality of seeds, the application of proper crop rotation, processing and monitoring of certain pathogenic organisms. For now, the organic agriculture in Europe prohibits the application of GMOs (genetically modified organisms) because they cannot predict the possible adverse consequences on living organisms in the environment.

The use of organic methods of food production in Bosnia and Herzegovina is fully justified, because the conditions are very favorable, there are small land lots (3.1 ha on average), which enable application of methods of organic farming with sowing intercrop, subcultures and joint culture but also higher labor costs which are compensated for higher product prices. Therefore, full attention should be given to the organic agriculture in the coming period because it is very beneficial, not only for agricultural producers and food consumers, but also for the environmental protection. Being the country, which is classified among those that produce healthy food, contributes to the sustainable development and protection of biodiversity on earth.

The Needs of Branding the Products in Agribusiness

If we talk about products branding in agribusiness, the story must be divided into two segments: macroeconomic and microeconomic. The macroeconomic aspect is very important because agricultural products need to have necessary and adequate support. When it comes to the brand, there is a need to brand location, region, city, culture, traditions and etc.

When looking at branding the location, a lot of effort needs to be put in order to create the image of location in consumers' mind. For the purpose of illustrating the importance of the image, here we talk about isolated example of "Pester plateau" in Serbia where there should be the change in the image of the inaccessible icy highlands with the largest coal mine Štavalj and the Arbour as the coldest city in the country with large depopulation, aging population and migrating out of the area. This image of large green terrains in the summer and beautiful winter idyll in the winter should be changed to the traditional way of producing agricultural products where small companies-cooperative employ young people in the production of agricultural products.

The key thing to keep in mind is that people are looking and strive for positive things. If we want attention and the result (the purchase of our products), we have to present it as attractive ones. Brand represents the label of quality standard and in this sense it represents the important factor for the consumers (Bušatlić & Plojović, 2011). The most attractive things are youth and beauty. Local and regional authorities must take into the account the perception of the region about us in the way of how they perceive us and remember us. They also should work on presenting the positive things and removing negative stuff out of the location image. For example, if we talk about the Pester plateau, majority of the population remembers the daily news from the winter months where the half-frozen reporters have informed public from the Pester plateau. This mostly creates the bad association with the location. Similar atmospheric conditions are in Kopaonik (Serbia), but there, during the bad weather conditions, machines, instead of reporters, are sent to remove bottlenecks from the roads and in that way Kopanik remains "positive" in the memories of people even in the winter conditions.

Furthermore, if we work on the positive presentation of that location, we have to work on who has the right to use identification through the branded location. Take for example, to brand the "Made in the Pester plateau", as the campaign in which the site is presented in the positive way and then after all our attempts we have the production of low quality products that are "hidden" behind the branded location with the hope to achieve the market position in that way. This is the situation where clusters or associations of producers should appear. These associations or professional branches should deal with branding of locations, protection of it and environments and control the quality of products in order to avoid that the products of poor quality impairs the branded location. On the other hand, the legislation allows farmers to sell their products even though they are not members of a community or association, and there is no way that those people are conditioned by some other act to improve the quality of their products.

Another aspect of branding location is branding method of production. In the time of recycling, contaminated raw materials and packaging, it is important to point out that we have organic food. It is organically produced without additives that can badly affect the health of people who consume our products. In the process of branding, the external and internal environment should be examined. The external environment is the target to which the positive practice of organic products and traditional ways of doing the things should be presented. In the case of the internal environment, we should introduce the production standards, methods of processing, packaging, storage and other things that influence the creation of the product or products group image.

The final customer or consumer is the focus point of marketing. Marketing research activities are devoted to the desires, needs and behaviors of consumers. Research that could be carried out in this field is organic production of healthy food and diet culture, ecological awareness of individuals and how inadequate nutrition (bad food products) affects the morbidity of individuals. This kind of research would be out of the great benefit to the eco-marketing and eco-entrepreneurship. Customer, the final consumer, is involved, sometimes unconsciously, in many of these cases and this can be seen through the mutual relationship of collecting and returning the package to ensure better cooperation and to strengthen the environmental awareness of end consumers. The aim is that the customer becomes the part of the chain of environmental protection, and that he/she cares in this way for his/her health, especially in the preservation of raw materials. In one brochure, "It's One World" which was written by Brigitta Steilman, the greatest challenge of our time is the stability in ecological thinking and the development of "smart products." Products harmful to the environment and for consumer must go to the market quality and its supreme command. Approach to the implementation of this process must be completely based on the new philosophy of production. Environmental protection, production of organic agriculture and food industry will bring better economic and social benefits for businesses, and as well for society and consumers. Production of organic food and care for the consumer is something that they will recognize and evaluate. Each company develops its own concept of production and development according to the specific objectives and eco-marketing has to take the dominant role in all of this. The role of marketing, in this segment, is to initiate and raise environmental awareness of end user with the help of instruments of marketing mix (event-marketing and marketing relationship). The assumption of successful marketing eco-labels operation is based on four characteristics that are used as guidance to consumers in decision-making process. The survey was conducted by Mr. Kirchgeorg, where he asked whether the consumers meet the collective or personal benefit with the purchase of organic agricultural products. He explored the relationship between prices of classic and organic products. It is assumed that there is possibility of the opportunity costs arising in the process of educating customers about the importance of these eco-products, which can be waste of time for consumer. Such waste of time is considered to be the cost to the customer.

When consuming organic products, the customer receives individual benefits, but also indirectly, it positively affects the whole society. It is known that several millions of people in the world get ill or die from eating bad and unhealthy food. Millions of dollars per year are spent for the treatments of such patients. Marketing will take and explore these variables of malnutrition and their impact on human health. Buyers of eco-products need to have the easier access to the desired product and manufacturer should label it adequately. This could be done by unique design of package or packaging itself. The packing of eco-products should be in smaller sizes and should contain the better quality of food. The packaging will be reused again with no harm to the environment. Eco-product, in some cases, is more expensive than the conventional product. But, it has to differentiate greatly in the quality and design. Stefan Wirth showed in his research that, for the end user, there are distinctions between environmental conscious consumers and the actual behavior of end customers. Wirth discovered the causes of different behaviors and attitudes, and with the help of social-psychological model of human behavior, he found that there are also obstacles such as: 1) cognitive barriers: there is not enough knowledge about ecological connections (e.g. What is the greenhouse and what applications it has in food production?);

2) emotional barriers: customers doubt that the product has environmental characteristics (what is its real worth, if ...) but has little confidence in ecological qualities of offered product; 3) barriers related to the attitude: the perception that eco-friendly product has deficiency compared to some other product. In particular, such understanding of reduced value results in the optical damage or reduction in basic value and further understanding of some individuals that the product is exclusively for hedonistic satisfaction objectives (enjoyment, pleasure), whereby the leading environmental values are presented as disadvantage; 4) situational barrier: here different circumstances are presented; despite the desire to buy the organic product whose purchase is often difficult, people do not have enough time, there are transportation costs, product is produced in smaller quantities or there is no goods in inventory.

The Possibilities of Application of Innovations and Modernization

The development of agricultural technology is directed to achieving better usage of agricultural resources, greater cost efficiency and productivity in manufacturing with the increase of the scope and range of agro-food products for the domestic and international markets. In the narrow sense of technical and technological progress is the application of new technologies. Continuous improvement in agricultural production contributes to maximizing the production. The usage of new technological opportunities is important factor for increased income per unit of installed capacity, total income and labor productivity in agriculture. Mechanization of agriculture facilitated many farming jobs and reduced production losses. The high level of mechanization of agriculture involves intensive tillage with a small share of the workforce.

For better illustration of, not only Bosnia and Herzegovina, but also the most part of the Balkans region, here we take an example of Serbia. The biggest contribution to the first three decades of the implementation of agricultural technological revolution in Serbia was made by mechanical traction and increased number of tractors, which largely contributed to increased agricultural production and income. The use of mineral fertilizers also contributed to this increase. Fertile land, as a factor of agricultural production, had positive contribution to the number of tractors and usage of mineral fertilizers was widely spread among farmers.

Today, agricultural technological system includes agricultural production technology, technology expertise, technology of rural development and technology of scientific and professional capacities. New technologies require modification of the qualification of workforce structure in agriculture. Technological changes are usually related to changes in resources and procedures that are used in the production in order to shorten production time and reduce production costs. Significant changes in agriculture relate to the changes in the style of tillage, the changes in the way of sowing and the introduction of complex mechanization.

Agricultural technology tends to transcend the specifics of agriculture in order to provide its own reproductive material. Penetration of modern technology acts as a factor in mitigation of adverse natural conditions of doing business in agriculture. New technologies are highly productive, in a way that the achieved level of labor productivity at the same time is the indicator of the achieved level of technology. More complex application of technology, as an important factor of the production, contributes to achieving intensive ways of increasing the income of agricultural products. The technical and technological progress in agriculture was affected by the reduction of fertile land per tractor. The development of mechanization leads to greater efficiency of new agricultural machinery in comparison to the traditional ones. However, mechanization and chemical contamination will have less and less importance in increased agricultural production, because of growing importance of biotechnology application.

Reduction of delays in the field of agricultural technology in relation to the developed countries should be an important factor in the development of agriculture in Serbia. It is therefore necessary to encourage further development of agricultural technology by agricultural policy.. Investments in the field of agricultural technology give positive effects in the form of increased possibilities of export of agricultural products, as well as elimination of import products that are also manufactured in Serbia. Significantly, the scientific and research progress in agriculture affects the development of new branches of chemistry, the development of electrical engineering, automation, IT and others.

Further development of agriculture will require that farmers expand their knowledge of technical and technological changes related to the development of agriculture, in order to achieve better results in agricultural production. Development and application of agricultural technologies should be in accordance to Yugoslav conditions for the revitalization of agriculture and rural areas and it should be supported by the measures of agricultural policy.

New Models of Financing

In the second part, we talked about financing projects through loans and leasing. The aim of that part was to demonstrate on specific case that this way of financing greatly complicates the development of agribusiness, because the internal rate of return is required from the project, which is not possible to repay in the circumstances of the startup business in our region. Instead of debt financial instruments, the partnership financial instruments can be used which would combine the available production factors such as capital, labor and land. In this paper, under the partnership we think about the combination of already mentioned production factors, which would be possessed by only one party. It is common case that one party owns the land or money and that the other party owns the labor force and creativity for the realization of the work. There are large agricultural areas that are not farmland. In this case, the owner of the land would give his land to the lessee and after the harvest revenues would be shared between the lessee and lessor. Given that they share gains and losses, the lessee would not have to pay compensation to the lessor if the year is not fruitful. From a practical point of view, one question arises: how to motivate owners of agricultural land to give on lease their land?

"Pressure" on landowners can be done in the way that each individual who does not use its land must pay certain tax for non-use of the economic potential. So that each owner can choose between renting (and giving for free) or to pay the tax, e.g.: 2.5% of the market value of the land. Due to the incentives imposed on the landowners for the under-utilization of land, certainly the bigger agricultural areas would be used. The lease of the land does not only have to be made by the current owners, but there is also the increasing number of foreign investors who buy land in the fertile regions of the world, due to the expected price increase in food in the long run. First of all, investors from the countries with few areas of fertile land, such as the Arabian Peninsula, are buying the fertile land abroad in order to satisfy the need for food production in their countries. In addition, the worldwide trend of ecological economy requires larger area of agricultural land due to the lower productivity than the case with industrial agriculture. Therefore, in both cases, the Sandžak region could be an interesting area for investment.

After the presentation of all financial instruments, other questions arise: how to finance these instruments and who could invest in such institutions? Here, we may distinguish between investments in the form of a partnership and debt instruments that were mentioned earlier. Regarding the partnership agreements, the country could buy a certain closed-end investment fund. From the legal point of view, there are no obstacles to this. The purchased land could be leased to the interested parties in order to achieve the profit. It is important to stress out that there must be a department that will sell finished products in the Commodity Exchange market or to other clients.

Regarding the debt instruments, they are essentially trading instruments, i.e., in the application of these instruments classic form of financial institutions can be used, but there must be the institution which is able to work with physical objects, not just with the money. For the implementation of funding, there are different ways how they could be implemented. The first way is the direct implementation of physical transactions. In this case, the financial institution would specialize in work with agricultural products. The company would have to hire specialists for the purchase of agricultural products, which are able to analyze the offers from various companies in the procurement of agricultural products. These products would be bought by paying in advance and they would be resold after. Moreover, companies must be able to buy variety of tools and machines that are sold through deferred payments to the farmers. In order that financial institutions do not expose themselves to high costs, the machines and tools could be bought only when needed. In this situation, we could use the contract used by Islamic banks and which is called *"murabaha"*. In the process *murabaha*, the most important elements present is that the mediator can execute the order of the customer with relatively small risk, because the buyer had already promised to buy goods. This type of trade, i.e. procurement of goods with the promise that the buyer will take over (i.e, buy, rent) goods, can be used for all other financial contracts (e.g. leasing, payment in advance etc...). Thereby, classic contracts may be used to finance business transactions through such financial institutions. On the other hand, the transaction, at first sight, may look like the classic interest rate contract, because for the mediator this transaction contains relatively secure income. However, the mediator in this transaction has two major risks:

1. The buyer may cancel the contract before the intermediary buys the goods. In that situation, all efforts of mediators would be worthless.

Reasons for cancellation by the customer could be: decline of commodity prices in the meanwhile or finding better opportunities for procurement of the goods.

2. The mediator assumes the risk of ownership of the goods. As long as the goods are not taken up by the buyer, the broker has to bear the risk. Among the risks there is risk of storage, transport risk and so on. Moreover, the mediator must assume all obligations under the first contract, such as insurance (Bajramović, 2011. p. 362, 363).

Another way of organizing is conducting transactions through cooperation. In order for financial institutions to reduce transaction costs when using methods of borrowing, it may enter into individual contracts for the purchase or sale of certain goods via subcontractors. For example, if a bank needs to obtain specific machine, it can get the machine from the sub-contractor at a discount. The bank does not need to perform expensive analysis to search for the most favorable alternative for the purchase of machinery.

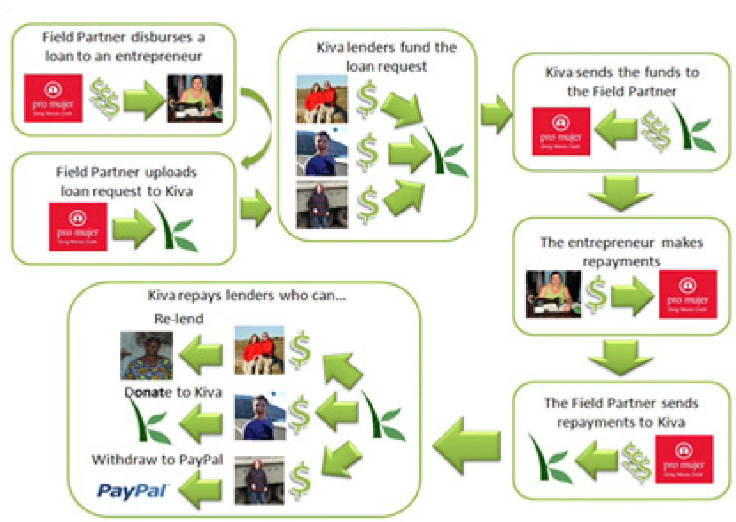
The third way is to carry out the transactions through joint ventures. In this strategy, the bank would open the joint venture with the manufacturer. For example, if a car manufacturer wants to sell the car on deferred payment, it can finance this transaction through the joint venture with the bank. Therefore, when a producer sells a car for cash, he directly addresses to this account. But if the customer wants to have delayed payment, the producer takes the subject of the joint venture. In this way, the earnings are shared between producers and banks. Another example is financing through advance payments. When the bank finances agricultural production of fruits, the producer, instead of giving fruits to the bank, sells fruits to a third party. The earnings from these transactions are shared between the bank and the company, e.g. through partnerships.

The last question that arises is the question of money availability. The lack of domestic accumulation should be compensated through the engagement of foreign commercial banks by obtaining extra funds in larger scale. Here, we could use the savings from abroad (diaspora) and domestic savings. The important thing here is that the individuals' small amounts create larger joint amount. In the ways of collecting money, existing models of funding by microfinance institutions and mobile banking can be combined. One innovative way to mobilize savings is used by the organization named "Kiva" (Kiva, 2015). This organization serves as a liaison between sponsors from developed countries and microfinance institutions in developing countries. Figure 1 shows how Kiva works.

Local microfinance institution approves the loan for local entrepreneur. This request for a loan is placed on the web site "Kiva". Donors from all over the world can see this request for the loan and grant money to specific request. Money is sent to the microfinance institutions through Kiva. After repayment of all installments by the local entrepreneurs, donors can decide what to do with their money. Here, there are three options:

1. The money can be used for a new loan to another local entrepreneur
2. The donor can give his money to organization Kiva
3. The donor may withdraw its money and will receive the remittance from Kiva.

Figure 1. How does the "Kiva"?



Source: http://www.kiva.org

This system can be combined with the mobile banking service. Instead of cash payments, the money can be transferred to the local entrepreneur electronically via mobile phone. The use of mobile phones gives microfinance institution historical overview of transactions, which prevents moral hazard. In addition, the instruments of financial planning can be integrated in the mobile phone in a way that, for example, an entrepreneur can only use the money to purchase goods with certified suppliers (who are in the system) or can only withdraw a certain amount of money every day to allow the repayment of the debt. In addition, what should be kept in the mind is that there is a large influx of money from relatives from developed countries, which is especially noticeable in this region. Many of these transfers are made through Western Union - a leader in global money transfer. In order to use this money for investment, rather than consumption, there is a great potential to link Western Union's services with mobile banking. One of the already existing services is called "Mobile Account-to-Cash" services. (European Commission, 2014) Western Union and M-com joined for these services, as global leaders in mobile banking. This service allows money to be sent with the mobile phone to the one of the branches of Western Union all over the world. The extension of the existing system would be the other way around, so if someone pays money at Western Union, the money would be paid through the payment via the mobile phone. This would allow mobilizing a greater amount of money for financing projects through alternative methods.

Recommendations

Most EU countries within their agricultural policy, have set the objectivs towards significantly increasing the percentages (share) of agricultural products over the next five to ten years. It seems that consumer demand for more organic food on their tables is not merely a passing fad. The consumption of healthier food contributes to our health and protects the environment. Bosnia and Herzegovina has over 1.5 million hectares of arable land out of which 70% is in the mountainous area. In this area, with clean waterways and unpolluted air, the land is largely uncontaminated, which is the great condition for the establishment of sustainable organic agriculture.

Thanks to the involvement of foreign experts and the work of local non-governmental organizations within the framework of the project "Development of Organic Agriculture in B&H", that was funded by Sida (the Swedish Agency for Development and Cooperation) in Bosnia and Herzegovina, since 2001, intensive development of organic agriculture have started. In 2003, the significant contribution towards the development of organic agriculture in B&H was supported by non-governmental organizations and farmers' associations. Within the framework of this project, "OK" association for support and development of organic production in B&H was formed with the aim to stimulate, develop and promote organic agriculture through the development of certificated system in B&H. The specificity of agricultural products is that they have to be adapted to the extent, which is also presented in the organic products. Therefore, in the past ten years, a series of small and medium-sized enterprises have been developed and specialized in the processing of organic agricultural products. This means that today, despite the usage of the products in fresh stage, organic agricultural products can be consumed as products made from integrated cereals and oilseeds, medicinal herbs, spicy peppers, non-GMO soybeans, dried, frozen and pasteurized vegetables, puree, pulp and concentrate apple, jams, juices and wine from blueberries, frozen berries, dried fruit, bio-breadsticks and others.

Our analysis of the agricultural example in Serbia has showed several interesting findings that could be applicable to Bosnia and Herzegovina as well. Bearing in mind that agriculture is the most vital economic area and that agricultural resources of Serbia are huge, in a way that their usage can realistically provide significantly higher production than the required needs; priorities should be urgently addressed and formulated in the system of subsidies. As the most important economic branch, agriculture should be profitably interesting for farmers, agricultural enterprises and export-oriented ones. According to this, the main directions for future development of agriculture are: the optimal usage and preservation of the available production capacities increase in the volume of agricultural production and change of production structure in favor of products intended for export.

It may be noted that in the Serbian economy, the most important problem is chronic lack of investment capital for modernization of agribusiness and getting closer to the market of developed countries. In many countries with developed market economy, the state is implementing agricultural policy based on subsidies. In Serbia, the dominant form of investment in agriculture comes from the so-called “Agricultural budget,” which is very important for the new production of agricultural farms. Adequate solution for financing agricultural areas should be found partly in the inflow of foreign capital and partly in the future trading of agrarian products. Regarding the funding of inventories, trade commercial papers should be used.

Increasing number of EU member states, in recent years, has created a larger market for agrochemicals member countries. Serbia, on its path towards the European Union, is expecting changes and adjusting the set of assumptions required by the EU in terms of harmonizing legislation, building new institutions, personnel reorganization and ongoing training of employees. In accordance with the agricultural policy of the EU, it is necessary to establish the specialized agrarian bank to ensure the permanent and real sources of funds for financing current agricultural production and investment. Finally, it is necessary to create the strategy for agricultural development in the long term for the purpose of profitability and market orientation.

In Bosnia and Herzegovina, for the successful organic production of agricultural products and foodstuffs, as well as effective implementation of the concept and marketing strategy, there is requirement for synergy of all the below mentioned factors:

- Objective for "making money" for the enterprises, businessmen or farmers should be ecological orientation of production;
- The involvement of all relevant factors in the production, sales and suppliers for the purpose of achieving a common goal, the company itself, and the unity of the workers and management at all levels (Share Value);
- Involvement of the authorities, political parties (which in this area have power) including European, national and local;
- Big companies, both local and multi-national
- Retail chains, wholesalers and small retailers;
- All ministries and religious communities;
- Environmental awareness and most importantly the customer/consumer

The question that arises is who asks for and who wants social, ethical and environmental orientation of entrepreneurship and whether they are individuals or groups. Under the groups assume legislators, government, political parties (usually "green" oriented), associations, media, environmental organizations, consumers' association, goodwill ambassadors and others. The examples of environmental requirements from above mentioned associations are:

- Declaration about genetic change of products
- To take into the account the respect of environmental criteria when granting loans in banks;
- Refusing insurance policy with the insurance company if there is a risk of environmental pollution;
- Tax on factories that pollute the environment;

- Tax on cars and trucks because of air pollution (CO2).

Our advantages, when exporting to the EU, are reflected primarily by the tradition of agricultural production. The existence of high-quality surfaces, suitable climate and water quality provide the basis for high agricultural production. The available capacities of the manufacturing industry are also important and those capacities form the basis of agro-industrial production. Weaknesses are lack of operating funds for the intensification of production and exports, low level of market orientation manufacturers, which produce mainly for subsistence consumption and the lack of production in accordance to the needs and demands of foreign markets. Since the international market is very heterogeneous it means that the production must be planned and adapted to the respect of needs and requirements of individual markets. Obsolete technology and equipment in the manufacturing industry represents the important limiting factor in the development and diversification of new products or line extensions.

The great weakness is presented by the modest marketing activities of our manufacturers in the international market, design, packing, lack of proper brand in exports, large number of small exporters. Very often products of our country are not price competitive to other exporters while low incentives for export that are imposed by relevant government institutions in not helping domestic producers either. It is also crucial to address that the marketing approach to export is very important. This involves exploring foreign markets and producing such products that will meet the needs of foreign consumers in terms of quality, range, size, manner of packaging, packaging design and the price itself. The knowledge and adaptation to EU standards is required. It is necessary to conceive the policy for export in a way that the measures of agricultural protectionism made by the Union come to the slightest expression. In the future, exports to the EU will be very difficult because of very important objective that are presented such as the completion of reforms in the agricultural sector and eastwards spreading.

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ECONOMIC ASPECTS OF UNEMPLOYMENT IN BOSNIA AND HERZEGOVINA

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One of the major functions of the labor market is to provide employment for those in the labor force. Most of the people that are in the labor force have a will to work, so does the ones who are in position to be unwillingly unemployed. Having a job enables people a social interaction, enables them to obtain social status and self-actualization. According to Agency for Statistics of Bosnia and Herzegovina unemployed are those of 15 + years of age in three particular cases. First case - in the reference period person did not engage in any activities for which they received salary or fee. Second case - spent four weeks (the reference and three preceding weeks) actively looking for employment or found a job and were about to start to work in near future. Third case – might start to work during two weeks following the reference week should they be offered employment.

Unemployment has been one of the greatest problems in European countries over the past three decades (see: Garibaldi & Mauro, 2000). Bosnia and Herzegovina (B&H) is among countries that have highest unemployment rate in Europe. Major reason for it is the war which had devastated entire economy. Bosnia and Herzegovina's unemployment is severe since it is long term and structural. It has been reported in country's labor force survey that half of all employees are unemployed for five years, of which one quarter is unemployed for more than ten years and can hardly be considered as economically active. One of the reasons for such high unemployment rate is the process of transition due to the fact that private sector is unable to inject workers that are leaving jobs from public sector. Fighting unemployment is very important since it is a battle against social exclusion, and social exclusion is direct negative consequence of high unemployment that as well results in highly differentiated social classes as it is the case in B&H.

From theoretical point of view, having a low unemployment rate in countries is of true importance, because when a country keeps its workers as fully employed as possible, it achieves a higher level of GDP than it would if it left many of its workers standing idle (Mankiw and Taylor, 2006). Unemployment occurs when a person who is actively searching for employment is unable to find work (Abel, Bernanke and Crushore, 2008). Other definition by International Labor Organization is: "Unemployment (or joblessness), occurs when people are without jobs and they have actively sought work within the past four weeks." Mankiw and Taylor (2006) stated that unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills is frictional unemployment. This type of unemployment lasts for shorter period of time. On other hand, more severe type of unemployment is structural unemployment. It results because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants on, as it is the case with B&H.

Unemployment is often used as an indicator that reflects the growth of the economy. The most frequently used indicator for measuring country's unemployment is the unemployment rate. Unemployment rate is defined as the ratio of the unemployed to the labor force (Blanchard, 2009). Blanchard and Landier (2000), investigated that unemployment rates can be classified as natural rate (long run unemployment), and cyclical unemployment (short run unemployment). Accordingly, natural rate of unemployment is the normal rate of unemployment around which the unemployment rate fluctuates. Cyclical unemployment is the deviation of unemployment from its natural rate.

According to Barrell and Genre (1999), major factors that affect labor market rigidities in Europe include a generous system of unemployment insurance and duration of benefits. Generous benefits may increase unemployment in at least two ways. They decrease the incentives for the unemployed to search for jobs. They may also increase the wage that firms have to pay, so the higher unemployment benefits are, the higher the wages firms have to pay in order to motivate and keep workers. In addition, a high degree of employment protection has the same negative effect. These range from high severance payments to the need for firms to justify layoffs, to the possibility for workers to appeal the demission and have it reversed (Blanchard, 2006).There are numerous negative effects of increase in unemployment on the economic situation of the country and among them is that increase in unemployment leads to a decrease in the nominal wage (Blanchard, 2009).

There are several reasons why unemployment rates is so high in B&H. Firstly, problems of inertia and mind setting of people that is related to a safety and job security of work, due to habits to which people are costumed to from previous economic system. This is related to comfortably and intensity of work and responsibility for individual result of work in the public sector that cannot be easily compared to the ones in private sector. Secondly insufficient level of competition in private sector is felt especially in the period of post economic crisis. Thirdly, problem of monopolization of employment is public sector that is related to privilege of employment opportunities that the leading political parties have.

One of key challenges that B&H's labor market is facing is how to solve problem of high unemployment? It is expected from decision makers to effect positively on the labor market, to stimulate employment and reduce the unemployment. One of possible solutions is to stimulate a job search within the economy. Job search policies can be active or passive. Under active measures, we are trying to stimulate active job search, by increasing possibility to obtain a job by acquiring additional education, as well as by financial measures that would result in job creation in labor market. Passive measures would include options like early retirement, limiting working hours, minimum wage regulations and limiting benefits for sick leave. Active measures are more related to unemployed person him/herself and finding a ways and incentives for these categories to look for a job even more actively. Active measures are the measures that are more present and stimulated in B&H's labor market than the passive. Passive ones require on the other hand more governmental activity on creating new policies and enforcing the reductions to existing users.

A Survey of Unemployment in Bosnia and Herzegovina

Although B&H experienced strong growth between 1998 and 2008, with Gross Domestic Product (GDP) increasing by over two thirds in real terms and poverty dropping from nearly 20% to around 14%, unemployment rates were increasing continuously (World Bank, country report). According to Labor Force Survey (2009), unemployment rate in B&H amounted to 24, 1%. The figure was unusually high even two times higher than EU27 average rate that amounts to 9, 7%. One should be aware as well problem of inconsistency in statistical reporting whereas figures on unemployment rate appear to be twice as large as those defined by International Labour Organization (ILO).

According to Table 1 (please see Appendix 1 for the details) unemployment in Bosnia and Herzegovina in 1991 amounted to 17, 6 % while in 2013 it amounted to 27, 4 %. This presents enormous increase especially when compared to other European countries. One of the reasons for such high unemployment rate is depopulation of the country. Census in 1991 reported that 4, 3 mill people lived in B&H. The population declined dramatically as a result of war: 250 lives were lost, and about 1, 2 mill people were emigrated out which most of them were working age population. This leads to a decrease of the relative number of working age population. Decrease in working age population has direct negative effect on that small portion of employed since tax burden is placed on them. In 2013 it is reported that B&H had population of 3, 8 mill people.

Foreign Direct Investment (FDI) over the years shows poor performance of country in terms of lower investment activities. Since FDI has been decreasing over the past few years, it has lead to macroeconomic and fiscal imbalances. This has led to a direct negative effect on unemployment of a country. The highest FDI recorded has been in year 2004 amounting to 7.08 % of GDP while in year 2014 it is recorded as 3, 05% of GDP. Annual growth of GDP was even negative in year 2009 due to economic crisis when it amounted to -2,91%. This is one of the reasons why FDI is performing poorly since without GDP growth no investor is willing to undertake such a risk, and invest in country with negative GDP growth rate. GDP per capita, that is most often used as an indicator of the standard of living in country has positive trend and it has been continuously increasing over the years (Table 1).

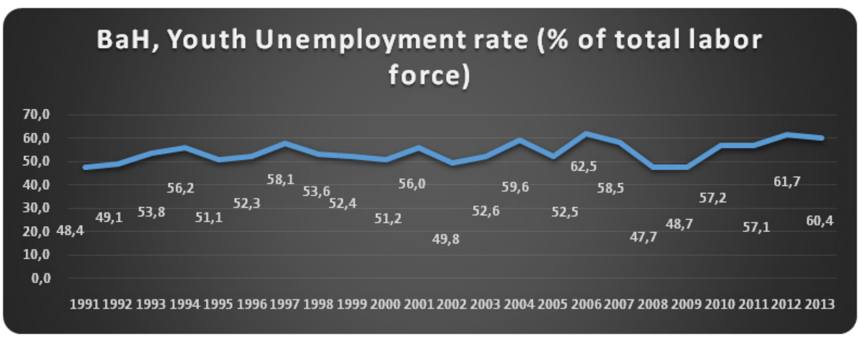
Table 2 (please see Appendix 2 for details) shows comparison of B&H unemployment figures contrasted with other ex-Yugoslav countries. It is evident from data that only two countries over the years had higher unemployment rate than B&H, and that is Macedonia, trough out all years selected (1991-2013), and Kosovo as from 2001 to 2012. For instance in year 2012 unemployment rate in Kosovo amounted to 30, 9%, in Macedonia 31, 0% while in B&H it amounted to 28, 1 %.

On the other hand, countries as Slovenia (EU member country) have shown much better performance in terms of these figures where in year 2013 unemployment rate amounted to 10, 1%, while Croatia although a EU member country had problem of high unemployment as well amounting to

17, 2%. In the same year, Serbia reported unemployment of 22, 12% while latest data available on unemployment of Montenegro dates from year 2012, and amounts to 19, 6%. When comparing and contrasting B&H's unemployment rate with other countries we can conclude that it appears to be among countries that are coping with this problem for longest period of time, and not much of improvement was achieved, since still reporting among highest numbers in terms of unemployment in region.

For the countries that are in the process of transition as Bosnia and Herzegovina is, there are always vulnerable groups that are affected more by unemployment than others. In B&H it is the youth. Youth unemployment as one of the key issues of today's unemployment is symptomatic for the developing countries. The education system in Bosnia and Herzegovina has not fully adjusted to meet market needs. When young people finish school, they are unable to find jobs, leading to discouragement, apathy and social exclusion. High youth unemployment is caused by several reasons: Inadequate educational system where young people do not possess right skills required by labor market. Second is low job creation in general. Third is bad unemployment benefit system. Bell and Blanchflower (2010), argue that the youth unemployment is one of the most pressing economic and social problems confronting those countries whose labor markets have weakened substantially since 2008, following the near-collapse of worldwide financial markets. Figures of youth unemployment rates in B&H from 1991 to 2013 are extremely high, where at one point in year 2006 youth unemployment amounted to 62,5 %, which was the highest youth unemployment recorded. For the next seven years it has been decreasing but yet recorded as extremely high youth unemployment rate amounting to 60,4% in year 2013 (Figure1).

Figure 1. Youth unemployment rate in Bosnia and Herzegovina



Source: World Bank, author's elaborations of B&H data on youth unemployment rate

The second largest vulnerable group that is highly affected by unemployment is people between the ages of 46 and 55. The problems of unemployment according to demographics within this group in Bosnia and Herzegovina are severe and members of this group are classified as highly inactive according to job search (Ćatić and Hamzić, 2011). The lack of opportunities for a dignified and productive employment has resulted in large informal economy, which is reflected in the difference of 21% between registered and actual unemployment by ILO definition presented in Labour Force Survey. One of the aims of study is to address the problem of informal economy and to be able to get the real image of figures reported on unemployment rate. System of social security that provides the right to those registered as unemployed to health insurance or compensation for the years of unemployed, is exactly creating such a problem, since many of registered are having a jobs in informal economy but being registered in order to obtain bureau's benefits. The studies that are based on LFS 2006 showed that one third of all employed persons (34%) had not paid contributions for pension and/or health insurance, which gives hints about the size of informal economy in country.

Conclusion and Recommendations

The aim of this study was to give reasonable recommendations that could effectively curb unemployment in B&H. Curbing unemployment can be achieved by implementing some very simple steps: it first requires people to change the attitudes towards labor; people need to be encouraged to take responsibility for their own future and the state ought to support people with entrepreneurship spirit and provide assistance (Bičo and Bajram, 2013). One of indirect causes of high unemployment is B&H's low openness to a trade as well as the low stimulation for investors. As a result, of these hinderances, the FDI over year has fallen. A shrinking workforce is another problem Bosnia and Herzegovina has had to cope with. Industrialization as a possible proposed solution would stop depopulation. The labor force is significantly decreasing and it is expected from those that are active to support that from day to day larger number of inactive in labor force. Modern labor market favors foreign investments and sustainable development in general but B&H's public sector over employs, and although unemployment rate is extremely high labor market is characterized by low competitiveness of companies, due to inertia of employment system. Therefore to complete process of transition is of crucial importance. Market needs to be more open to FDI.

An action plan for reindustrialization is needed that could be finding new opportunities for companies in mature sector. Establishment of as well as new markets through innovation and innovative solutions could be achieved as well. Reindustrialization itself should embrace research and development since numerous economic models have proven that these together with technology bring increasing returns to scale. Investing into research and development enables a platform for possible investing in B&H and leads to job creation. Reforms such as the ones that were successfully implemented in a form of set of reforms in 1980s in Netherland and Ireland and have been proven as successful to decrease unemployment could be applied as well onto B&H's labor market.

For instance, labor market reforms in Ireland were done through wage moderation, income tax reduction and tightening of unemployment benefits. As a result of tightening of unemployment benefits, recipients in some age groups have been required to register in a public employment or training program if they wish to continue to receive benefits after their first six months on the rolls (Nickel and Ours, 2000). Active labor market policies were program designed to mobilize labor supply, improve job skills, and to increase efficiency of the labor market. This program had a special focus on the senior citizens who have been unemployed for a longer period of time, in way of reintegrating these citizens into a labor market.

For an unemployed person it is important that they do not lose skills and competences that they have already acquired. This can be accomplished by obtaining additional education and training while a person is registered as unemployed. This is highly applicable for critical age group such as those of age 45+ that find it most difficult to reenter labor market. Concept of lifelong learning is best fitting for these age groups as well. For the problem of high youth unemployment governments should allocate their resources on the youth, and provide this category with training, give wage subsidies and to encourage business startups.

According to employment strategy of Bosnia and Herzegovina 2010-2014 (2010) there are several recommendations in order to improve a full productive and freely chosen employment for all.

- To promote an inclusive and job rich growth and reduction of deficit of productive employment and decent work (improve the business environment and support the establishment and development of small and medium enterprises, reduce employment in the informal economy and facilitate the formalization of economic activities, productive use of cash remittances from abroad, foster local economic development (strengthen social dialogue at social level)).

- To improve employability of men and women and especially the most vulnerable (synchronize the results of the vocational education and training system with the labor market requirement, implement the legal and institutional framework for establishing a system for adult education and training, include entrepreneurial education programs in educational programs, establish the cross-sectored cooperation of social partners in education).
- To improve effectiveness, efficiency and management of policies and labor market institutions (improve the preparation, monitoring and evaluation of interventions in the labor market, increase the availability of active measures especially for the long term unemployed, disadvantaged youth and low qualified persons, modernize and improve the capacity of employment services for the efficient and effective development and implementation of labor market interventions, activate passive interventions in the labor market, improve the statistical system with the purpose of improved creation, implementation, monitoring and evaluation of policies and labor market programs).

With right combination of proposed measures (active and passive ones) there is a justified hope that Bosnia and Herzegovina's unemployment rate can be significantly decreased.

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Appendix 1

Table 1. General economic indicators for Bosnia and Herzegovina

Year/Series Name	GDP growth (annual %)	GDP per capita (current US$)	Unemployment, total (% of total labor force) (national estimate	Foreign direct investment, net inflows (% of GDP)	Population, total mil
1991	NA	NA	17,6	NA	4,43
1992	NA	NA	NA	NA	4,3
1993	NA	NA	NA	NA	4,14
1994	NA	314,5	NA	NA	3,99
1995	20,8	481,1	NA	NA	3,87
1996	88,9	731,1	NA	NA	3,81
1997	34,3	971,5	NA	NA	3,77
1998	15,6	1090,2	NA	1,6	3,77
1999	9,6	1238,1	NA	3,7	3,78
2000	5,5	1451,6	NA	2,6	3,79
2001	4,4	1512,9	NA	2	3,79
2002	5,3	1746,4	NA	4	3,8
2003	4	2192,6	NA	4,5	3,81
2004	6,1	2619,7	NA	7	3,82
2005	5	2844,3	NA	5,7	3,83
2006	6,2	3269,5	31,8	6,7	3,83
2007	6,8	4020,6	29,7	11,9	3,84
2008	5,4	4873,2	23,9	5,3	3,83
2009	-2,9	4498,7	24,1	0,8	3,83
2010	0,7	4392,7	27,2	2,6	3,83
2011	0,95	4779,9	27,6	2,5	3,83
2012	-1,2	4415,9	28,1	1,9	3,82
2013	2,4	4668,8	27,4	1,7	3,82
2014	1,2	4805,2	NA	3	3,81

Source: World Bank, author's elaborations on selected indicators

Appendix 2

Table 2. Unemployment (as percentage of total labor force), Ex-Yugoslav countries

Year/ Country	Bosnia and Herze-govina	Croatia	Mac-edonia, FYR	Monte-negro	Slovenia	Serbia	Kosovo
1991	17,6	11,1	NA	NA	7,1	NA	NA
1992	NA	NA	NA	NA	NA	NA	NA
1993	NA	NA	NA	NA	8,7	NA	NA
1994	NA	NA	NA	NA	8,2	NA	NA
1995	NA	NA	NA	NA	7,2	NA	NA
1996	NA	10	NA	NA	6,9	NA	NA
1997	NA	9,9	36	NA	6,6	NA	NA
1998	NA	11	34,5	NA	7,4	NA	NA
1999	NA	13,5	32,4	NA	7,3	NA	NA
2000	NA	16,1	32,2	NA	6,9	NA	NA
2001	NA	20,5	30,5	NA	5,7	NA	57
2002	NA	15,1	31,9	NA	6,3	NA	55
2003	NA	13,9	36,7	NA	6,7	NA	49,7
2004	NA	13,6	37,2	NA	6,3	18,5	39,7
2005	NA	12,5	37,3	30,3	6,5	20,8	41,4
2006	31,8	11,1	36	NA	6	20,8	44,9
2007	29,7	9,5	34,9	19,4	4,8	18,1	46,3
2008	23,9	8,3	33,7	16,8	4,4	13,6	47,5
2009	24,1	9,1	32,1	19,1	5,9	16,6	45,4
2010	27,2	11,7	32	19,7	7,2	19,2	NA
2011	27,6	13,4	31,3	19,7	8,2	23	NA
2012	28,1	15,8	31	19,6	8,8	23,9	30,9
2013	27,45	17,2	28,9	NA	10,1	22,12	NA

Source: World Bank, author's elaborations on selected indicators

PART V

HIGHER EDUCATION IN BOSNIA AND HERZEGOVINA

HIGHER EDUCATION IN BOSNIA AND HERZEGOVINA: A PATH TOWARDS ECONOMIC DEVELOPMENT

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Classical economists in the 18th and 19th century began studying the relClassical economists in the 18th and 19th century began studying the relationship between education and economic growth by considering the impact of education on overall the wealth of a nation. However, economists in the 20th century studied such relationships by using empirical estimates, considering direct investments, returns and income (Krueger and Lindahl 2001). Studies have also shown personal pay-off from education whereby individual earnings and wages increase in terms of the number of years of schooling. Finally, their studies indicated that investments in education significantly affect GDP growth in terms of productivity, employability, innovation and using of modern technology.

Education is an essential ingredient for prosperity and it is widely held that without reading, writing and mathematical skills, it is impossible to function in a society. Education plays significant role in economic development as educated population with knowledge and skills are the greatest resource of a state. Then, schooling is necessary for industrial development as it generates cognitive, behavioral and social development of individuals that are critical for production, consumption, use of knowledge and labor.

In-depth research analysis is not necessary to determine that education offered in developed and developing countries differs tremendously. Significance of human capital and centuries old attention on education in developed countries have been extremely important in the process of economic growth. This is why even today ‘the Education for All’ is at the center of the *Millennium Development Goals*. Another good example was Tony Blair’s political campaign in 1997, who introduced famous slogan “education, education and education” as three of his key political priorities.

Due to the significant influence of the globalization process, creating conducive environment for investment in human capital and thus increasing the economic growth is increasingly emerging as one of the key elements of economic strategic plans in many countries. The international competition, globalization and technological progress contributed towards unprecedented economic growth of humanity. This progress was possible because of different factors, including the science and education. Education and training left to pedagogy and teachers has finished and nowadays economists and policy-makers have integrated education into national strategic plans whereby economic growth is impossible without bridging education and economic activity. New economic approach began to focus on education for economic demand by especially taking into consideration human capital that is inevitable for increased productivity.

The Conception of Human Capital

Adam Smith (1776) was the first classical economist that included human capital in his monumental work the "Wealth of Nations." He began to argue that human capital embodies useful skills acquired by useful members of society. Such skills of a worker are product of personal investment that should be repaid back as an income. Then, in the end of the 1960s emphasis on the human capital began with research studies conducted by Theodore Schultz (1961) *Investment in Human Capital*, Jacob Mincer (1974) *Investment in Human Capital and Personal Income Distribution* and Gary S. Becker (1964) *Human Capital*. Besides shaping the human capital concept, their works also influenced other researchers to address furthermore economic growth, education, training, migration, health and social exclusion.

To begin with, Theodore Schultz (1961) introduced an idea that the human capital is indispensible for a national economic growth in the modern economy. He also made research studies on the educational and health expenses as key investments with the aim of economic growth. He argued that higher levels of education offer to people the change of profession and more job opportunities. According to him human being is a form of capital that can be developed. Then, Jacob Mincer (1974) has shifted his attention to study of the relationship between the human capital and the revenues from labor by the degree of education of the individuals. His research findings indicated that an added year of schooling anticipate growth of revenues throughout life. For example, recent studies of Kruger and Lindahl (2000) that applied Mincer's approach indicated that in the USA each year of schooling raises the lifetime revenues by 10%. These early human capital theories, associated with education and economic growth, continued furthermore with the works of Gary Becker (1964) who examined significance of human capital in sustainable development of economy by especially considering information progress and its impact on both individual and the society. Due to him human capital started to include theoretical knowledge, skills and abilities that are inevitable in the process of creating goods and services. Becker also introduced an idea that education increases the productivity of those who possess it and investments in human capital produce earnings. Similarly so Romer (1990) affirmed an idea that the human capital is a precondition of economic productivity.

The above-mentioned survey has indicated that there are different conceptions of human capital throughout the literature. Yet all of them put stress on the economic and non-economic benefits of human capital investments. Therefore, the OECD proposed the definition that includes both economic and non-economic benefits of human capital as "the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being" (OECD, 2001). Unlike other definitions OECD definition includes also psycho-social, mental and physical aspects of individuals that are also regarded as human capital. Then, another comprehensive definition argues that the human capital is "an amalgam of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and initiative that affect the values of a worker's marginal product (Frank and Bemanke, 2007). Broadly speaking the conception of human capital includes both human and the capital dimensions. Therefore, the capital is directed towards the creation of goods or services and they are significant part of the production process. Therefore along with the capital the human is the subject of all economic activities such as production, consumption and transaction. The humans are usually utilized as the labor force and, as well as, they are the creators of knowledge, skills and competencies (Boldizzoni, 2008 and Little, 2003).

The Income-Based Approach

The main driving force which can inhibit or impel the growth of asociety is the investment in human capital made by the state. Education and professional trainings should be considered more seriously by policy-makers as they are the most important investments in the creation of human capital. The human capital, therefore, development of knowledge, qualities, qualifications, competencies and skills are conditional for serious economic activity and growth. The quality of the investment made on education anticipates future benefits in the process of economic growth. In addition, at individual or personal level the *income-based approach* considers the future earnings that human capital investments generate over a person's lifetime (Jorgenson and Fraumeni, 1992). According to Checchi (2005) *"income inequality tends to be lower in countries where average educational achievement is higher* (p. 5). Very idea that the investment in human capital raises individual's income and wages was introduced by economists beginning from 1950s. As studies were developed researchers came to the conclusion that investing in human capital is more beneficial than investing in physical capital. Barro (2001) in his study, applied on the number of countries, affirmed that the educational level of the work force has positive impact on national income too. Obviously if a state spends more on education, incomes will consequently grow up at times amounting more than the investment.

According to the OECD (2012) report one of the most important reasons for growing unemployment and social inequalities is lack of proper education, training, and especially lifelong learning. In addition, "on average, employment rates are 18 percentage points higher for those with an upper secondary education and 28 percentage points higher for those with a tertiary education, compared to individuals who have not completed an upper secondary education" (p. 120). Therefore, additional investments in education and producing more qualified and educated people are inevitable for economic growth. According to old perceptions, investing in education, and thus in human capital, has been considered as individual decision which is aimed at certain kind of pay back or refund in the future. This perception is also based on measurable rates of return in European countries average about 6.5 percent for an additional year of education, while the rate of return in the US is 3 percent higher than in Europe.

Studies have indicated that unemployment rate among people with higher education is lower than among the people with high school education. People with higher education actively participate in social and political life of a country and contribute to better functioning of the social and political processes. Children of parents with higher education enjoy more quality way of life than the children with lower level of education. Research results also show that people with higher education can bring higher benefits for the whole society in terms of new discoveries, creativity and innovations than people with lower level of education.

The Cost-Based Approach

The main component of economic growth is human capital. Increasing human capital is dependent on education. Therefore, education should be treated as production investment, not as consumption, because education is the accumulation of capital. Every student invests in education through purchasing of books and paying of the tuition fee. Similarly so state institutions by investing in staff salaries and educational institutions contribute to the economic growth. *The cost-based approach* was first introduced by Kendrick (1976) who argued that even child rearing, studying time and any form of spending on education has education value and determined human capital in the form of investment and earnings. Researchers and economists especially become interested in the financial significance of investment in formal education. For example the total investment in education in developed countries, averages about 6.2% of their GDP. However, Denmark, Iceland, Israel, Korea, New Zealand and the United States spend more than 7% of their GDP on education (OECD, 2012, p. 238). Then, "On average, OECD countries spend USD 9 252 annually per student from primary through tertiary education: USD 7 719 per primary student, USD 9 312 per secondary student and USD 13 728 per tertiary student (Ibid., p. 218).

Such significant investment in education is aimed with the purpose of making the return at least equal to the investment if not higher. Another reason for growing interest of researchers in investment in education is the fact that underdeveloped and developing countries do not put this as their priority in economic strategic plans and policies. The World Bank measures human capital through its comprehensive wealth accounting (World Bank, 2011). That is why the European Union in the framework of *Lisbon Strategy* emphasized investments in human capital and made it as one of the main preconditions for the creation of a modern knowledge-based economy. Being influenced by research studies many countries at the national level have attempted to measure their human capital by considering adult literacy rates (Romer, 1990), school enrollment ratios (Barro, 1992) and average years of schooling (Krueger and Lindahl, 2001).

Becker (1993) argued that "it is fully in keeping with the capital concept as traditionally denned to say that expenditures on education, training, medical care, etc., are investments in capital" (p. 16). Therefore, any activity that carries the costs in the current period and that possibly can increase productivity in the future can be considered as the investment. Therefore, all activities that increase productivity require investments. In this regard, human capital is the economic expression of knowledge, skills workers acquire through education, training and work experience. This means that human capital and education are two sides of the same coin, as they condition the ability of the economy to produce goods and services. In countries where human capital is scarce, the gap between earnings of educated and less educated workers is higher.

Throughout life people accumulate useful knowledge, skills and experience and ultimate 'capital' at the end depended on investments. Therefore "education and professional training are the most important investments in the human capital" (Becker, 1997, p. 1). Similarly so, according to Schultz (1981) human capital depends, in addition, on investments in healthcare system as a good health is a precondition of human capital. Both the expenses on education and on health can be considered as an investment in the human capital (p. 7). Therefore, being an integral part of human capital investment healthcare is important as it enhances individual's intellectual and learning abilities and eventual job performance. Besides the positive effects of investing in education on growth and development, education creates the potential for social inclusion and integrates excluded social categories such as the unemployed, the poor and disadvantaged. Therefore, encouraging investments in human capital and lifelong learning became top priorities of new *Guidelines of the European Employment Strategy*, which aims to achieve higher employment and create quality jobs.

Education and Knowledge

From historical point of view, it is commonly known that the human society has undergone significant developments, each period with much more sophisticated developments. Mankind passed from Stone Age, Iron Age, agricultural age, industry age, information age to knowledge age. These civilization stages or revolutions also affected changes and developments of economy, which shifted from an economy based on material resources to a knowledge-based economy. Due to such changes and transformations, human capital became inevitable factor that influenced economic development.

Highly educated people who possess knowledge and skills become drivers of economic development because they often create additional value on the market. Physical capital is not determined by the competitiveness of companies but it is on contrary human capital that is integral part of every economic process. Human capital brings along to the company education, knowledge, skills, competencies and motivation, which are driving forces for increasing productivity that is based on knowledge, experience and qualifications. Becker (1993) introduced an idea that the scientific and technical knowledge raises the productivity of labor. Therefore, mutual dependency between technical knowledge and production increased the value of education and training in economic development (p. 24).

Innovation depends on the knowledge that is considered to be a good or product as any other. As De Long (1997) argues increased productivity and improved standard of living brings advantages in knowledge and improvements in application of knowledge. In addition, improvements in knowledge and in the application of knowledge, as key components of research and development, directly contribute to the economic development. That is why the basic macroeconomic understanding of economic development depends on GDP, technology, capital and labor.

Some older models of growth like Solow Growth Model (Solow, 1956) argue that a small part of economic growth is attributed to the labor and the capital while the largest part of economic growth depends on technological advancement. According to Solow (1956) because of the technological advances human capital becomes more important. In the beginning of the 1980s technological advances began to be treated as part of economic theory. Neoclassical economic theories began to argue that technology, human capital and innovative ideas strongly influence the economic growth (Romer, 1990; Barro, 1991). This is very much obvious in underdeveloped countries because of different capacity to absorb new technology. Technology cannot be acquired and used without education and practical skills. In addition, developed and underdeveloped countries differ on education, research and technology, therefore underdeveloped countries generated different results because of gap between technology and human capital on one side and economic growth on the other (Mankiew, Romer, Weil, 1992).

Education and Bosnian Economic Development

In 2008 the Council of Bosnia and Herzegovina adopted *Strategic Directions for the Development of Education in Bosnia and Herzegovina 2008 – 2015* (http://www.vetbih.org/portal/images/stories/politika-i-strategija/BIH-Strategija-BOSANSKI-JEZIK.pdf) *According to Education for All 2015 National Review Report: Bosnia and Herzegovina* this document defines education priorities aimed at "raising the level of education of the population and the competence of the workforce, improving the effectiveness of education and training, prevention of social exclusion among children and youth and expanding opportunities for adult education and training, as well as he quality assurance and revitalization of research in education" (p. 4.) Bosnia and Herzegovina is currently working on the adoption of new strategic plan that should link the labor market, stakeholders and innovative curricula; modernize education system and its administration; reform the financing of the education system; introduce integrative education development model according to EU standards as to harmonize education systems at cantonal and entity levels.

In Bosnia and Herzegovina there is a need of more investment in education as to improve its quality and to make education compatible with the market needs. Obviously, with the investment in education, fostering of entrepreneurship spirit, training and development of human resources Bosnia and Herzegovina can reduce unemployment rate and develop its economy. Since 1990s until today small investments in higher education have been reduced to a minimum and they are exclusively aimed at public universities that largely depend on the budget. Therefore, lack of investments in the higher education significantly influenced the quality of higher education in terms of infrastructure and human capital. According to international standards 2% of GDP should be allocated for education while in FBiH it is at 0.28% (Federal Ministry of Education, 2012: 8). According to *Strategic Development of Education Canton Sarajevo 2010-2015* "higher education is perceived as public expenditure and not as an investment in human capital" (n.p.). Then, unlike in industrialized countries higher education in Bosnia and Herzegovina is only financed from public and not from private sources. Excellent examples of private participation in investments in public higher education are USA, Korea and Chile (Branković, 2012, pp. 17-18).

The annual budget for higher education in Bosnia and Herzegovina is 56,75 million €, which is approximately 550 € per student. In comparison, developed countries invest per student significant amount of money. For example, USA invests per student 14.851 €, Canada 10.934 €, Sweden 9.918 €, Scotland 9.101 €. Therefore, the budget allocated for higher education in Bosnia and Herzegovina is 20 to 40 times less than in Europe, and the rest of the world. According to yet another study in 2010, each student was allocated with 1.674,16 KM at public universities. Average allocation in the EU countries is between 8.000 EURO and 36.000 EURO depending on the field of study (Brankovic, 2012, p. 42).

Good examples of capital investments in education are newly established institutions of higher learning, which could directly affect an economic growth. For instance, the International University of Sarajevo (IUS) has invested a significant amount of money in building a modern campus. Besides, there is significant impact that students, staff and the University expenditures have on the local community. Students and staff make significant expenditures on housing, utilities, telephone, food, entertainment, services, clothing, purchasing of books, health, education and tuition. There are certainly financial contributions of the University on surrounding communities. Fresh capital investments by some private universities do not only influence the development of the economy but also increase state revenues (Mulalic, 2012, p. 363).

Bosnia and Herzegovina has 9.9% illiteracy rate as based on 1991 census. There is very low participation in higher education at 16%, which is expected to be increased to 32% by 2015. According to UNDP 2004 survey only 4.3% of people possess higher education. Then, university enrollment is very low and it is at 24%. On the top of that there is political instability and brain-drain of the young people (*Strategic Directions for the Development of Education in Bosnia and Herzegovina 2008 – 2015, 2008*, p. 2). Yet it is important to mention that in the span of five years (2004-2009) the number of students enrolled in universities indicated growing trend as the number of enrolled students increased from 84.475 to 109.579 (Brankovic, 2012, p. 41).

In Bosnia and Herzegovina there is no clear control and monitoring of student's enrolments at the institutions of higher learning and often graduates do not match market needs. According to *European University Association* (2009) participation in education in Europe is 50% while participation in higher education in Bosnia is only at 16%. Despite the large number of universities in Bosnia and Herzegovina, only 15% of young people go on to attend one. This is in contrast to developed countries where significant numbers of young people attend university. Actually, in some countries within the last ten years student numbers have doubled. For instance, in Europe 52%, in Japan 49%, in Canada 59% and in the USA an amazing 81% of young people attend university.

Bosnia and Herzegovina grapples with extremely high unemployment rate. In June 2015 there were 539.512 unemployed and 712.353 employed people. 43% of young people are unemployed (*Labour and Employment Agency in Bosnia and Herzegovina*, http://www.arz.gov.ba/statistika/mjesecni/default.aspx?id=1954&langTag=en-US). In this regard it is important to mention that job strategy is also closely linked with economic growth and development of education (Diamond, 2005: 109-185 and Harvey, 2001: 97–109). To start with, universities themselves are among the largest employers. Perhaps, Canton Sarajevo is good example where four universities employ significant number of people. Then, universities produce skilled labor that is inevitable for functioning of companies. In addition, Bosnia-Herzegovina will eventually join the European Union; therefore, the European market will be open for qualified graduates that possess not only the knowledge, skills and ability of using modern technologies but also effectively use the foreign languages. There is the need for skilled labor because the percentage of skilled labor in Bosnia-Herzegovina is extremely low in comparison to European countries.

Advocators for higher education hold that there is also correlation between education and income. Of course, higher educational level can increase individual’s income up to 70 percent and there is higher probability of being employed (Hanushek and Woessmann, 2009). At theoretical level there are theories that argue on the relationship between education and earnings or income. Education awards the individual additional values, which increase his/her productivity, which in turn can be translated into higher earnings. In simple terms the productivity is the ratio of outputs to inputs. Therefore, there is the relationship between education and productivity. An increase in education could have a permanent impact on economic growth and consequently an increase in the production level (Pana & Mosora 2013).

Economy and practical knowledge and skills are needed because of the scientific and technological demands of the modern world. There should be an emphasis not on theoretical but practical knowledge. Recent technological progress in computers has stimulated large investments in information technology. There is close relationship between economic development, technology and education (Ćosić and Fabac, 2001: 516-544). Certainly there is the role of technology in educational processes; investments in building modern laboratories, scientific-research databases and libraries; impact on economic development in terms of economic initiatives, transfer of knowledge and technology, development of new products and opening of new services and jobs.

Institutions of higher learning stimulate other industries, opening of new jobs and additional investment in the form of the projects. According to Trani and Holsworth (2010) "during the 1980s and 1990s, Ireland essentially reinvented itself as an information technology capital and, in the process, skillfully used its universities as an incubator for talent and for the establishment of collaborations between the academy and the best-known multinational corporations" (p. 12). Nowadays, every university is research-driven institution with a focus on knowledge, technology and their diffusion. It is mandatory that universities service the business sector by producing human capital, knowledge based on research and publications, research projects and consultancy. Unfortunately research and development is at very low lever and Bosnia and Herzegovina is lagging behind other Western Balkans countries such as Montenegro, Macedonija, Serbia, Croatia, Slovenia and Kosovo (Brankovic, 2012, pp. 42-43). Ćurković (2010) holds that "Bosnia-Herzegovina allocates only 0.05% of its GDP in research and development" (p. 136).

Concluding Remarks

In the process of economic planning and investment it is important to consider the extent to which factors such as human capital, knowledge and technology can give the best results for economic development of the country. Apart from physical capital all the above factors play complementary role in economic development. The application of new technologies also depends on human capital, because its production is in the hands of highly educated people who possess knowledge and skills to use new technology in economic processes. Acquired education and competencies of young graduates is in accordance to new technological advancements in our society. Therefore, human capital as opposed to physical capital loses its value when not in use. Actually, human capital increases knowledge and skills through the process of work. Physical capital is not any more decisive for economic development but it is human capital, knowledge, innovation, creativity and modern technology.

The universities sometimes depend on political framework for the development whereby they don't focus on their own strategies and policies that should be aimed at the development. Therefore, because of wrong perceptions universities don't play direct role in the development and the development is considered as sole responsibility of the state. On the contrary knowledge produced at the university should be decisive for capacity building and economic development. Impact of higher education on economic growth is clearly visible from extremely dependent relationship between higher education participation rates and economic growth rate (Reisz and Stock, 2012, p. 200). From 'rates of return' perspective there are both the private and public benefits of investing in higher education. Higher education play significant role in the creation of the human capital that is indispensible for the labour market. Private firms and companies are in need of new technologies, whose knowledge and application depend on higher education. Finally, lifelong learning and preparation for jobs also depends on higher education and its quality.

In Bosnia and Herzegovina it is important to develop effective higher education strategic plans; increase investments in higher education; develop qualified human capital; and put emphasis on practical knowledge, research and technology; and articulate both social and economic dimensions of education.

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PART VI

SOCIO-POLITICS IN BOSNIA AND HERZEGOVINA

SOCIO-POLITICAL POSITION OF RELIGION IN BOSNIA AND HERZEGOVINA

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Bosnia and Herzegovina throughout its history has always been a place with high levels of religious diversity and pluralism, considered as a meeting place of different culture, civilizations, peoples and above all different religions; representing a true European Jerusalem as many prominent peopled notes such as Pope Ivan Paul II, Pope Francis, Muhammed Ahmed Husejn – Palestinian Mufti, and many others (see: Kostovic, 2001). The religious mosaic of Bosnia and Herzegovina goes back to the 11th century. This was the period of Medieval Bosnian history where besides two major Christian churches, the Western-Roman-Catholic Church and Eastern-Orthodox Church, a uniquely Bosnian Church, usually referred as a "heretic church", also coexisted. The Bosnian Church that at one time period was the *de facto* national church in Bosnia and Herzegovina institutionally disappeared by the beginning of 15th century under the pressure of Bosnian rulers (Malcolm, 2011; Fine, 2005). During next few centuries, the religious balance in B&H started to change and multiconfessionalism was present at large. By beginning of 15th century with the coming of Ottomans to Bosnia, the regional religious mosaic was enriched by presence and emergence of other two major world religions and its followers: Islam and Judaism. It is important to point out however that some scholars claim that this was not first meeting of Bosnians with Islam (see: Hukic, 1997: 21-22).

Through its long history Bosnia managed to preserve its religious multicofessionalism and pluralism. Today besides four main Abrahamic religious traditions, namely, Islamic Community in BiH, Roman-Catholic Church, Serbian-Orthodox Church and Jewish Community of BiH, according to the Register of Churches and Religious Communities in Bosnia and Herzegovina there are more than 30 newly established religious communities in Bosnia and Herzegovina (See: Register of Churches and Religious Communities in BiH, at www.mpr.gov.ba).

The Religious Demography of Bosnia and Herzegovina

According to the preliminary results of 2013 census, Bosnia and Herzegovina has a total population of 3.791.622. There are 2.371.603 persons living in the FB&H, 1.326.991 persons living in entity RS, and 93.023 people living in Brcko District. Despite the fact that this census was conducted 2 years ago, there still is no demographic data that has been published due to the internal ethnic disagreements over the methodology. However, the religious landscape of Bosnia and Herzegovina according to the unofficial estimations of *Agency for Statistics of Bosnia and Herzegovina* is as follows: Muslims constitute more than 40% of population, Serbian-Orthodox Christians more than 30%, Roman-Catholics around 15%, while the rest belongs to other religious communities (Jewish, Protestant) and atheists (see: USA Department of State, *International Religious Freedom Report for 2011*, available at: http://www.state.gov/documents/organization/193003.pdf). The majority of Serbian-Orthodox residents live in entity of RS, while Muslims and Roman-Catholics primarily live in entity FB&H. The other aforementioned religious communities primarily reside in the Sarajevo region.

A Historical Perspective Churches and Religious Communities

Bosnia and Herzegovina through its history has been characterized as multicultural and multireligious state, and religion and the religious identity of Bosnian peoples has always played an important role within the society. The relationship of state, churches/religious communities and as well as the freedom of religion over the last centuries have been regulated in various ways. During the period of Ottoman rule, Islam had the status of beign the state religion, while Catholic, Orthodox Church and Jewish community had status of being "recognized religions" with the full freedoms of religious expression and application of religious laws in issues related to the personal laws of its adherents.

The Austro-Hungarian Empire during its rule in Bosnia and Herzegovina also accepted and implemented the model of *recognized religions* and religious organizations. According to the (National/Provincial) the constitution of Bosnia and Herzegovina, proclaimed in 1910, the following religious organizations (communities) existed: Islamic, Serbian-Orthodox, Roman-Catholic, Greek-Catholic, Evangelical and Jewish community (Article, 8) (Imamovic, 2011). Recognized churches and religious communities had the status of organizations regulated by public law, in accordance to which they had the right of public expression, exemption from payment of taxes and the right to levy a religious surtax. During this period, state officials usually took part in religious events and attended religious ceremonies, while state has kept the right to exercise, control and monitor churches and religious communities.

This model of organization of state-religions relations has been preserved in Bosnia and Herzegovina after the state became the part of the Kingdom of Serbs, Croats and Slovenes after the Treaty of Saint-Germain in 1919. The provisions of the Treaty became the official Constitution of the Kingdom in 1920 (known as Saint Vitus Constitution). The new Constitution stated that all religious communities that have been recognized in some part of the new country gained status of "recognized religions" in entire Kingdom and it guarantied equality before the law to all religions as stated by Article 12 of the Constitution: "Freedom of religion and conscience is guaranteed. Adopted religious beliefs are equal before the law and may publicly profess their religious doctrines."

The end of Second World War marked the beginning of new era in the context of state-religions relations by introducing the model of secular state. This has been characterized by full separation of religion and state affairs, and narrowing down the religion to the private sphere of life, while the protection of freedom of expression of religious beliefs and conscience was guaranteed by Article 25th of the Constitution of the Federal National Republic of Yugoslavia adopted on January 31st, 1946:

> Citizens are guaranteed freedom of conscience and freedom of religious belief. The church is separate from the state. Religious constitutions whose doctrines are not contrary to the Constitution are free to conduct their religious affairs and perform their religious rites. Religious schools for training priests are free, under the supervision of the state. The abuse of religion for political ends and the existence of religiously based political organizations are prohibited. The state may provide material assistance to religious communities.

In the immediate aftermath of World War II, Yugoslavian politics were dominanted by an idiosyncratic Marxist ideological variation that came to be widely known in Marxist circles as *Titoism*. As within most Marxist discursive frameworks, religion was viewed in a negative light in Yugoslavian politics, though it was not formally banned. The separation of the state from relgion resulted in loss of the legal force once enjoyed by the various religious communities in Bosnia and Herzegovina. Consequently, there were closures of many religious institutions (i.e. Shariah Courts, religious schools) during this period.

One-party systems often imposes party policies over constituent interest and creates the interweaving relations between state and party policies. During this period, the state sought to mitigate the role of religion in society. This was achieved by putting pressure on religious leaders, scholars and their representatives to conform to the interests of the state. Furthermore, the implementation of Law on Agrarian Reform and Colonialization (adopted on 23rd of August, 1945), and expropriation of the land from religious communities under the slogan that *land belongs to the people who work on it*, along with the justification of Yugoslavian nation-unity-building resulted in religious communities losing much of its properties. The Article 8 of Law on Agrarian Reform limited maximum extent that religious communities could preserve for their own needs:

> Places of worship, monasteries and religious institutions may, pursuant to local conditions, in each individual instance be permitted to retain gardens, vineyards, orchards, meadows, pastures and forests to a maximum total area of 10 hectares for their own use or for humanitarian institutions and national associations. If these institutions are of major historical importance they may retain ownership over a maximum of 30 hectares of cultivable land.

These provisions almost entirely exhausted the economic basis of religious communities that were forced to rely and sustaine their activities on voluntary contributions from their followers. The next stage in relationships between state and religious communities in Yugoslavia was characterized by use of different tools and methods in reducing and limiting the activities of religious communities to the spiritual domain usually forcing the religious representatives to obey and follow the instructions of state regime. This resulted in the marginalization of the social role and position of religion in socialist Yugoslavia.

During this period, Muslim women and their dress that has been characterized as an obstacle to the Muslim women emancipation. The movement for the abolishment of veil (*zar*) and headscarf (*ferejah*) was initiated by the Anti-fascist Women's Front (*Antifašistički front žena*, AFŽ).

In its second congress adopted a resolution proclaiming that the veil (*zar*) and headscarf (*ferejah*) were "a symbol of the past unequal position of Muslim women and the legacy of a difficult past that now hinders their full participation in political, social and economic life of women" (AFŽ, II kongres Antifašističkog fronta žena Jugoslavije: održan u Beogradu 25, 26, 27 januara 1948). From the resolution itself it is indicative that Muslim women, under preassure initiated this process, while it was accepted by AFŽ and it describes veil and headscarf of Muslim women as backward tradition and not as religious duty. The issue of the veil and headscarf of in Bosnia and Herzegovina is a controversial issue even today. A recent decision rendered by the High Judiciary and Prosecution Office (VSTV) banned religious symbols (primarily aimed at disallowing the headscarf and veil) in Bosnian courts, and brought back old memories of discrimination against Bosnian Muslim women.

The following Constitution of the Social Federal Republic of Yugoslavia was adopted in 1974 and continued to advocate full separation of state and religion, respecting the freedom of religious expression and conscience while it proclaimed unconstitutional to use religion or religious activities for the political purposes (Article, 174). Based on the provisions of the Constitution in 1976, Bosnia and Herzegovina adopted the Law on Religious communities that has been characterized by guaranteeing following rights: right to publish religious literature, right to provide religious education, right to establish schools to train priests and imams, right to perform religious rites and to conduct religious affairs, and right to acquire, hold and own material goods.

After the collapse of Yugoslavia, the relationship between the state and the various religious communities in independent Bosnia and Herzegovina was formed on the principles that underpin the modern democratic secular state (Cohen, Arato, 1994; Keane, 1998, cited in Ziebertz and Riegel, 2008, p. 25.). These principles were drawn from the three major documents adopted in Bosnia and Herzegovina in post war (1992-1995) period, namely: European Convention for the Protection of Human Rights and Fundamental Freedoms and its Protocols, Annex IV of Dayton Peace Agreement – referred as Constitution of Bosnia and Herzegovina and Law on Freedom of Religion and Legal Position of Churches and Religious Communities in Bosnia and Herzegovina («Official Gazette of BiH», No. 5/04). General provisions and characteristics of the Law on Freedom of Religion and Legal Position of Churches and Religious Communities in BiH were that guaranteed the freedom of religion and belief in public and private sphere of life (Article 4, 5, 6, and 7), enforces equality and forbids discrimination based on the basis such as: gender, race, language, religion, etc. (Article, 14) and introduces the principle of separation and non-interference between state and religious communities/churches (Article 14).

Based on above mentioned Law, Bosnia and Herzegovina as a state according to its Article 15 can make an agreement between the B&H Presidency, the Council of Ministers, the governments of entities and churches or religious communities in common matters. Based on this Article Bosnia and Herzegovina made an agreement with Holy See as the universal authority of Roman Catholic Church on April 19, 2006, also known as the *Basic Arrangement Between the Holy See and Bosnia and Herzegovina*, the additional protocol of the Agreement was signed during the September same year. Major characteristics of this Agreement were that it has status of international agreement, the official language is English and it guaranteed more rights than it was prescribed by Bosnian Law, i.e. church has to be informed prior to prosecution of priests (Article 8), Church property has to be returned to the Church within 10 years of the signing the Agreement or to be properly refunded (Article, 10), and that state of Bosnia and Herzegovina will ensure non-working days to the Catholics for five major Holydays (Article, 9). The second religious community that made a similar agreement with Bosnia and Herzegovina was Serbian-Orthodox Church in what is known as the *Basic Arrangement Between the Serbian-Orthodox Church and Bosnia and Herzegovina* which was signed by Serbian-Orthodox Patriarch Pavle and Minister of Human Rights of Bosnia and Herzegovina Safet Halilovic, by authorization of B&H's Presidency. However, this Agreement has yet to be ratified. The Islamic community was the third religious community in Bosnia and Herzegovina that started negotiating this similar type of agreement with the Bosnian state in March 2008. The Agreement was adopted by Council of Ministers of Bosnia and Herzegovina in September 2015, but still has not been signed or ratified.

The Law on Freedom of Religion and Legal Position of Churches and Religious Communities in BiH confirmed legal status of the historically traditional religious communities in Bosnia and Herzegovina, namely Islamic Community in B&H, Serbian-Orthodox Church, Roman-Catholic

Church and Jewish Community while it enables registration of new religious communities under the provision that it cannot bare the same name as already registered religious community. The registration of new religious communities is under the authority of the Ministry of Justice of Bosnia and Herzegovina, which is obliged to keep all records of the various registered religious communities.

Religious Education in Bosnia and Herzegovina

Based on the Law on Freedom of Religion (Article, 4) religious education in public and private schools has been made available and granted to any religious community and it will be conducted by officially appointed religious teacher from each respective religious community.

> Everyone shall have the right to religious education, which shall be provided solely by persons appointed so to do by an official representative of his Church or religious community, whether in religious institutions or in public and private pre-school institutions, primary schools and higher education which shall be regulated according to the specific regulations.

The implementation of this right lies on the Ministries responsible for implementation of education in Bosnia and Herzegovina, namely thirteen of them due to the complicated political structure of BiH, but all of them are based on the Framework Law on Primary and Secondary Education in Bosnia and Herzegovina (state level law) adopted in 2003 that emphasize the freedom of religion and belief.

Schools shall promote and protect religious freedom, tolerance and dialogue in BiH. Having in mind diversities of beliefs/convictions within BiH, pupils shall attend religious classes only if latter match their beliefs or beliefs of their parents (Article, 9).

Therefore, beside the religious educational institutions now religious education became available in public and private schools as well. In practice, state schools organize religious education to the major religious community in that area. In entity FB&H religious education is organized at primary and secondary level, while it differentiates in its status at cantonal level. In some cantons religious education is optional (Sarajevo, Ze-Do Canton), while in others it is required if it is once elected (Tuzla, USK.) On the other hand, in entity RS religious education is organized only at primary level, and usually is considered as required for majority Serbian populated areas.

In addition to the religious education in private and public schools in Bosnia and Herzegovina, the organization of religious educational activities has been enabled through religious educational institutions. Under the jurisdiction of Islamic Community of Bosnia and Herzegovina currently operates three faculties (Faculty of Islamic Studies, Sarajevo; Islamic Teacher's Faculty, Zenica; and Islamic Teacher's faculty, Bihac), also there are six religious schools-*madrasah* (Sarajevo, Tuzla, Visoko, Mostar, Bihac and Travnik). Roman-Catholic church has seven high schools (Sarajevo, Visoko, Zepce, Travnik, Tuzla, Zenica and Banja Luka) and two theological faculties, namely Franciscan Theological Faculty and Catholic Theological Faculty both in Sarajevo under its jurisdiction. Serbian-Orthodox Church has its own high school for priest in Foca, while their Faculty of Orthodox Theology is under the University of Eastern Sarajevo located in Foca as well.

Religion in Media and Religious Media

Religious issues and topics in post-war Bosnia-Herzegovinian media are present more than it was in previous socio-political system.

> The visible presence of religion is a consequence of the democratization of the Bosnia-Herzegovina. Society in a state of transition to liberal democracy needs a new political culture. In that sense, it is necessary to build the tradition of "freedom of the church" in a free country that reflects the freedom to manifest religion individually and collectively, in private and in public and without its instrumentalization for political purposes (Karcic, 2009).

State and entity media service started to follow religious activities and events with more intensity after the independence of Bosnia and Herzegovina. However, the information presented in media, especially in central news are marginalized, usually at the very-end of the certain programs, except during the specific religious holidays i.e. Eid, Christmas, Easter, etc.

Specialized religious TV and radio programs were introduced after the war in Bosnian public broadcasting services, however the representation of religious communities in these programs are not equal or equivalent to the number of follower of religious communities in B&H, and are even divided along the 'entity/cantonal' lines. Therefore, the RTRS (public broadcasting servise of entity Republika Srpska) started TV program *Pravosljavlje* (Orthodoxy) in 1998 exclusively focusing on Orthodox-Christianity, while in 2001 it introduced additional interreligious program *"From religious communities"* dealing with the issue of other (Jewish, Catholic and Islamic) religious communities.

In FB&H, Federal TV (FTV) has program *Mozaik religija* (Religious Mosaic) that deals with the religious topics and issues on weekly basis but divided in a sense that it does not cover religious communities within one program, but it has specially dedicated programs to the major religious communities, i.e. Islamic community has its own show every third week. Public broadcasting service at the state level (BHT) started with its own interreligious program *Duhovni mostovi* (Spiritual Bridges) in 2005 aiming at promotion of tolerance, understanding and interfaith dialogue among four major religious traditions in Bosnia and Herzegovina. Beside these programs on public broadcasting services, religious communities in Bosnia and Herzegovina have their own media service such as newspapers, radio stations and official internet sites and portals, such as: Svjetlo riječi, Preporod –Islamic Informative Newspaper, Novi Muallim –Magazine for Upbringing and Education, Bulletin of Jewish Community in B&H, Glasnik – Official Gazzete of Riyasah of Islamic Community in BiH, Bosna Fransiccana, Kršni zavičaj, Katolički tjednik, Naša ognjišta, Pravosljavlje, Svetoslavlje, Dabar Magazine of The Diocese of Dabro-Bosnia, Svetosavsko zvonce, Bogoslovsko bratstvo, hrišćanska ljubav, Azbuka spasenja.

On one hand traditional religious communities in Bosnia and Herzegovina have not yet formed a clear strategy in cooperation with the media; especially public media broadcast stations, while on the other hand there is no enough educated journalist in the issues related to religion and promotion of religious activities within the media. However, Bosnian media made significant contribution to the promotion of positive image, and tolerance among major religious traditions in post-war Bosnia and Herzegovina. The analysis "Media and religion" published by Konrad Adenauer Foundation (Sarajevo office) of religious themes in the media 2007 showed that in most media religion has been processed separately, and that media does not emphasize multi-religious character of Bosnian society nor newspapers have a special media room nor the section devoted to religion and that some media predominantly follow a certain religious community (see: KAS, *Mediji i religija*, 2007). It was also noted that there is no negative journalistic attitude toward religion in general but has a negative diffraction according specific phenomena or the names of churches and religious communities.

Conclusions and Recommendations

Bosnia and Herzegovina has officially adopted a secular model of the relations between religious and political authorities. In practice, historically there has been mutual respect and cooperation between members of different religions. These relationships had successful and less successful gradations over the long history of Bosnia and Herzegovina. The complex Bosnian political structure, coupled with egregious examples of ethnic cleansing and genocide, as well as troubled war-times, led to the segregation and ghettoization of adherents certain religious communities. The unofficial state-favoritism of certain religious communities is still wide-spread in Bosnia and Herzegovina depending on entity/canton in which these communities are majority.

Compared to what life was like for religious Bosniaks under Tito, it is obvious that churches and religious communities are more visible in public life today than they were before. This visibility could be understood in the context of the democratization process in post-war Bosnia and Herzegovina and rejection of a state-centered economic model. Bosnia remains a state in a transition towards modern liberal democracy and a more transparent political culture. Therefore, it is not only necessary to improve upon the tradition of religious liberties in a free state that protects individual and collective manifestations of religion, but it is also needed to prevent the political instrumentalization, misuse and favoritism of certain religious traditions within certain territories. The state such is Bosnia and Herzegovina, in which around 90% of its population belong to certain religious community, must ensure that the freedom of religion, belief and conscience is guaranteed, protected and respected in all of its cantons, especially in the areas where certain religious communities are minority.

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RETURNEES IN BOSNIA AND HERZEGOVINA: DIVERSE LIFE TRAJECTORIES

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The rise of ethnic issues and nationalism came about was contrary to the forecasts made by many social theorists in the early 20th Century. They predicted that the importance of ethnic issues would gradually decrease and completely disappear under the influence of industrialisation, which was supposed to bring on individualism. However, this did not happen; the tendency, or trend, was rather the opposite. It was particularly in the period after World War II that the rise of ethnic issues and nationalism became obvious. Almost all wars in the world in the early nineties were internal conflicts, and most of them – like the one in Bosnia-Herzegovina - can undoubtedly be defined as "ethnic". It can be said that the national movements of the late 20th Century were essentially negative, planting seeds of disharmony and violence. Many countries have experienced ethnic tensions, which lead to violence, even genocide, like in Srebrenica. Such tensions, moreover, usually involved politically and culturally repressed nations whose existence was marked by the constant pressure of social and economic turbulences.

It is commonly understood and nourished, and encouraged, that members of one ethnicity have to take care of ''their own'', take responsibility for their in-groups. When cultural differences regularly make a difference in interaction between members of groups, the social relationship has an ethnic element. "Ethnicity refers both to aspects of gain and loss in interaction and to aspects of meaning in the creation of identity and in this way, it has a political, organisational aspect as well as a symbolic one" (Eriksen, 2002, p. 13) Some groups may seem culturally similar, yet there can be a socially, highly relevant (and even volatile), inter-ethnic relationship between them. This would be the case of Bosnia and Herzegovina with three constitutive ethnic groups. Bosnia and Herzegovina is one of the most ethnically and religiously diverse country of all former Yugoslavian republics. "With breaking the secular ties in the post-Soviet and the post-colonial era, local leaders have sought new grounds to build social identities and political loyalty and many turned to ethnicity and religion" (Juergensmeyer, 2006, p. 361).

According to Ross (2004), the closer to ethnicity one defines the basis of the conflict the more likely it is that the conflicting parties will be intolerant of one another, therefore in Bosnia, culture and ethnicity were combined to forge a violent conflict. "Inter-religious tensions did not start until the late nineteenth century and were incited from outside the country: namely by the Greater-Serbian and Greater-Croatian religious-national mythologies and nationalistic programmes" (Velikonja, 2009, p. 219). Ever since the end of the war that battered the country from 1992-1995, rigid ethnic divisions have become the dominant characteristic of the political and social spheres in Bosnia and Herzegovina. "Namely, the discursive "ancient hatreds" and "irreconcilable" ethnic differences which were used to polarize discourses and incite conflict and the eventual war, turned into real individual tragedies and painful experiences during the war, and later resulted in real intolerance, dislike and distrust" (Bogdanic, 2014 p. 7). The consequences which are still more than present in all areas of human life. "Bosnia is characterised by exclusive, rather than inclusive, definitions of 'national community'; 'thick', rather than 'thin', conceptions of 'national identity', 'loyalty to one's nation' and 'distrust of ethnic others'; a lack of tolerance of dual nationality; and an almost non-existent public space shared with members of different national groups (as the result of ethnic homogenization of major Bosnian cities)" (Guzina, 2007, p. 231).

According to the 1991 census, B&H had population of 4.3 million of citizens, but 2.2 million people left their pre-war homes during the war where about 1.2 million fled country and one million had been internally displaced. Based on UNHCR reports there are still around 84.500 people with status of internally displaced person. No matter conflict ended two decades ago and the right to return to their pre-war property and on the property restitution are specified in Annex VII of the General Framework Agreement for Peace in Bosnia and Herzegovina, the problem of displaced persons is still not entirely resolved.

The country is still burdened with an unfavorable legacy. It still has an underdeveloped economy, political conflicts and a traumatizing past. In spite of the confidence and tolerance among ordinary citizens increased during the last few years, solidarity and the process of reconciliation takes a long time and can be easily undermined by adverse moves and statements of politicians. "Social reconstruction and inter-communal reconciliation have emerged as key priorities in international interventions in war-torn societies, as it has become increasingly clear that sustainable peace and democracy are not secured merely by rebuilding destroyed houses and infrastructure and supporting economic development" (Stefansson, 2010, p. 63).

The law on displaced persons, refugees and returnees in BiH and other regulations regulate the basic rights to housing, food, social and psychological support, medical care, education for children and youth, and other basic needs. The Ministry of Human Rights and Refugees of Bosnia and Herzegovina prepared the Strategy of Bosnia and Herzegovina for the Implementation of Annex VII of the Dayton Peace Accords, and the currently valid Revised Strategy of Bosnia and Herzegovina for the Implementation of Annex VII of the Dayton Peace Agreement was adopted in April 2010. "While thick conceptions of national identity and a lack of tolerance of dual nationality dominate the contemporary Bosnian scene, the final legacy of the Dayton Accord may be something much more disturbing: ethnic segregation and the consolidation of ethnically homogenized entities and cantons" (Guzina, 2007, p. 228).

The problem is that from the beginning of the war, the return in various aspects depended not only on the security situation, which was quickly stabilized, but also a number of other conditions, including for example, improving cooperation between the relevant ministries at the national level and entity level, and, in addition, the return is not treated as one of the central issues in the development of economic and social policies. At first, the statistics have revealed a very large rate of return. The process of restitution of property and tenancy rights was achieved even in 99.7% of cases, which is a huge success if taken into account the number of people that were forced to leave their homes. According to some indicators, the number of returnees account for approximately 10% of the population in both entities. UNHCR's data from the 2003 indicate that 152,416 people returned to entity RS and 265,747 to entity FB&H. However, it is impossible to overlook the fact that this does not reflect the real situation on the ground, for repossession of property is not equal to reintegration. According to Stefansson, "Although this figure is often stated by international institutions as an expression of a great post-war success, the effects of these returns on local-level social life and reconstruction are less known" (Stefansson, 2006, p. 63).

During the war about 445,000 housing units were completely destroyed or devastated, of which approximately 45% were reconstructed by 2007. Many returnees sold their property immediately upon their return, and then returned to the place of displacement, most often that part of Bosnia where they could more easily integrate into the majority, or even went abroad. More the exception rather than the rule was to reconstruct homes, while neglecting infrastructure. However, despite the fact the pre-war property was reconstructed, objectively, the degree of sustainable return is very low. Local authorities often largely ignored the needs of returnees and minority communities that represent the least integrated category. Their exclusion has often ethnic foundation because the war has led to substantial homogenization of national territory and returnees in many areas emerging as a clear minority.

Elderly returnees, who constitute the majority of those who return permanently to the rural areas farming the land, face specific problems. They face difficulties in exercising their right to health care, due to vague administrative arrangements in this field. At the same time, the network of health centers has been reduced compared to the pre-war situation, and the current conditions make it difficult to transport to the place of treatment. On the other hand, due to the difficult economic situation, for the whole population is not easy at all to return to their pre-war jobs or even get the new ones. Public policy that would allocate budget funds to fight against poverty and social exclusion does not exist whilst returnees and refugee migrants are often confronted with structural constraints such as unemployment, problems with housing and poor social protection. The State Fund for returnees is the exception and is designed to help returnees to apply for funds to help them to solve the housing problem in case they want to return to pre-war place of residence. However, the resources of the Fund are limited and would not lead to significant changes if there wasn't for the loans and foreign aid. "In order to access the labour market or obtain some social rights, such as housing, health care or their children's education, returnees combine their capabilities and access to material and social resources, such as remittances, savings and pre-war personal networks" (Babic, 2013, p. 219). In addition, "culture of learned helplessness" and relying on external, mostly international aid, still dominates not only in many communities with high return rate but country as a whole.

"With the loss of identity, forced migrants have thrust upon them an administrative or bureaucratic identity of 'refugee', which is almost always seen as undesirable and as an 'identity' to be shed as quickly as possible" (Colic-PeiskerIain & Walker, 2003, p. 338). "In 1995, after the end of war in Bosnia, a number of refugee families were repatriated, often against their whish, and returned to a completely changed, unsafe, and devastated environment" (Hasanovic et al, 2005, p. 106). After managing to reestablish a new sense of identity, once again they were forced to change and embrace a role of a returnee. ""Loss of place", acute and chronic trauma, family disruption and problems of family reunification have become issues of concern" (Hasanovic, 2012, p. 101). (Re) integration is a dynamic lifelong process that begins at the moment of arrival. Family ties and friendships, property left behind, and the fact that it is the place they were born and raised ties returnees to their respective communities, but to the country they were displaced, they were often tied by the feeling of safety, new social connections, jobs they hold, family, established residence and schooling. "If expectations of returnees are not met upon return, the psychological impact on migrants was found to be associated with severe stress and compromise to psychological well-being" (Ward, et. al, 2001).

"After the war, most people in Bosnia-Herzegovina felt they were worse off than they had been before and, perhaps even more important, worse off than they had ever imagined they would be" (Jansen, 2007, p.26). On the other hand mental health services and projects implemented by local and international nongovermental organisations conserning mental health and trauma rarely targeted specifically returnees. Rather the whole population was treated en masse as vulnerable, traumatised, incapacitated and with no systematic investigation into recovery capacities and general wellbeing (Pupavac, 2002).

Perceived as a social and individual phenomenon, identity is a modern feature related to individualism. On an individual level it gives an answer to the, 'who am I and what am I?' question, whilst on a collective level answers, 'where do I belong?' People live in a very complex world, which becomes more complex every day, so categorisation enables simplifying of the environment and gives outlines for further actions. Categories are "nouns that cut slices" through our environment (Allport, 1954, p. 174). There are mainly two principles of identification – the similarity principle and the difference principle. Individual identity relates more to difference and social identity to similarity; however, they are in interactive relation. "B-H's state-level identity is contentious, and the relationship between individuals' identification with the state of B-H and with their ethno-national group is complex" (Levy, 2008, p. 2). Social identity is not "God-given", but built gradually and continuously, and is always plural in nature. Social identity varies depending on the social context and can be further divided into ethnic, national, regional and religious and it is" that part of an individual's self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership" (Tajfel, 1981, p. 255). It is not a stable concept but has a dynamic and amorphic quality whilst the context influences its formation and/or activation. It is a social construction mutually affected by the social setting where it is placed; it can change through time and even depending on the situation. In the process of forced migration, people can lose everything that represented and anchored their social identities, leaving them temporarily reduced to just their physical selves (Colic-PeiskerIain & Walker, 2003, p. 342).

The findings of a study conducted on a 239 adolescents, adolescents who were in the process of repatriation after exile in a foreign country and internally displaced adolescents in Tuzla and Srebrenica, revealed that "displaced adolescents had more problems adapting to the new life environment than their exiled peers, probably because they experienced more discomfort and life threatening conditions in their own homeland" (Hasanovic, et. al, 2005, p. 113). Although efforts on reconciliation are quite often grounded in Allport's (1954) contact hypothesis (as one of the best ways to improve intergroup relations), "the outcomes of identity and acculturation processes are ultimately determined by the interaction of two sets of factors: characteristics of immigrants and responses of the receiving society (Colic-PeiskerIain & Walker, p. 339).

Quite often returnees, particularly the elderly, live in remote isolated places. "Minority return thus has a rather limited impact on processes of co-existence and reconciliation, as the geographical isolation minimizes the level and need of inter-ethnic contact in these local communities" (Stefansson, 2010, p. 67). Although returned to their pre-war location for many returnees their psycho-social, economic and other problems remained unchanged. Underlying these divisions is an array of intense grievances held by the large numbers of people who continue to experience the negative effects of the previous ethnic conflict and the issue of occurrence of mental disturbances in those that open their traumatic memories that have not been systematically dealt with.

Except for several anthropological studies (e.g. Jansen, 2011; Huttunten, 2010; Stefansson, 2010), practically no mental health studies have been addressing specifically population of Bosnian returnees (see Hasanovic et al, 2005; Hasanovic, 2012) and if so, from clinical perspective lone. Findings of the ongoing research Projects such as *Engendering Forced Migration, Socio-political Transition and Mental Health in BiH, Serbia and Kosovo* will hopefully shed a light on mental health issues of returnees by looking at both distress and resources to recover from and/or preserve psychosocial wellbeing.

Returnees in general, nevertheless former collective centers/ alternative accommodations users, for years faced major problems, not only regarding the return of property and employment (both in private and public sector) and the acquisition of education, but often in the use of public services (schools, clinics, retirement, social welfare), and sometimes even with physical safety. Since in the post-war period in Bosnia and Herzegovina poverty is one of the most pressing issues, the returnees are in the most vulnerable population when it comes to the risk of falling into poverty and stigmatization that inevitable leads to social isolation. Poverty in the resident population and high unemployment has also prevented solidarity on a long-term basis. In the forthcoming period, the effects of enforced migration and the problems arising from living as a returnee will be problems that will continue to require to be dealt with. Therefore, efforts should be directed towards understanding factors that may have profound and prolonged adverse impact on the mental health of this vulnerable and often stigmatized population as well as on their well-adjustment and trajectories of resilience. “In BH today, where we are still facing the continual fabrication of ethno-nationalism, the wide-spread denial of atrocities and impunity, initiating trauma transformation, the repair and restoration of relationships, rebuilding trust and strengthening reconciliation in a tense post-conflict arena is difficult, but hope-infusing and promising” (Delic, et. al, 2014).

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CONTEMPORARY CHALLENGES OF FAMILY IN BOSNIA AND HERZEGOVINA

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Global trends and changes have strong impacts on individuals and societies. Family, as the most essential and fundamental cell in the society is influenced by global trends and changes as well. The contemporary family has lost some of its basic internal functions whilst widespread and all present technological aids (World Wide Web usage and social networking), strong needs for independence and individualism furthermore contribute to estrangement of and family members' alienation. At the same time, status and roles of family members within family are changing as well. Despite these global trends and changes, family continues to be considered the most essential and supremely significant social institution, which gratifies and serves many individual and collective functions.

As such, family has always been a subject of interest of social as well as natural science. In its nature, family may consists of individuals whose genetic and psychological makeup influences its existence, functioning and internal dynamics. Family itself, alongside those composing it, creates larger social picture and society in general, and both are subject to numerous trends and changes. Diverse local, individual and global trends and changes affect family and its members in a different way whereas unhealthy (dysfunctional) families tend to be less resilient and less able to resist them. Healthy family, on the other hand, succeeds to fully fulfill its basic functions, creates the best conditions for growth and maturity, self assertion and self expression for its members and has clear norms for internal and intra-familial roles (Sedrakyan, 2014). Thus, healthy family tends to be more resilient and serves as foundation for a healthy and strong society.

Family members constitute society members. Good/healthy family (healthy familial relations) contributes to stable and healthy society. Healthy relationships lead to better life (life quality). Healthy relationships (including familial relationships) are a vital component of health and wellbeing and great source of support. More and more research indicates compelling evidence that strong and healthy relationships contribute to a long, healthy, and happy life. On the contrary, the health risks from being alone or isolated in one's life are comparable to the risks associated with cigarette smoking, blood pressure, and obesity whilst having no or low social support is linked to a number of health consequences, such as depression, decreased immune function, higher blood pressure (Holt-Lustand et. al, 2010). The term social support often appears in discussions of relationship and means having friends and other people, including family, to turn to in times of need or crisis to give a broader focus and positive self-image. Thus, good and healthy family relations and social support enhance quality of life and provide a defense against adverse life events.

The latest developments and variations related to family life include a form of cohabitation, communes, single family units (those who did not find partners/consciously chosen life style), increased divorce rate, new marriage (serial monogamy, restructured or new family (step family), single parenthood, joint custody of children (divorced couples), families without children (by choice or due to medical reasons), abortions and families with spouses who have two careers (Jagger and Wright, 1999) have jeopardized family and given her a completely new shape. Although some earlier researchers and scientist were warning that family is in danger or is threatened to completely extinct (Marsh et. all, 2006), families show resistance and continue to exist. As old and current research on family shows, all societies have some form of family and marital contracts. Hence, we can say that family remains to be universal institution with great likelihood to prevail but its form can be a subject of great variations.

Scientists of different backgrounds not only apply diverse approaches in family study but also define family differently. Sociologists, as scientists most closely related to family by its simplest definition, traditionally view family as a social group whose members are related by ancestors, marriage or adoption, live together and economically collaborate (Murdock, 1949, in Marsh, et. al, 2006). Psychologists, on the other hand, being those who are more related to inner psychic states and condition maintain that, it is psychological bond and intimacy per se that what makes a family. Focusing more on psychological concepts, psychologists study family as intimately interrelated group in which members take care of one another, respect one another (Lauer and Lauer, 2000, in Hughes and Kroehler, 2012) and help each other to satisfy and fulfill basic physical as well as emotional needs. Satisfaction of basic emotional needs, attachment, bonding and care are core concepts in psychological investigation and study of family and familial relations. Besides, family plays very important role in establishing of personal identity of an adult and his/her roles whereas family gives framework for realizing personal safety, stability, aim towards objectives, purpose, success, self actualization, realization of self values and intimacy (Čudina – Obradović and Obradovic, 2006). These needs and functions are still best served and fulfilled by and within family.

Hence, it can be stated that family is a matter of social definition given that family is a social construct and that family relationships are often independent of legal and familial statuses (Gubrium and Holstein, in 1990 u Hughes and Kroehler, 2012) consisting of family members with similar, close or completely different psychological makeup material. At the same time, each society constitutes of distinctive and unique individuals (even in case of twins) and has its historical heritage and tradition which play important role in family creation and maintenance.

Considering the cultural and historic specificity of Bosnian society, socio-political and psychological impact of recent war, current socio-economic and political conditions, high divorce and low marriage rates (FZZS, 2014), as well as impact of other, global changes and forces currently characterizing Bosnian society, BiH family battles a number of challenges. Demography numbers indicate that current Bosnian society is characterized by increased mortality and decreased birth rate during the past decades (FZZS, 2014) and aging population. According to some estimates, B&H will soon become a country of old people due to the ageing of population (Pejanovic, 2005).

At the same time, although B&H has been affected by global positive changes and developments, it still belongs to a very traditional society with deeply and strongly rooted patriarchal ideology. Global socio-economic changes which have left some impact on B&H society as well, indicate presence of conflict between individualistic and traditional values leading to weakening of traditionalism and patriarchy, women empowerment and presence at the labor market, women becoming more independent (Draganovic, 2015). This also indicates presence of significant role restructuring within family (man are no longer sole breadwinners, women, on the top of being mothers and wives have become employees as well etc).

Attention and research interest of local scientists studying family and family relations during the past two decades was mostly directed towards children and youth, violence and/or war trauma (Beridan, 1997; Haverić, 2000; Pašalić-Kreso, 2004; Letić i Ivanović, 2012, Babović i saradnici, 2013; Alić, 2008). Only a few focused their investigation on family (Pašalić-Kreso, 2004), or namely divorce, (Silajdžić, 1973; Begović, 2007; Habul, 2000, Draganovic, 2015).

In view of family having the most vital role in individual and societal wellbeing and functioning, we ought to point to its possible threats and challenges. Healthy and good functioning society has strong, stable and healthy family and vice versa. Bearing in mind the aforementioned current issues and factors in B&H society, its most crucial unit, family, faces a number of important challenges which we enlist and analyze in this chapter. Taking into consideration that families constitute society, applying rather old fashioned approach we will start with discussing general societal challenges (transition of B&H society) which we further explain by B&H family transformation and finally ending in discussing more specific personal or individual (psychological in nature) challenges of contemporary living style in B&H.

Transition of B&H Society

After the WW II Bosnia and Herzegovina (a Republic of former SFRY, Socialist Federal Republic of Yugoslavia) radically changed its social picture portraying speedy industrialization of the country, mass movements of its citizens in direction village-towns, weakening of patriarchal family and patriarchal moral. At the same time, SFRJ by its constitution proclaimed equality, what enabled larger number of women to educate and get employment. Strong social and political turmoil during the early nineties resulted in transitional processes. Generally speaking, transition is defined as the act of passing from one state or place to another (in this particular case passing from socialist into democratic society).

However, besides this regular transition of Bosnian society (transition from socialist into democratic society), we also need to discuss psychological transition of B&H and its citizens which encompass transition of conscience, attitudes and behavior. Although state socialism was characterized by security and economic success, some Bosnians who experienced the life in socialist system often talk about it with nostalgia disregarding and forgetting negative sides of it. This nostalgia sometimes may results in psychological impairment or behavior nostalgia (frozen or stuck in that time) which, in psychological terminology described, indicates presence of defense mechanism in a form of denial (denying reality) what is closely related to serious issues (internal and/or external crisis related to personal and social identity, inability to healthy adjust to the new system (choices, capitalism, democracy, freedom of speech, individual rights, decisions, activity, tolerance etc..), inability to prosper and move further (individually and collectively). Thus, in order to actively contribute to individual and societal progress and transition, there might be a need to address and experience psychological transition and transformation as well. Transition process is the process in which social institutions go through a kind of transformation making BiH a country of transition with specific processes (including family transformation).

B&H Family Transformations

The most important elements of family transformation, as stated by Jakovljević (in Kosović, 1987) are: creating new motivational foundation for marriage, creating new views on marriage functions, the process of obliterating man's authority within family, problem of women's polyvalent roles and activities within family, the process of family reduction, the process of family members individualization, more possibilities to satisfy the basic emotional needs outside family, more sexual freedom, dispersal of family organization and structure due to the divorce and children's' independence.

At the same time, a number of parallel processes characteristic to countries in transition are still going on in BiH. Firstly, BiH society is still exposed to a number of external forces (B&H strives towards European Union membership, EU conditions and pressures B&H towards socio-economic development and progress) and influences and internal changes which shape up its value system (with declaration of its independence from ex Yugoslavia in 1992 B&H changed from socialist into democratic society). These processes and changes have direct and/or indirect impact on family system.

As a part of larger social context, the family and its system and structure are also exposed to these processes indicating family transformation from traditional (very patriarchal) into modern (more democratic). However, traditional power relations and social and cultural roles in family and norms in society were strongly reinforced during many former Yugoslav wars whereas gender identities/roles were extremely polarized with men being perceived as warriors and women as mothers and victims (Isanovic, 2006). As Kuburic (2001) states, for centuries, mothers subconsciously, intuitively raise their sons for male dominance (p. 186) paving the way for patriarchal ideology. Considering this, we may state that B&H society is still characterized by strongly and deeply rooted patriarchal values and attitudes indicating presence of patriarchal family type/form.

Characteristics of Contemporary B&H Family

Contemporary B&H family is patriarchal in nature. Patriarchal type of family organization, as noted by Kosović (1987) is characterized by economic function of family as basic manufacturing unit with strong and clear work division and emphasized hierarchal organization in which the oldest male person was in extremely privileged position in relation to other family members. This is still the case in most B&H families. Hierarchal structure is shaped by important biologically determined criteria, gender, age, whilst men is considered more superior being and the authority of the eldest member was inviolable. Women in patriarchal family had the lowest rank, which implied performing hardest jobs (and their work and contribution is frequently undermined or unrecognized). In addition, position of a woman in patriarchal family has been made more difficult by numerous births and the fact that she was economically dependent on others as well. Considering different position and roles within B&H patriarchal family two struggles happen. On one side there are those who want to get rid of patriarchy and traditionalism whilst, at the same time, there are those wanting to preserve the myth of patriarchal B&H family, creating intra and extra familial conflict for a number of reasons.

Preserving the myth of patriarchal (multi generational family) in fact neglects numerous difficulties faced by BiH family which are linked to economic and social conditions and current position of women/mother in family system. The recent war with its impact created unique socio-economic conditions (unemployment rate in BiH is 48%, B&H has significant number of orphans, incomplete families (partially due to the war/loses and partly due to divorce), in B&H which brought up many changes on individual and societal level. These specific socio-economic conditions influenced the change of family structure, family relations and family functions. Many B&H families (war veterans, single parents, unemployed and internally displaced for example) fail to fulfill one of its basic internal functions, the economic function. With the loss of economic function of family social position of family also changes. Family is very important for personal functioning and wellbeing of an individual family members and society in general. When the families' foremost economic function and significance is considerably decreased family cohesion is at stake what leads to the increased level of individualization of family members which in turn may result in complex family dynamics and family relations (multiple or polyvalent roles…) This may result in intra-familial conflicts (those advocating traditionalists and democratic ideology, generational gap, misunderstanding between generations) and the lack of its resolution. B&H is also characterized by another myth, the myth of contemporary (democratic) family in which women's employment contributes to the change of family organization and roles within family or intra-familial roles and statuses. Contemporary or modern family is characterized by changes in family form. Unlike traditional family where more family members (even generations) live under the same roof, contemporary family consists of small number of family members (nuclear family consisting mostly of parents and children (Sedrakyan, 2014). One of the main characteristics of modern family is egalitarian family roles of spouses based on equality and justice. Thus, democratic family form contributes to the quality of family relations in general.

At the same time, the authority of a husband and father has significantly decreased in contemporary (democratic) family form whereas the main mechanism of interaction between parents and children or "interacting pipes" happens two ways: a) father affects children through the mother and, b) mother affects children through father (Sedrakyan, 2014). This shapes family structure and roles and the way of distribution of intra-familial responsibilities. Women's emancipation by which she gets certain freedom and responsibility coming from it contributes to the increase of individualism, what changes familial relations overall.

The contemporary B&H family still holds the elements of traditional patriarchal family characterized by strong family morality what makes its structure less strong. Traditional family morality can be so strong that its traces can be seen even in people who are genuine holders of new, more humane understanding of family life and living (Dizdarević, 2002) hence strongly influencing family dynamics and relations (often causing conflict between traditionalists and modernist). Traditionalists tend to maintain lifestyle and social roles characteristic to previous generation (insisting on reputation of fathers and grandfathers, implementation of strict negative sanctions). Traditional values in modern (nuclear) families have been greatly lost. Modern families mainly focus on personal abilities and realization of personal goals and motivation to act independently (Sedrakyan, 2014).

In spite of these changes women still hold roles of mothers and wives. This puts women in a position of still performing the key roles in family. Observed from larger perspective, position of B&H women within larger social context cannot be considered equal. The reasons for this may partly be due to the strongly rooted patriarchal ideology in B&H society and partly due to the current socio-economic and political conditions in B&H (women's polyvalent/multiple roles to name at least one).

Family transformation changes may be the sources of conflicts based on family roles and structures within contemporary (modern) B&H family (mostly conflicts between spouses). Conflict between spouses which have been made even more complex by differences in intellectual and educational levels, personality/character and sexual incompatibilities, material difficulties as well as different value systems shaped by attitudes, forms and culture of family of origin and parenting issues. Parenting issues occur due to the loss of parents' authority on one hand and parental neglecting children's need for independence on the other, as well as parental busyness with work and occupational tasks (both parents have to work long hours to provide for basic family needs, a problem more evident and present in societies with low socio-economic status like Bosnia) what leaves children unattended, left to themselves, the street, media or peer influence (Žiga, 2012).

Contemporary Challenges of B&H Family

The family system is inevitable continuously exposed to numerous social and intra-familial changes which are unstoppable and necessary. Multitude and vehemence of these changes demand socio- psychological adjustment of family and its members and, at the same time, are great sources of individual, familial and societal stress which, in a different way, influence family system and structure and society in general (destabilizing them). This indicates the need and inevitability of social phenomenon in a form of family socio-psychological transformation. As stated by Dizdarević (2002), no other social phenomenon, „demands such subtlety and sensibility as the process of socio psychological transformation of family“ (p. 82). The youth have a special role in this process (Dizdarević, 1978), whereby they should also show care and critical and constructive attitude in this process. Non critical acceptance of sudden changes which diffract over the borders of family system makes creation of family identity more difficult and represents the challenge to the family existence and intra-familial functions and roles.

Socio-psychological transformation of family in B&H society is linked to the current social and economic changes in our area which have been intensified in war and post war period. War losses and sufferings and post war difficulties like exile, displacement, problems of return to pre-war homes and problems of co-existence, mass privatization of economy formerly owned by the state, growing unemployment, impacts of war traumas, growing number of suicide and violent and delinquent behavior, emigration, decline in natural population growth are only a few contemporary and current issues of B&H society today.

Taking into account that family is an assumption of existence of each and every individual, the foundation of socialization and prerequisite to mental health of an individual its survival is vital to healthy society. Strong impacts of above enlisted issues in B&H society shook or have completely destroyed previous stability of our family (Beridan, 1997, Pašalić-Kreso, 2004). The destruction of B&H family as a result of war can be seen in number of families in which the mother is sole provider and breadwinner. Compared to the pre war condition, the number of single parents in Federation of B&H only currently has increased thirteen times, the number of families without fathers also increased ten times and families without mothers also increased 2, 5 times, and almost 3000 children live without both parents (Pašalić-Kreso, 2004).

At the same time, poverty is currently the most striking characteristic of B&H society which most directly affects families. Over 30% of families live in extreme poverty and 50 % of them have monthly income below existential minimum (Pašalić-Kreso, 2004). Insufficient, or even complete lack of support from the state institutions to these families and large unemployment rate (unemployment rate according to some estimates is 48%, FZZS, 2014) further complicates conditions in B&H society especially in incomplete families and/or single parent families). Today's parents in Bosnia, mothers especially, participate more in so called „grey economy" in order to increase family income and more and more children are left to themselves.

Inevitable changes brought by aforementioned conditions contribute to prevalence of damaged family relations and unacceptable behavior like violence, delinquency and criminal. Damaged family relations in B&H families further might be contributing factors in delinquent and criminal acts, criminal relapse and family violence. Besides, immediate war impacts and other changes during the last decades resulted in increased number of young boys who discontinued schooling (usually unemployed or do very low paid jobs) and who have difficulties to form a marriage because they cannot provide the basic conditions for it (Pašalić-Kreso, 2004). Also, natality rate and natural population growth in the past decade also significantly decreased. Due to the decrease of natural population growth (negative rate lasts longer) more people die than there are born citizens in B&H in post war period. Due to that and to the economic necessity, looking for employment in developed countries of Europe, Bosnia and Hercegovina since the year 2000 became the country with intensive depopulation (Pejanović, 2005). In addition, the long term impacts of recent war in B&H continue to influence and shape our society and family structure and roles in particular (reflected in number of physical and mental health diseases, incomplete families (without one parent due to war or divorce), second marriages (stepchildren, stepsiblings etc.), internally and externally forcedly displaced family members (Diaspora).

Pašalić Kreso (2004) with her research entitled *„changes in my family in the past 5-10 years"* discovered that recent war still takes striking place in her students' answers. Thus, we may conclude that there are still traumatic impacts of war and post war experiences of B&H citizens on family and its members. Exposure of an individual to traumatic events may result in impaired mental health but those impacts might get mitigated and alleviated if relationships within family are good. However, considering current socio-psychological conditions of B&H citizens (personal traumas, PTSD, not seeking help, displaced /separated family members (living in different countries even continents, meeting with family members annually or once in two years) that many parents and youth experienced numerous and multiple traumas, the trust in many families has been impaired. Due to own (unresolved and untreated) personal traumas, family members may be are focused on own pain and suffering.

Personal trauma could be a challenge, enough by itself, to shake not only stability of B&H family but also its member's mental/psychological state. Professionals from the field of psychological services and mental health (psychotherapists) often speak of trauma transmission from generation to generation (trans-generational trauma), which they notice and observe in their professional work of dealing with clients, indicating seriousness of this issue. The crisis of paternal (parental function) due to the personal trauma is contemporary challenge Bosnian family members must learn to deal with. Although transmission of memories in the post-war context of Bosnia and Herzegovina as suggested by Jordanova (2012) is not a clear-cut process, still one may notice its presence in B&H society in terms of fragmentation of history, handicapped sense of selfhood and belonging in children and a crisis of the paternal function in the family (Jordanova, 2012) and impaired personal skills, indicating personal challenge of family members.

Personal Challenges of Family Members

Individualism and materialism are characteristics of contemporary living, which strongly impact life quality of human beings. Contemporary man is pressured to be happy, satisfied, fulfilled, earn a lot to be able to succeed in this, have good education, successful careers, family, and children. To be able to do thus requires lots of material means and personal resources and skills (with which many are not equipped with). Transition, war, post war period in B&H (marked by huge socio –political issues even twenty years after the war), present serious long term stressors that might have made many Bosnians permanently vulnerable. Many Bosnian families are incomplete (due to loss in war, divorce, some separated during and after the war (half of B&H population now lives in Diaspora all over the world). Living in Bosnia in current socio-political conditions is very demanding (many families live below poverty line, many elderly and young people are unemployed, with and without degrees), health insurance is free but medical treatments are very expensive (number of serious physical illnesses not possible to treat within B&H health care system so citizens seek help elsewhere, forced to appeal to the public to collect and raise money), complex administration (getting anything done requires hours of going from institution to institution, place to place (absence from work)...

Analysis and report of current B&H schooling system (nine years primary education) indicate very extensive school plan and program (Ibrahimović, 2015) which children frequently cannot answer to on their own (parents must step in to help children finish many projects). Instead of spending quality family time relaxing, family time has become job/task oriented, presenting pressure (even conflict) to children and parents. Intra-familial relations (between parents and children) are polarized whereas family members struggle to fulfill their roles, each struggle uniquely on their own what in turn influences the quality of their relations.

At the same time, vulnerability due to being affected by severe trauma (recent war in B&H) or not being resilient or not having learned the skills to cope generally, present great psychological wound which might impair one's ability to cope with current threats and demands of life. Research conducted almost a decade after the war shows that young Bosnians perceive recent war to be one of the biggest changes in their family life (Pašalić-Kreso, 2004). One has to remember that the youth in this research became adults (most probably formed own families by now) and if they did not seek help or learned how to deal with their vulnerabilities, they pass it on to own children (permanent psychological wound and trans-generational trauma).

Having psychological wounds requires lots of skills to cope with ordinary demands of daily life and stresses and multiple roles within family and society. Lack of psychological skills (in individuals) and lack of public awareness and systematic strategies to help the needy negatively influence family life. Due to this, family members might be lacking psychological maturity and responsibility (due to wrong role models or unavailability of good role models). Avoiding personal responsibility (pointing fingers to „others", schools, law enforcement forces, judicial system), finding guilt for individual and societal violence, aggression, bullying, delinquency problems (forgetting personal role and contribution to problems), might be due to this psychological vulnerability. Many current B&H families and members grew and developed under severe traumatic conditions (war, displacement, refugee, camps, parental loss, and family separation), what has influenced their physical and psychological growth (forming and deforming their personality). All these factors influence family members, their ability to function within family, perform their roles and deal with family conflict. Family conflicts are inevitable and require skills to overcome and deal with them successfully otherwise family crisis occurs which erodes family (preventing family to perform its basic function) which negatively reflects in society as well. Family conflicts are sometimes caused by contemporary living style.

Challenges of Contemporary Living Styles

The current picture indicates that structure of many B&H families has eroded (number of single parents with single mothers increased due to war losses and or death of a spouse, divorce etc). Many lack healthy family models (more and more incomplete families), lack of healthy familial relations, roles within family changed (more mothers employed and fathers unemployed), parents are busy earning for family, children are left alone, many parents in complete families have multiple roles to perform (indicating great sources of stress).

At the same time, focus on materialism (acquisition of wealth), individualism and individual wishes (egoism and egocentrism, personal happiness) might be sources of conflict within and between family members (pressured to succeed, parents at work and professionally, children at school, children demanding to have a lot of material goods, parents to provide them). Family is most important social and very important psychological institution in which many psycho-emotional and physiological needs should be satisfied. Considering that most people have and or are part of a family, thus have some kind of relations with other, psychological importance of family lies in the fact that good family and intra familial relation serve as a foundation of good or ill wellbeing (mental health) and is a great source of social support whilst, social alienation (Old and Schwartz, 2010) is an inevitable result of contemporary society's preoccupation with materialism and frantic "busyness" indicating that lack of relationships can cause multiple problems with physical, emotional, and spiritual health.

Young people in Bosnia though, for example, perceive less parental support and report having difficulties in family relations (Haverić, 2000). All these are indicators of impaired and eroded mental health of B&H

family members and its functions (contact and communication is very important intra-familial function and seems to be lacking in our society). As a result, another important internal function is endangered: ensuring social-psychological conditions necessary for development and maturation, which might also be lacking in families with unresolved mental health conditions, which in turn might be sources of conflicts between family members. So, family might be the source of stress and conflict instead of being a place of conflict resolution.

End result of this conflict might be impairment or erosion of other internal family functions, namely socialization and emotional-identification. Impairment and or „erosion „of socialization-education and emotional-identification function of family is a result of current developments in contemporary B&H society because society is not ready to overtake that. Personality socialization, shaping the value system of children, economic and social care, as Žiga (2012) states, used to be „family concern" and no longer is, and this can be seen in:

- Abandonment of patriarchal manners in family;
- The lack of elementary conditions for nuclear family which Scandinavian and some other developed countries have, what negatively reflects in children socialization process;
- That what family misses in children rearing practices becomes filled by someone else (the street, peers, media …);
- Delusions that it is enough to provide a child a computer, decent pocket money and personal private room with internet connection which return like boomerang to parents and society when such a child turns to criminal behavior, violence and drugs;
- Given the school's importance in overall socialization process of young children, school task should not allow neglect of nurturing for the sake of educational component, what indicates the imperative of adjustment of nurturing-educational contents;
- The need for open and tolerant nurturing-educational contents in line with cultural-traditional and other differences;
- The future of Bosnian society is questionable due to the segregation contents in nurturing-educational system which has destructive outcomes.

In view of all the aforementioned we can say that B&H family is still in the process of transition from traditional to contemporary (with deeply rooted patriarchal ideology). Father is no longer the sole breadwinner and women, with their employment, have spread their primary roles of being wives, mothers and housewives and have also become significant holders of economic stability of a family. This calls for family duty and responsibility redistribution and obligations of a married couple.

We may notice that expectations of a man and women related to the family gradually started to change which used to be shaped by traditional (patriarchal) models on family functioning brought from family of origin. Thus, a woman wants to be equal which is in accordance with her contribution to family whilst a man wants to maintain his position of authority (due to strong patriarchal tradition). These changes might be the sources of internal stress and strong drivers and organizes of family dynamics which all have been additionally complicated by numerous losses, family separation, war wounds (physical and psychological) and other war and post war traumas and other aftermaths and events in Bosnian and Hercegovina which results in changes of family structure and roles within families.

Although some show psychological resistance (mainly those who had more power and say in traditional families or those with such unconscious family model) to the change of B&H family type from traditional (patriarchal) into contemporary (democratic), this change is unstoppable and should be approached in a way which firstly addresses this psychological resistance coming from within family (from highly positioned family members). Because, prerequisite for overcoming this psychological resistance is to acknowledge and identify its nature (Dizdarević, 2002), only then it can be appropriately addressed and resolved. Besides, the presence of other numerous changes and issues which destabilize contemporary B&H family is characteristic of B&H society. Thus, B&H family and its members should be offered necessary (institutional, formal and informal, government or non-government) support in this process of intensive changes and facing many challenges.

Conclusion and Recommendations

Family based research has long considered family issues, with particular attention to how families cope with stress related to various life transitions (becoming parents, having children of different age (going to primary/high school, university, empty nest syndrome, inability to conceive etc), and difficult life events (war, losses, physical and psychological traumas). The life of contemporary man is marked by many internal and external challenges, which impact his performance within family and society in general.

The current family is "diverse "postmodern" family which is fluid and distinct from previous generations, essentially broadening the scope of family problems definition, as well as expert interpretation of the challenges families face in their everyday lives and how best to solve these challenges" (Arditti, 2015, p. 3.). Bosnian family faces many general (societal) (transition of B&H society, family transition) as well as personal/psychological challenges. Considering that family and society are intertwined (i.e. family constitutes society), aforementioned challenges influence and impact family in a very complex way, whereas it is almost impossible to distinguish which starts and ends where. This makes B&H family life and existence more complex and difficult indicating necessity of systematic help and assistance, institutionally and professionally, simultaneously.

It also has to be noted that, just like society transition, family transformation cannot be stopped, which means, this process should be properly supported instead. Numerous changes in B&H society destabilize contemporary family because family members and family system are exposed to continuous influences of social and intra-familial changes which are unstoppable and necessary. Thus, B&H family and society will continue its transformation and transition and their custodians in this process face severe changes and encounter many personal and general challenges. Properly and efficiently supporting both in this process might significantly contribute to solving contemporary family challenges and improvement and/or betterment of intra/familial relations, and B&H society in general.

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PART VII

SECURITY AND DEFENCE IN BOSNIA AND HERZEGOVINA

DEVELOPMENT OF BOSNIA AND HERZEGOVINA'S ARMED FORCES

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The history of Bosnia and Herzegovina armed forces coincide, to a large extent,with the state of Bosnia and Herzegovina's history. Through different periods in its history, the state and military experianced a lot of influence from different dominating powers, and soldiers from Bosnia and Herzegovina who participated in a number of wars. However, as a state, Bosnia didn't attack others, an wars were always imported into Bosnia and Herzegovina. The military is a specific state and defense structure, characterised by high levels of organization, discipline and responsibility, armed with many different kinds of weapons, equiped with wide spectar of sophisticated equipment, goverend by a number of rules, procedures, doctrines and strategies. But, above all, the capacity and readiness of the military to defende its homelend is primarily state of mind, which was showed and confirmed by different military structure of Bosnia and Herzegovina throughout history.

Historical Survey of Bosnian Military

The medieval Bosnian Army consisted of a standard noble cavalry, whose equipment and armament was very expensive. Bosnian knights, just like other European noblemen, were individual fighters and did not fit well in rigid military formations. The Bosnian Army comprised various contingents of Bosnian *magnates* and their unity depended on the image and prestige of the ruler. The military obligation was based on the size of the estate and relations between the vassal (master) and the suzerain (servant) (see Imamovic, 1999, p. 49). Defense of the country was based on fortifications, castles of the noblemen, which gradually developed into fortified cities. The border was defended by the border army, and King Tvrtko also established the Bosnian Navy, which was based in Novi and Brstanik (Imamovic, 2003, p. 80).

The general situation in the Ottoman Empire largely reflected on the situation in the Bosnian *eyalet* (province). Wars that the Empire waged implied engagement of men from *eyalets*, precisely the most vital, reproductive population that was fit for military service, particularly after the establishment of the *"Holly Alliance"* (Venice, Austria, Poland and Russia) against the Ottoman Empire in 1684. After the Karlovac Peace Agreement in 1699, the Bosnian *eyalet's* borders were reduced to more or less today's Bosnia and Herzegovina– at the north, the border was the Sava river and the lower flow of the Una River. The then southwest border of Bosnia differed from todays for a narrow belt, which was between 3 and 10 km wide.

A large number of Bosniaks died in the Great War. Majority of *spahis* that were engaged in the war never returned to Bosnia – because they were killed or Christianized. In the last decades of the Ottoman Empire in Bosnia, the Turkish military consisted of regular active force (*nizam*), reserve force (*redif*), auxiliary and irregular troops of the vassal states, and voluntary forces (bashibozukas).

From the beginning of the 18th century, apart from Austria and the Republic of Venice, Russia began to have an increasing influence on developments on the Balkans, particularly after the Russia-Turkey war (1710-1711) and its exit to the Black Sea. At the time Bosnia already took ownership of its defense organization and adopted it to its capabilities and requirements. The *vilayet* (district) military comprised regiments of *spahi* cavalry and *deli*, auxiliary and *janissary* units. Protection of the border was assigned to police forces and security to *muteselims* (district officials), who had *seymens* (designated force) and special guard forces. Christians were also members of the military, precisely the police corps, light cavalry, commissariat service, etc (Kreso, unpublished manuscript, p. 112).

The system of self-defense of the Bosnian *eyalet* (province) developed gradually, because of developments and changes in the Empire and the *eyalet* itself. The specificity of the self-defense system was *captaincies*, which is a specific defense territorial establishment within the Ottoman Empire developed only in Bosnia. *Captaincy* had all administrative and military functions (apart from the judicial authorities) on an accurately defined territory.

Due to its obligation to help Russia in the fight against the Ottoman Empire, Austria begun a war in order to occupy Bosnia and Albania. The campaign started on 12 July 1737. The Ottoman government requested from Bosnia not to *"cause turmoil"*, and banned serious war preparations, to ensure that "there are no causes for violation of the Pozarevac Treaty."The victory of the Bosnian military against superior Austrian military in the Banja Luka battle, on August 4 1737, was of historical importance, since Bosniaks were threatened with annihilation if they did not give up Islam. According to Imamovic (1997) "It can be safely said that Bosniaks, bearing in mind the military and political importance of the victory and its later role in their verbal and written tradition, definitely became a nation after the Banja Luka battle" (p. 572).

Despite the fact that Bosnian *eyalet's* (province) military was outside its country (engaged in the Turkey-Russia war) defense forces of Bosnia, regardless of the inadequate weapons, equipment and training, large losses in the battles, large number of deaths due to plague and other contagious diseases, achieved some decisive victories in the defense war primarily thanks to well developed awareness that Bosnia must defend itself (Kreso, p. 139).

The uprisings that shook Europe in the second half of the second millennium also echoed in the Ottoman Empire and in Bosnia in mid and second half of the XVIII century. However, they lacked clear definition of political goals, unity of leadership and therefore did not yield any concrete results in improvement of the situation in Bosnia at the time. In late 17th and early 18th century, east borders of Bosnia became very vulnerable-unready for defense, and simultaneously burdened with the conduct of Serb and Montenegrin rebels, which, thanks to the support of Austria and later Russia, became aggressive – not only towards the Ottoman Empire, but also towards the Muslim population and their property. The relations on the East border of Bosnia were linked to the relations and wars between Turkey and Russia.

Movement for Bosnian Autonomy in the 19th century

The interpretation of importance and strength of the movement for Bosnia's autonomy is one of the most illustrative examples of manipulation with facts related to the Bosnian history. For almost two centuries, under the influence of nationalistic indoctrinations and ideologies, the truth about the Movement was neglected and devalued, and the Movement was reduced to an ordinary rebel-episode and labeled as *"feud"*, *"antireform"*, *"Islamic"*, etc. as it produced some kind of *"Bosnian people"*. At the same time, much bigger importance was attributed to minor events akin to robberies and mugging (*hajduksand uskoks*) (Alicic, 1996, p. 13). A researcher who studied the Movement wrote:

> After a serious insight into the authentic archival material, we came to realize that the Movement for Autonomy of Bosnia from 1831 to 1832, was absolutely the central event in our history under the Ottoman Empire."The Movement for Autonomy of Bosnia "was stronger than all other liberation movements in the Ottoman Empire until that time" (Alicic, 1996, p. 14).

The people of Bosnia, Bosniaks who at the time, had no other name regardless of whether they were members of the Islamic, Orthodox or Catholic religion – was unified and mature in their determination to preserve its borders. Thanks to the institution of *captaincies* and *captains* at the time, Bosnian forces were well organized and mobile. The patriotism of Bosniaks was based on collective memory of centuries of independence that continued when Bosnia became a part of the Ottoman Empire through a high level of autonomy, combined with the experience of two hundred years of defense of Bosnia, when it was left to its own capabilities and was on the very external border of the Empire, particularly at the time of the spreading of ideas of the French Revolution.

The Movement requested from the Ottoman Empire government to revoke all the promises about self-governance and territories given to Serbia, to suspend introduction of a new military organization, to refrain from interfering in Bosnian internal matters, to introduce in Bosnia *"a republican form of government"* that would be headed by a Bosnian and to recognize autonomy of Bosnia, which would continue to recognize the supreme authority of the Sultan and would pay 4,000 golden coins per year. The *Svebosanskisabor* /General Bosnian Assembly/ took place on 29 March 1831 in Travnik and by 21 May 1831 practically everything was completed for Husein Gradascevic and the Movement to take over the authority to govern the Bosnian state. Bosnian operational forces (some 20,000 – 25,000 men) were led by their supreme commander Husein Kapetan Gradascevic, who, after the initial victory against the imperial army near Stimalj, was pronounced the Bosnian Vizier on 18 July 1831.

The following year the Ottoman government launched a larger and more serious military campaign in order to defeat the Bosnian autonomy. The decisive battle took place in the area of Glasinac and Podromanija. After some defenders victories, the Ottomans turned the situation to their advantage when they took Bosniaks by surprise, forced them to withdraw, and definitely defeated the Movement for Independence on 5 June 1832 (Alicic, 1996, p. 403). However, the military defeat of the Movement did not mean complete breakdown of the whole Movement, but this outcome interrupted the development of independence of the Bosnian state and military, and the arrival of Omer Pasha Latas had serious consequences on the development and strengthening of the Bosnian society.

The opening of the *"Eastern Issue"* and instigation of unrests and rebellions in Bosnia showed that foreign sponsors (Russia, Austria, Serbia and Montenegro) often had different and opposing goals. After the news about the decision of the Berlin Congress on the upcoming occupation of Bosnia by Austria-Hungary, demonstrations and armed uprisings were organized in Sarajevo and other towns in Bosnia on 5 July 1878. The final overthrow of the Ottoman authorities took place on 27 July 1878, when the armed population established the people's government, and forced the then governor and military commander to resign.

B&H in the Austro-Hungarian Monarchy (1878-1918)

At the Berlin Congress, the European powers mandated Austro-Hungary to "occupy and manage provinces of Bosnia", and left the administration of the Novi Pazar and Sancaq to Turkey (Tepic, 1995, p. 163). Between 29 July and 20 October 1878, Bosnia fought a defensive war against the invasion by the Austro-Hungarian military. The war was clearly a defensive one as at the time when Austro-Hungary launched the invasion, Bosnia was an independent state. The three month war, in which the attacker employed around 300,000 soldiers against around 93,000 defenders, saw extraordinary commitment of defenders. Almost one half of defenders were Muslims, while Orthodox and Catholic population, as well as Jews, had strongly supported the defense. Despite the defeat, defending forces were respected by Austro-Hungarian and even German General Staff. In his comments on the guerrilla tactic used by defenders, American historian Robert Donia wrote "in that respect, the strong resistance of Bosniaks served as a model in many armed conflicts that small nations successfully waged against more powerful forces in the XX century" (Kreso, p. 203).

Respecting the international law on war, the Austro-Hungarian occupying administration did not change the internal structure of the government. Bosnian *vilayet* (district) became a *"corpus separatum"*, a third state of the Austro-Hungarian monarchy, but was not equal to the other two. As a part of the implementation of military laws, the occupying administration divided Bosnia and Herzegovina into four military districts, within which infantry regiments were established. Their seats were in Vienna (manned from the Sarajevo), Graz (manned from the Banja Luka), Budapest (manned from the Tuzla) and Trieste (manned from the Mostar District). Austrian aspirations to advance to the East resulted in the annexation of Bosnia and Herzegovina 1908.

Bosnia and Herzegovina and Military Developments (1914-1945)

As in many other previous wars and conflicts and in the World War I as well, Bosnia and Herzegovina was forced to go to war for interests of other countries – Austria-Hungary Monarchy and the block of Central Powers. The assassination of the Austria-Hungarian heir to the throne, Franc Ferdinand, by Gavrilo Princip, member of the *Mlada Bosna* organization, on 28 June 1914 in Sarajevo was considered to have caused the beginning of the war. During the war, BiH regiments enjoyed a reputation of being stable and employable units, and they were engaged in the Balkans and on the Russian fronts (Galicia and the Carpathians), and in the Soca area (Pero Blaskovic, 2000, p. 6).

The idea of unification of South Slavic peoples in one country was finally realized at the end of WWI, on 1 December 1918, when the Kingdom of Serbs, Croats and Slovenians was established. By joining the common state Bosnia and Herzegovina lost its special status (*corpus separatum*) that it had. With the procedure of adoption of the Vidovdan constitution of the Kingdom in 1921 it was reduced to a province, and its government to an administration which later, in 1924, was abolished. After the Cvetkovic-Macek Agreement of 26 August 1939, BiH municipalities became a part of the Autonomous Banat of Croatia, and part of the projected *banat* of all Serb countries. Yugoslav Muslim Organization and the multiethnic labor and student movements led by the Communist Party of Yugoslavia strongly opposed this idea. In the Kingdom of Serbs, Croats and Slovenians, the king's relation to Bosnia generally determined the relation to other organizational (administrative) units of the monarchy. Serbs completely dominated the Kingdom's military.

In January 1919, the territory of the Kingdom was divided into four military sectors which fully compartmentalized Bosnia and Herzegovina, which was a part of the First, Second and Costal sector. In the eve of WWII several commands and units were located in Bosnia and Herzegovina, specifically 7 infantry, 3 artillery, and three air regiments. BiH was also a home to two military storage sites, NCO School in Bileca, Reserve Officer Schools in Sarajevo and Mostar. The airports in Sarajevo, Banja Luka and Mostar were also in use.

On 6 April 1941 Hitler launched attacks on Yugoslavia. Only 12 days later, Supreme Command of the Kingdom signed unconditional capitulation. The occupation powers profited the most from the antagonism between the forces that advocated Great Croatia and Great Serbia. These were personified in the *Ustasha* movement which, at the time, triumphed over the establishment of the Independent State of Croatia (NDH), and the Chetnik Movement, whose programs of *"homogenous Serbia"* were embraced and refined in Serb political realms (Branko Vukovic in Bojic, 2001, p. 207).

Such nationalistic programs resulted in mass executions and exile of members of other peoples. With these programs, the genocide against Muslims-Bosniaks would particularly drastic. This constituted a continuation of the implementation of Great Serbia policy which, on several occasions in the past--specifically in the 19th and 20th century, resulted in genocides against Bosniaks from BiH and Sancaq (Kreso, p. 234). Despite the widely accepted opinion that Bosniaks were privileged within the NDH and that they were the "flower of the Croat people", they suffered a lot at the hand of Ante Pavelic's ustasha regime. Unlike Serbs and Croats, in WWII Bosniaks did not commit crimes that would be comparable to the crimes they had suffered from others, largely because they did not establish official collaborations with fascists regime (Mulaosmanovic, 2013).

The organization of the Peoples' Liberation Movement in Yugoslavia constituted one of the key factors in liberation from occupation. In that fight, Bosnia and Herzegovina played an important role. During the whole war, the largest and most important operations of defense and liberation of Yugoslavia took place on the territory of Bosnia and Herzegovina. The constitution of the Antifascist Council of Peoples' Liberation of Yugoslavia (AVNOJ) took place in November 1942 in Bihac. On 29 November 1943 in Jajce, at its 2nd Session, AVNOJ adopted the decision on the establishment of Democratic Federation of Yugoslavia which laid the foundations for its international recognition.

At the beginning of the war, guerilla warfare was the basic strategic concept in the occupied Yugoslavia. The Peoples' Liberation Movement strengthened throughout the country--particularly in Bosnia and Herzegovina where balanced participation of all three peoples was achieved. Hence, during the Peoples' Liberation War (NOR), besides defending its country from the occupation forces, peoples of Bosnia and Herzegovina have managed to reinstitute statehood of Bosnia and Herzegovina and ensure its equality with other republics within the Democratic Federation of Yugoslavia.

Bosnia and Herzegovina in Socialist Yugoslavia

On 29 November 1945, the constitutional assembly of the Democratic Federation of Yugoslavia adopted a Declaration on proclamation of Federal Peoples' Republic of Yugoslavia. The assembly refused to include the sixth torch in the national coat of arms as a symbol of Bosnia and Herzegovina, as a republic. In Socialist Yugoslavia, after the end of WWII, Bosniaks fought for reinstitution of its identity and national affirmation on the equal level with other peoples in Yugoslavia. The issue of the status of Bosniaks was primarily created through activities of nationalistic projects of Belgrade and Zagreb.

In the late fifties and early sixties, the academic and political realms started to accept the opinion that Bosniaks were a separate ethnic, i.e. national entity, which, in 1963 was incorporated in the provisions on modifications of the coat of arms of Socialist Federal Republic of Yugoslavia (SFRY), to which the sixth torch was added as a symbol of the Republic of Bosnia and Herzegovina and the Bosniak people, as one of the six peoples of Yugoslavia. In 1974 the new constitution of SFRY was adoptedand Bosniaks were finally fully affirmed and recognized as a nation.

The defense of Yugoslavia was oriented towards the concept of a war defense that was based on the postulate that the armed forces of the country can be used only for defense purposes. For decades during the socialist Yugoslavia, the Republic of Bosnia and Herzegovina, as other republics, supported Yugoslav Peoples' Army (JNA), who provided the best personnel, infrastructure, financial and all other kinds of material support. JNA was organized at the state level, and Territorial Defense existed at the level of republics.

The law on national defense from 1974 prescribed the establishment of Republic Headquarters of Territorial Defense in Republic of Bosnia and

Herzegovina (RBiH), eight zone commands (Sarajevo, Tuzla, Mostar, Banja Luka, Bihac, Livno, Gorazde and Doboj), one city command (Sarajevo), and additional 104 municipal staffs. With the adoption of the Law o Defense in 1982 and the *"strategy of armed conflict"* which defined territorial defense as the broadest possible form of organization of armed resistance, the territorial defense of the Republic of BiH achieved its biggest development. At the time it consisted of 340.617 conscripts and 7,632 units (Kreso, p. 260). In that period, the Territorial Defense of RBiH was relatively most developed and the largest. In 1985, it was downsized to the *"Yugoslav average"*. In 1990 it was reduced to 80,000 members and in 1991 completely disarmed and all its armament was put in JNA warehouses.

Reaffirmation of the Independence of B&H

A critical year in the process of dissolution and the final breakup of the Socialist Federal Republic of Yugoslavia was 1986 when the Serb Academy of Science and Arts (SANU) published the infamous *Memorandum*"(Cigar, 1998, p. 34). The Memorandum ferociously condemned the AVNOJ decisions as "anti-Serb fabrications" and rejected the AVNOJ territorial borders because "the Serb nation was not given the right to have its own state." The following year, Slobodan Milosevic, by an overthrow, became the head of the Central Committee of Republic of Serbia's Communist Party, with an unambiguous ambition to take control of the state (SFRY) and introduce Serb hegemony in the country. The key component of the Serb nationalism, lead by Serbia's intellectual elite, was an uncompromised animosity toward the Muslim community in Bosnia and Herzegovina which was, from the position of objectives set forth in the *Memorandum*, seen as the major obstacle for the homogenization of the so-called Serb territories and creation of the Great Serbia (Cigar, 1998, p. 34).

Another important event that happened during the collapse of Yugoslavia was the celebration of the six-hundredth anniversary of the Battle of Kosovo in Gazimestan that took place on 28 June 1989. Among other things, Milosevic than said:" Today, after six centuries, we are again engaged in battles and quarrels. They are not armed battles, but this cannot be excluded yet" (Excerpt from Slobodan Milosevic's speech at Gazimestan, on 28 June 1989, *Politika*, daily newspaper, Belgrade, 29th June 1989 issue). Other Yugoslav peoples began to weaken and other nationalisms emerged in response to Serb nationalism.

The failure and collapse of the 14th Yugoslav Communist Party Congress, in January 1990, clearly demonstrated it became evident that the

Serb block, lead by Milosevic, did not have any intention to reach a rational compromise. The escalation of nationalisms in Serbia and Croatia had an inevitable impact on the political scene in Bosnia and Herzegovina. In 1990, the so-called national (ethnic) political parties were formed – Democratic Action Party (SDA), Croatian Democratic Union (HDZ) and Serbian Democratic Party (SDS). The three parties won the first elections in Bosnia and Herzegovina, held on 9 November 1990 (Imamovic, 2003, p. 387).

However, it must be mentioned that the peaceful coexistence of the three ethnic groups in Bosnia and Herzegovina was not jeopardized by ethnic parties. They emerged as a result of ethnic incidents that had been occurring even before the parties were formed. Later developments proved that three ethnically-based parties could not be viewed equally – they had significantly different views on Bosnia and Herzegovina as their country of origin and used different methods and instruments to reach their political goals. After a month long war in Slovenia, the Yugoslav Army withdrew from this republic in July 1991. The war in Croatia was more severe and devastating, lasting for months.

All these events influenced the European Community (EC), which had previously only declaratively supported the efforts for the preservation of Yugoslavia. At the Hague Peace Conference, recognition of Bosnia and Herzegovina was conditioned by holding a referendum on independence. The Chair of the European Union's Commission for Yugoslavia, Robert Badinter, President of the Arbitration Commission, gave an unambiguous answer in the context of request for self-determination of Serbs in Bosnia and Croatia: "… the right of self-determination cannot lead to change of borders existing at the moment of proclamation of independence, … in accordance with the international law, have the right for recognition of their identity (Halilovic, 1993, p. 127).

An important dimension in the preparation of the war of aggression against Bosnia and Herzegovina was the silent occupation of BiH in September and October 1991.

> In 1991, with the justification of withdrawal and dislocation from Slovenia and Croatia, the JNA commands and units were operationally and strategically deployed in the territory of Bosnia and Herzegovina…and the total JNA strength in the beginning of 1991, was: 83,000 soldiers, 460-500 tanks, 400-420 APCs, and 950-1000 artillery weapons (Heco, 2005, pp. 101 and 111).

With all these units, Bosnia and Herzegovina became the largest military camp in Europe at the beginning of 1992 (see S. Cekic, 2004, p. 770). Available documentation clearly demonstrates that the SFRY top state and military officials "were actively involved in planning, preparing and carrying out aggression against the Republic of Bosnia and Herzegovina" (see Cekic, 2004, p. 727). Situation in Bosnia and Herzegovina was developing in concordance with intentions of the Serb politics. In late 1990, Serbs started forming autonomous territories that were not under control of legitimate authorities. The "Serb Republic of Bosnia and Herzegovina" was officially proclaimed on 9 January 1992.

The Parliament of the Republic of Bosnia and Herzegovina, as late as 25 January 1992, decided to hold a referendum on independence. The results of the referendum were the basis for reclaiming independence and international identity of Bosnia and Herzegovina. Therefore, "At the referendum, held on 29 February and 1 March 1992, citizens of Bosnia and Herzegovina voted for independent and sovereign state" (See Halilovic, Restitucija Bosanske drzavnosti, KDM Preporod, Zenica, 1993, p. 1323).

Concurrently with the Serb aggression against Bosnia and Herzegovina, launched on 6 April 1992, the EC recognized sovereignty of Bosnia and Herzegovina as a state. On 22 May 1992, the Republic of Bosnia and Herzegovina became a member of United Nations which was the key indicator for identification of the character of war. In the aggression against the sovereign state of Bosnia and Herzegovina, the Yugoslav People's Army (JNA) and later the Yugoslav Army (JA) had a decisive role, especially in the first phase. Later, upon their formal withdrawal from the territory of Bosnia and Herzegovina, JNA handed over more than 90% of their weapons and equipment to the Army of the Serb Republic of BiH ((see detailed discussion in (Smail Cekic, *Agresija na Republiku Bosnu i Hercegovinu*, Book II, Institute for Research of Crimes against Humanity and International Law, Sarajevo, 2004, p. 851, 871 and 901).

Regardless of the fact that Bosnia and Herzegovina was recognized by the EU as an independent state, the Yugoslav Army, in the days and weeks that followed, carried out a massive and devastating campaign against towns, primarily those with Bosniak majorities (Malcolm, 1996, p. 238).

> The war in Bosnia and Herzegovina, in its legal nature was a war of aggression with all legal consequences. This war of aggression was waged against a unitary, multinational state

> of Bosnia and Herzegovina. This war, was planned, prepared, initiated and led by SR Yugoslavia (Serbia and Montenegro) and Croatia (Imamovic, 2003, p. 388).

This legal qualification of the war against BiH was confirmed on 30 May 1992, through the Security Council Resolution 757, which introduced economic and diplomatic sanctions against Yugoslavia, and warned Croatia that such sanctions could be imposed.

The Presidency of the Republic of Bosnia and Herzegovina, on 26 June 1992, adopted a Wartime Presidency Platform, which had an enormous impact on mobilization of all patriotic forces for the defense of the RBiH. The Platform, among other things, stated:

> Internal organization of Bosnia and Herzegovina as a multiethnic and multi-confessional state is based on regional and local autonomy with regard to economic, cultural, historic and ethnic criteria. Bosnia and Herzegovina shall not accept any negotiations based on criteria of ethnically exclusive territories ... also, it shall not accept any territorial or demographic changes and positions resulting from war and violence (see RBiH War time Presidency Platform, Sarajevo, 1992, p. 5).

In the initial phase of war, the major defense efforts were carried by poorly organized and equipped forces of the Territorial Defense of Bosnia and Herzegovina, self-organized groups (Patriotskaliga, and others), and the units of the RBiH Ministry of Internal Affairs. These self-organized formations were formed just as it became obvious that an aggression was unavoidable and they officially ceased to exist when they joined the Territorial Defense of Bosnia and Herzegovina on 15 April 1992.

By the Decree of the RBiH Presidency, of 20 May 1992, the RBiH armed forces were officially called the Army of the Republic of Bosnia and Herzegovina (Beridan, Tomic, Kreso, 2001, p. 27). This decree endorsed that the Army was made of servicemen of all ethnicities and confessions in Bosnia and Herzegovina and that, in an organizational-formation sense; it consisted of services, branches and support services. Officer schools and recruitment centers were formed during the aggression. Successful defense efforts in the first days of war, especially in the area of Western Herzegovina, were carried out by units of the Croat Defense Council (HVO).

As early as September 1991, the UN introduced an embargo on import of weapons against Yugoslavia in order to reduce the scope of armed conflicts. This embargo continued to apply formally to all emerging states that were previously part of Yugoslavia. In reality, the embargo was effectively applied only to the Republic Bosnia and Herzegovina, the victim of an aggressive war. The main failure of Western politicians, in the context of dealing with the war in Bosnia and Herzegovina, was that they looked only at the consequences rather than causes of war, symptoms and not roots of war. “They insisted on treating the war as essentially a military problem rather than a political one” (Malcolm, 1996, p. 242).

The European Union made certain diplomatic efforts: the first peace plan was presented by the Portuguese diplomat Juan Cutiliero in March 1992, there after followed by Vance-Owen plan in spring 1933, and afterwards Owen and Stoltenberg, made another unsuccessful attempt in August and September 1993.

War and Aggression of Croatia on Bosnia and Herzegovina

This war of aggression had its roots in Croatian nationalist ideology from the mid 19th century. Franjo Tudman, in 1990 articulated these ideas into obvious political intentions to divide Bosnia and Herzegovina and join significant portions of its territory to Croatia. In Karadordevo on 26 March 1991, he met with Slobodan Milosevic in secrecy to broker an agreement on greater Serbia and greater Croatia after dividing Bosnia and Herzegovina. In the end of 1991 and beginning of 1992, “Croat communities” were proclaimed on the territory of Bosnia and Herzegovina and on 18 November 1992, they were united into Croat Community of Herzeg-Bosna (HZ HB) with the aim of secession from the Republic of Bosnia and Herzegovina and joining the Republic of Croatia.

Apart from this, numerous units of the Croatian Army or their elements (see detailed discussion in (Cekic, *Agresija na Republiku Bosnu i Hercegovinu*, Book II, Institute for Research of Crimes against Humanity and International Law, Sarajevo, 2004, p. 1020-1023) were involved in war campaigns on the territory of Bosnia and Herzegovina. After some previous engagements, massive operations were undertaken in April 1993 in the territory of Central Bosnia and Herzegovina (after the wholesale slaughter of 116 Bosniaks in the village of Ahmici on 16 April 1993). Despite direct involvement of certain Croatian structures and Croatian Army, and structures of HZ HB and HVO, few military results were achieved, much less from what was originally planned. These fights continued until beginning of 1994 and direct involvement of USA in ending the war in Bosnia and Herzegovina.

In early 1994, the United States of America continued its engagement in finding a solution to the war in Bosnia by ending the war between Croatia and Bosnia and Herzegovina and creating conditions for an agreement on 1 March 1994 in Washington on the establishment of the Federation of Bosnia and Herzegovina,.

In May 1994, the Contact Group, comprising Great Britain, France, Germany, Russia and USA offered a new peace plan. The essence of this plan was to maintain integrity of Bosnia and Herzegovina and introduce a new internal division - two almost even parts, one with 51 per cent of the territory to the Federation BiH and the other with 49 per cent to Serbs in BiH. In the end of 1994 and early 1995, the situation on the battlefield in Bosnia and Herzegovina visibly changed in favor of the defenders who managed to liberate certain territories and towns of the homeland (town of Kupres, mountain Vlasic, etc.).

During the last two years of war, the ARBiH forces made a number of tactical achievements and expanded the territory under control of the Republic of Bosnia and Herzegovina authorities. It was followed by a unified campaign of the Bosnian Serb forces and different formations from Yugoslavia; and occupation of the *"UN safe area"* of Srebrenica--the worst crime of genocide in the history of Europe after the World War II. The UN forces did not undertake a single action to stop or reduce that crime even though it was their mandate and responsibility and they had the appropriate tools to do so. Two weeks later another *"safe area"* of Zepa was occupied. The aggressor also tried to occupy the *"safe areas"* of Bihac and Gorazde, but their attempts failed. In other parts of Bosnia and Herzegovina, the ARBiH made significant operational achievements in different directions. By the summer of 1995, ARBiH had a full strategic initiative on the BiH battlefield.

Concurrently with successes of ARBiH, Presidents Izetbegovic and Tudman on 22 July 1995 in Split signed an agreement on military cooperation. The results of this agreement were soon visible in the field –liberation of Kninska krajina in Croatia, and then Bosanska krajina within RBiH. Upon another crime committed by the Serb forces against innocent civilians at Markale Market in Sarajevo at the end of August 1995

NATO used air force against vital elements of deployed aggressor forces throughout Bosnia and Herzegovina.

In September and October 1995, ARBiH forces continued to make significant progress in the battlefield and liberated large territories (area of Donji Vakuf, Jajce, Sipovo, Mrkonjic Grad, Drvar, Grahovo, Kljuc, Sanski Most, Vozuca, mountain Ozren, and other smaller settlements and areas) in coordination with Croatian armed forces. Practically, in expectation of complete defeat of Bosnian Serb forces, they created conditions in the field to end the war. However, the liberating campaign of the ARBiH was halted by international community at the moment when the Bosnian Serb forces, despite aid and support from Yugoslavian forces, were at the brink of being totally crushed.

The principles to end the war that were agreed in Geneva on 8 September and adopted in New York on 26 September 1995, practically guaranteed the survival of Bosnia and Herzegovina in its entirety and in the prewar borders, with principles of *de facto* division of Bosnia and Herzegovina and *de jure* preservation of its integrity, were the basis on which the US diplomacy, led by Richard Holbrooke, during the following two months brought together the war parties. This was initially conducted as with *"shuttle"* diplomacy – from Sarajevo to Belgrade and Zagreb and, finally through the negotiations at the US air base Wright Patterson in Dayton, Ohio (Malcolm, 1996, p. 267).

Parties in negotiations were lead by Alija Izetbegovic, on behalf of Bosnia and Herzegovina, Slobodan Milosevic, negotiating on behalf of Yugoslavia and Bosnian Serbs, and Franjo Tudjman, on behalf of Croatia. The agreement was initialed in on 21 November in Dayton and three weeks later, on 14 December 1995, it was officially signed in Paris. The agreement guaranteed continuity of Bosnia and Herzegovina as a state, its division to two entities with the territorial ratio of 51:49 percents. The status of Brcko was resolved through arbitration, which was completed on 5 March 1999, declaring a district with exclusive sovereignty of Bosnia and Herzegovina.

Peacetime Development of Bosnia and Herzegovina Armed Forces

Upon the end of war in Bosnia and Herzegovina, by Dayton Peace Agreement, combining the Army of the Republic of Bosnia and Herzegovina and Croatian Defense Council, Military of Federation of

Bosnia and Herzegovina was formed. It existed until the creation of Bosnia and Herzegovina Armed Forces (BaH AF) in 2005. The integration and professionalization of Military of Federation of Bosnia and Herzegovina was strongly shaped and supported by “Arm, Equip and Train” Program, conducted by a USA private training company, MPRI (Military Professionals Resources Incorporated), from Alexandria, Virginia. BaH AF was created through the Defense Reform, by putting together the two entities' militaries, which continued their functions in the aftermath of the war – Military of Federation of Bosnia and Herzegovina, and Republica Srpska Army. Even though the appropriate historic distance hasn't been created yet, it's now safe to argue that the integration of BaH militaries at the state level has been conducted better than previous integration of militaries at the federation level.

Concluding Remarks

The history of BaH military is as long as the history of the state itself. Throughout history, The Bosnian military permanently used to be better side of the state and the society of the county. The armed forces of Bosnia and Herzegovina used to fight for the interests of Bosnia and Herzegovina itself and often for the sake of some other powers dominating Bosnia over different periods of history. Bosnian military was usually respected for its quality and sacrifice readiness, and in a number of historic times, better from outside than from inside Bosnia and Herzegovina. Like in some previous periods of history, Armed Forces of BaH are important integrating actor of the state of Bosnia and Herzegovina. Bosnia and Herzegovina's Armed Forces are important part of the state identity and prosperity today, and will likely have the same role in the times to come.

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NATIONAL DEFENSE OF BOSNIA AND HERZEGOVINA

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Security Framework of Bosnia and Herzegovina

The term *security* has a broad meaning. It usually refers to the protection of people against various types of threats, the protection of material and cultural (privately and state-owned) assets, the protection of the society and its values, the protection of the state against any types of threats, and the protection of human beings and lives in general against any global or cosmic threat (see Joint Publication 1-02, Department of Defense Dictionary of Military Terms, Joint Chiefs of Staff, Washington DC, 1994, p. 292). All levels of security – global, state, and individual security (i.e. security of a human being) as well as the security of material and cultural goods – make an inseparable whole. Security in the political sense refers to the degree of the protection of the state against internal and external threats (internal and external security). The external security of the a state refers to its independence, sovereignty and the protection of its territorial integrity, and the degree of threats posed to it in a certain period. The internal security of the state refers to the functioning capability of its constitutional, economic, and legal systems and to the degree of threats posed to its citizens, the degree of the protection of its citizens, and of their rights and property. The security of the state is one of its key attributes and a function that depends on the overall situation in the country and on the organization of its protection (Beridan, Tomic, Kreso, 2001, p. 348).

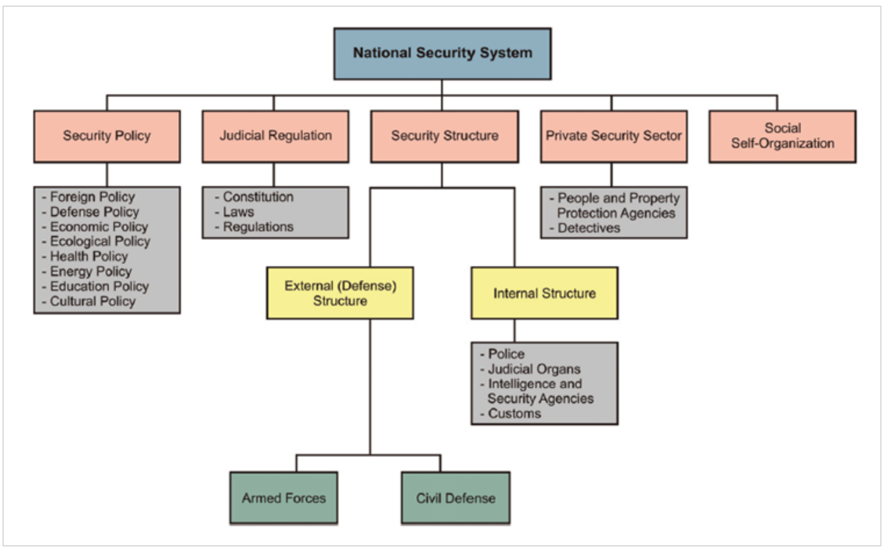
Any human activity requires some sort of security. That is why the term 'security' has a wide range of definitions, which vary from state to state and from region to region within a single state. In American military terminology, the term security means the following:

> 1) Measures taken by a military unit, an activity or installation to protect itself against all acts designed to, or which may, impair its effectiveness; 2) A condition that results from the establishment and maintenance ofprotective measures that

ensure a state of inviolability from hostile acts orinfluences; 3) With respect to classified matters, security is the condition that prevents unauthorized persons from having access to official information that issafeguarded in the interests of national security (see *Joint Publication* 1-02, 1994, p. 388).

The security system of a modern state comprises two parts: functional elements (types and forms of activity) and institutional or structural elements (organization, persons in charge, etc.). In functional terms, the security structure of a modern state generally comprises the national defense system, designed for the defense of the country against an armed aggression from outside, and the national security system, which is more complex and requires the engagement of the entire society, the state and all state institutions in protection of the society, state, and individuals (see Joint Publication 1-02, 1994, p. 8). A national security system today represents a synthesis of all subsystems within a society. It provides basic conditions necessary for the sustainability of the society, and development and the quality of life, as well as activities aimed at strengthening the capacity of societies and nature to withstand jeopardy (Vojni Leksikon, Vojnoizdavacki zavod, Beograd, 1981, p. 56.). A contemporary national security system includes the following key elements: security policy, security-related legislation, security structures, institutions of theprivate security sector, and self-organized social groups.

Figure 1 - Security system of modern state



Security policy, in a broad sense, is the way of contemplating and defining the attitudes toward various threats in the nature, society, and among societies. In a more narrow sense, it is the set of all measures, activities and procedures aimed at establishing and functioning of the national security system. The security policy, in the narrow sense, creates a concept of mechanisms and means by which it achieves internal and external security of the society, and thus concretizes the security policy in the broad sense.

Security-related legislation includes constitutional law and by-law matters which, on the basis of the authority and responsibility, prescribes and regulates work of all security structures and the entire society in terms of the functioning of the security system and the implementation of the security function of the state. Legal regulations governing the security system include the constitution, i.e. its provisions pertaining to security, laws that regulate national security, and all bylaws that prescribe and regulate the functioning of certain security structures and functions more precisely.

All security structures are country-specific. Their purpose is to ensure security at the level of society. Most countries have two common elements of this structure: defense and domestic/internal security. Armed forces and civil defense (mainly civil protection) are key elements of the defense structure. Police, intelligence services/agencies, inspection services, customs offices and other structural elements of the official state control carry out functions of the internal security. Institutions of a private security sector are the field that witnesses a new trend in the development of the security system of a modern state. They included different private agencies for the protection of people and property, and various forms of detective/investigating activities. The rapid and intensified development of this sector, in both quantitative and qualitative terms, indicates that privatization of some segments of the security sector in modern states is underway. Self-organization in the field of security refers to various forms of spontaneous, security-related self-organization of social groups (interest, territorial, and similar groups) based on the right of every individual to self-defense, self-protection, and self-help (Grizold, Tatalovic and Cvrtila, 1999, p. 11). It follows from the above that the relationship between national security and national defenses is the same as the relationship between the *"general"* and the *"special"*. In that context, national security is a wider concept which includes national defense.

Bosnia and Herzegovina is in a situation that necessitates a more complex approach toward security matters than those applied by most countries. BiH's security structures largely depends on the ways for solving its internal political and inter-ethnic relations and issues, and on its relations with neighboring countries, instead of on legal, functional, organizational and practical elements of its security system.

The Development of the B&H Security System

As in many other cases, representatives of the international community (IC) have got an important role in the building of B&H's security system. As all crucial decisions of IC representatives pertaining to the security and the defense reform in B&H. The decisions of the High Representative, Paddy Ashdown, of 2 April 2003, have helped considerably to overcome certain weaknesses in functioning of the security system of BiH and fostering of state-level security and defense structures. Then, NATO Secretary General, George Robertson, set forth (in December 2003) benchmarks that B&H must meet to join PfP and, ultimately, NATO. The decisions of the High Representative and the benchmarks set forth by the NATO Secretary General coincided with B&H's long-term goal to become a NATO member and with the benchmarks which it must meet for the accession, i.e.transparency in planning, democratic control of armed forces, single command system, and the organization and structure of military units identical to those in NATO member countries.

In the period between the signing of the Dayton Peace Agreement and 2003, considerable progress was made in building of security and defense structures at state level, primarily in drafting and adoption of B&H Defense Policy and enhancing the structure of the Standing Committee on Military Matters and its Secretariat.

Since the signing of the Dayton Peace Agreement, the security system in B&H has been subject to regular changes, which include the establishment of new elements and improving upon existing ones in order to shape the security sector at the state level. Activities and reforms in the security field constitute, by their basic character, a basis for other reforms aimed at fostering the functionality and efficiency of the state.

The development and adoption of the Defense Policy of Bosnia and Herzegovina was a starting point and the basis for development of BiH's security policy and security system despite the fact that the security logic and principles require the reversed order. In drafting the elements of the B&H Security Policy, efforts were made to achieve a consistent approach based on which the Council of Ministers at its 82nd session, established an inter-agency working group for drafting the B&H Security Policy, then compiled a final version of the B&H Security Policy in December 2005, and the B&H Presidency adopted it on 8 February 2006 (see Presidency of Bosnia and Herzegovina, Security Policy of Bosnia and Herzegovina at a session held on 08 February 2006 (Conclusion no. 01-011-142-34/06)). The Security Policy of Bosnia and Herzegovina is a document that defines a long-term and coherent strategy, provides a framework and directions for the establishment of the system, structures and all mechanisms necessary for efficient work of the security sector. The executive authorities of Bosnia and Herzegovina are responsible for development and implementation of the B&H Security Policy. They coordinate the use of intelligence and security, military, economic, diplomatic, technological, information and other resources to achieve the set security goals.

> Apart from the fundamental values that are particularly underlined because of their importance for the overall security in Bosnia and Herzegovina, the document assesses the security environment, risks and threats, and defines the principles, interests, and goals that Bosnia and Herzegovina strives to fulfill in the field of security (Security Policy of Bosnia and Herzegovina, p. 3).

As regards to the goals to be achieved, the Security Policy underlines that Bosnia and Herzegovina will continue to create a positive security environment in which the fundamental values enshrined in the B&H Constitution shall be ensured. This refers to the continuity, sovereignty, political independence, territorial integrity and international personality of B&H, human rights and fundamental civil freedoms in line with international standards, development of parliamentary democracy, free democratic elections, rule of law, ethnic equality and reconciliation among peoples, stable economic growth, free circulation of goods, services and capital, social justice and security, natural and cultural resources, health care, healthy and stable environment, and development of international/regional cooperation.In that regard, the Security Policy states:

> By consistently fulfilling the undertaken international obligations and by actively cooperating in the international framework, Bosnia and Herzegovina shall prove to be a

> reliable partner, capable of participating in the efforts of the democratic community, heading towards the accomplishment of permanent peace and stability in the Euro-Atlantic area of security. Dedicated to intensive cooperation and integration – at political, economic and security level – within regional, European, and Euro-Atlantic structures, Bosnia and Herzegovina shall offer its contribution to further creation of democratic, peaceful and stable Europe and world peace in general (Security Policy of Bosnia and Herzegovina, p. 3).

The adoption of the Security Policy of B&H is a significant step forward toward completion of the process of the establishment and shaping of the security system in B&H and its integration at state level. It is important to note that the Security Policy, by its letter and spirit, defines new constitutional competencies of the state of B&H in the field of security, which were not envisaged at all by the General Framework Agreement for Peace in Bosnia and Herzegovina (GFPA) and Annex IV thereto – BiH Constitution.

The Security Policy was strongly related with through Defense Reform in B&H, which had relevance and importance above and beyond the security and defense structures. Thus, "The defense reform is indeed a constitutional reform conducted on a separate track though" (See Interview with BG Steven Schook, Commander of the NATO Headquarters Sarajevo, on 19 July 2005, p. 8). In general, security policy is to be viewed in the context of the existence of other elements of the security system. In that regard, it should be noted that the entire security system of Bosnia and Herzegovina has not yet been established. At the state level, there are no all necessary political decisions, adequate legislation, police forces, organization of the civil protection, etc. It is safe to argue that the security and defense reforms in Bosnia and Herzegovina gave impetus, in both the political and practical sense, to all reforms of the post-Dayton state structures in Bosnia and Herzegovina.

In the period between the signing of the Dayton Peace Agreement in 1995 and 2003, considerable effort was devoted to reaching a political agreement and drafting relevant legislation necessary for the establishment of security structures at the state level. A major milestone in this regard was the establishment of new institutions of the BiH security system in 2003. One of most important newly established institutions is the *B&H Ministry* *of Security*, comprising the State Border Service, (see Law on Amending the Law on Civil Service, PS B&H, no. 25/07 of 30 March 2007) the State Information and Protection Agency (SIPA), and the Office for Cooperation with Interpol (National Central Bureau of Interpol).

As an independent agency, SIPA reports to the B&H Parliamentary Assembly and is obliged to submit reports on its work to the B&H Presidency and the Council of Ministers. SIPA's management comprises the director and two deputy directors, each of them coming from different constituent peoples. SIPA has the following three departments:

- Department for crime-related information,
- Department for protection of VIPs,
- Department for protection of diplomatic and consular offices and state buildings. (see BiH Official Gazette, Sarajevo, 2 July 2002, p. 374).

The Ministry of Security undergoes continuous minor or major changes. In2006, its scope of work was widened to include a newly established organizational unit – Foreigners Affairs Directorate (see Official Gazette of B&H, no. 54/05). In 2006, the Ministry of Security chaired the Working Group for drafting the Law on protection and rescue of people and property in cases of natural and other disasters in Bosnia and Herzegovina (see Official Gazette of B&H, No. 48, of 26 June 2006). The Working Group functionally connected security structures, although not in the simplest way or in the way prevailing in countries with developed security systems. The problem is in the fact that the Civilian protection structure has not yet been established at the state level.

The defense reform process played an important role in the establishment of the current state-level security system in Bosnia and Herzegovina. Both practically and politically, it became a driver of positive changes and reforms to upgrade and interconnect the system as a functional whole at state level. The Dayton Constitution provided for one state-level defense body whose role was vague and uncertain. Pursuant to Article 5b, members of the Presidency, who by virtue of their office were also members of the Standing Committee, were the authority for the appointment of the members of the Standing Committee on Military Matters whose role was to coordinate activities of the Armed Forces in B&H.

Even prior to reform, Entity Armed Forces suffered from a number of deficiencies that required rectifying. The joint analysis by the B&H

Ministry of Defense and Defense Reform Commission identified indicators that strongly suggested serious reform changes were necessary:

- The Army of the Federation of BiH and the Army of the RS, which mergedto become the Armed Forces in Bosnia and Herzegovina, were a version ofthe armies that had fought each other during the war. Once they becamecomponents of the AF in B&H, they embodied divisions rather than unity of B&H's defense interests and forces. Many inconsistencies and unsolvedissues thrived between the Entity Armed Forces and state-level defense.
- There was no parliamentary oversight of the Armed Forces at state level.
- The command and control system of the Armed Forces in B&H wasineffective.
- The Armed Forces had a larger than necessary footprint in view ofrequirements set forth by the Defense Policy and security challenges. Consequently, defense budget costs were too high.
- The Reserve Component was too large in comparison with the planned sizeof the Active Component, which in turn was connected to the problem ofmilitary weapons and equipment surpluses (mostly obsolete or inadequatelystored).
- A number of responsibilities laid down in Annex 1B of the Dayton Accords(that were being carried out under the supervision of the OSCE) were eithernot completed or only partially completed.

In order to overcome these and other deficiencies and pursuant to the presidential decision to join the PfP of 10 July 2001, on 9 May 2003 High Representative Paddy Ashdown established the B&H Defense Reform Commission (DRC) made up of local and international representatives (see The Commission's Report of September 2003, THE PATH TO PfP, introductory memorandum). The goal of the Defense Commission was for B&H to meet requirements for accession to European defense structures, contribute to regional stability and acquire the ability to participate in international peace support operations. For all of the above reasons, Bosnia and Herzegovina needed to strengthen structures at the state level, establish a comprehensive and transparent parliamentary oversight of defense, and reduce the armed force to an affordable size.

In the first year of its work the B&H Defense Reform Commission made several important steps forward in various reform areas. It considerably upgraded defense legislation which allowed taking action to reform the system at entity and state levels. Progress at state level included the B&H Defense Law and the Decision on the Organization and Operation of B&H Defense Bodies. (see The Commission's Report of September 2003, THE PATH TO PfP, pp. 85-127). Both B&H Entities adopted amendments to their constitutions, Law on Defense, and the Law on Army see The Commission's Report of September 2003, THE PATH TO PfP, pp. 127-174).

The B&H Law on Defense passed on 1 December 2003 was the fundamental legal document that enabled the establishment of the B&H Armed Force, and generally the placement of defense at state level. The Law defined the B&H Armed Forces, (see, Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, p. 44) responsibilities of state and entity bodies, and establishment of the command and control system at the state level, establishment of the B&H Ministry of Defense, Joint Staff and Operations Command, and the parliamentary oversight of the B&H Armed Forces. It also provided for transparency in defense affairs and budgetary matters, and redefined the role of the Standing Committee on Military Matters (SCMM).

The passage of new and amendments to existing laws should be understood in the context of positive changes that took place in political and defense structures in Bosnia and Herzegovina, and particularly in the RS whose representatives, especially in the period immediately after Dayton, strongly resisted any change towards greater influence of B&H state-level bodies on defense. Nevertheless, the concept of security as a general framework for development of state functions and bodies that very much relied on defense as its key component gained the upper hand, which positively reflected on the climate in defense structures, which in turn provided the impetus for progress in other reforms.

In 2005 and early 2006, the presence of political will, decisions made and legislation passed, were transformed into practical actions to restructure armed forces in B&H, including the following:

- Reconstruction of entity ministries and armies;
- Appointment of key personnel of the MOD and the AFB&H (Minister,deputy and assistant ministers, passage of regulations and systemicsolutions necessary for the operation of new structures);
- Establishment of the B&H Honorary Guard Unit (Nov 2004);
- Establishment of the B&H PSOTC;

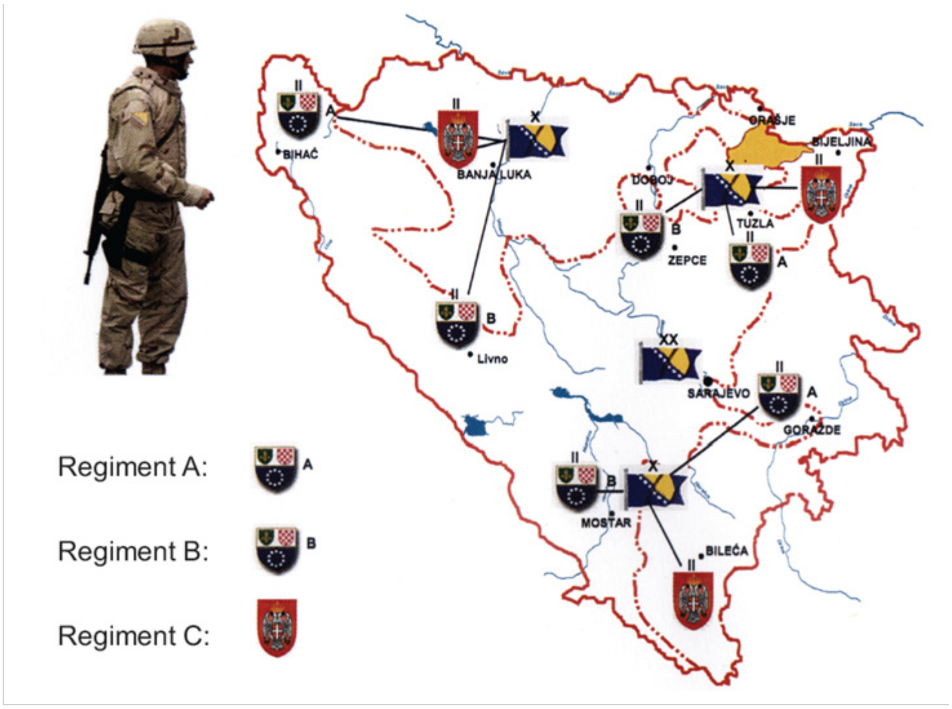
- B&H's involvement in peace missions and operations;
- Placement of functions and organization of military demining at state level;
- Provision of assistance to other bodies, especially Civil Protection.

In 2005, the B&H Defense Commission successfully worked on a number of important tasks with the aim of strengthening defense structures at state level, including the command and control system of the AFB&H, measures for cooperation with the ICTY, defense functions, transfer of authority from entity ministries of defense and armies to state level, incorporation of NATO procedures, techniques and norms, updates of security and defense policies, and additional reforms necessary for the establishment of a single military force and for stabilization of the security situation in the region.

The Defense Reform Commission focused on several reform areas chosen to enable reform steps in related reforms, including the active component of the AFB&H, professionalization of the Armed Forces, redesign of the reserve component, abolition of the conscript system, regiments of the AFB&H as military force compatible with NATO, ethnic representation in the AFB&H, transfer of functions from entity ministries and military commands to state level, defense budgets, and deadlines for the completion of these important tasks.

Amendments to the Law on Defense and Law on Service of 2003 were another result of the Commission's work in 2005. The Commission submitted the amended B&H Law on Defense as anew law since more than a half of the 2003 Law had to be amended. The 2005Law played a critical role in defense reform, both in terms of the round-off of the Armed Forces of Bosnia and Herzegovina and of the abolishment of entity defense structures (Picture 1).

Picture 1 - Distribution of Brigades and InfantryRegiments in BiH



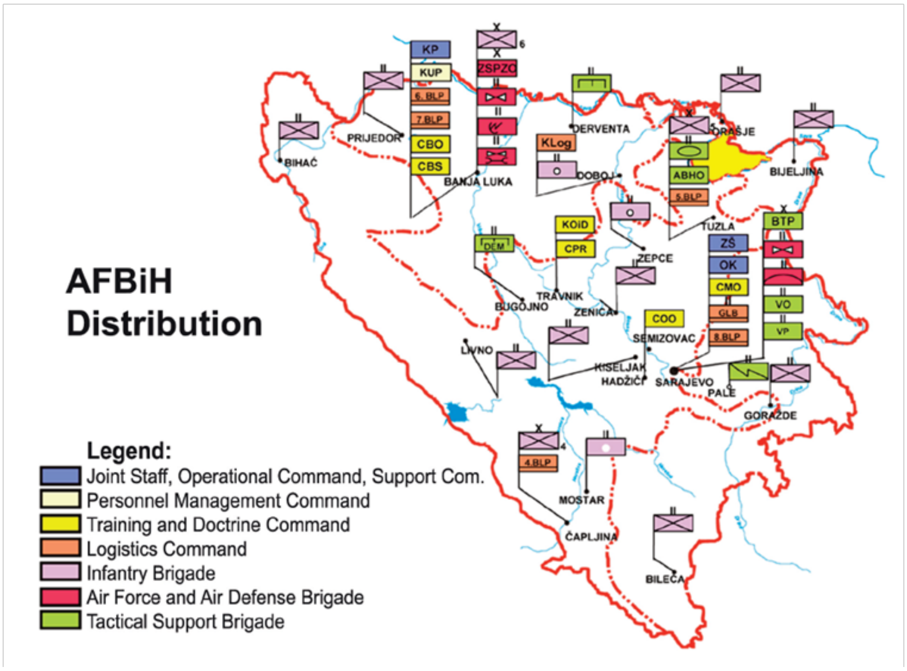
(Source: AFBiH, Single force for the 21st century, Sarajevo 2005, page 187)

The Law put stop to a number of dilemmas concerning the role of the B&H state and the Entities in the organization of defense and state functions in general. The Law set forth a much simpler organization of the Armed Forces, which allowed for more efficiency than in the prior period (Picture 2). The Law on Defense stipulated the establishment of a single armed force and one defense system in Bosnia and Herzegovina, with the state having the exclusive discretion in the field of defense. Article 1 of the Law reads, "This law shall regulate the common defense system of Bosnia and Herzegovina, establish and define the chain of command and role of all the elements in order for Bosnia and Herzegovina to have full capacity in civilian oversight and protection of the sovereignty and territorial integrity of Bosnia and Herzegovina" (Picture 3.)

This Defense Law specified B&H Armed Forces tasks:
a) participation into collective security operations, peacekeeping opeerations, selfdefense and fight against terrorism;
b) military defense of Bosnia and Herzegovina and its citizens in the case

of an attack;
c) assistance to civilian institutions in case of natural and other emergencies;
d) mine cleaning actions in Bosnia and Herzegovina;
e) execution of international commitments of Bosnia and Herzegovina (see, Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, p. 44).

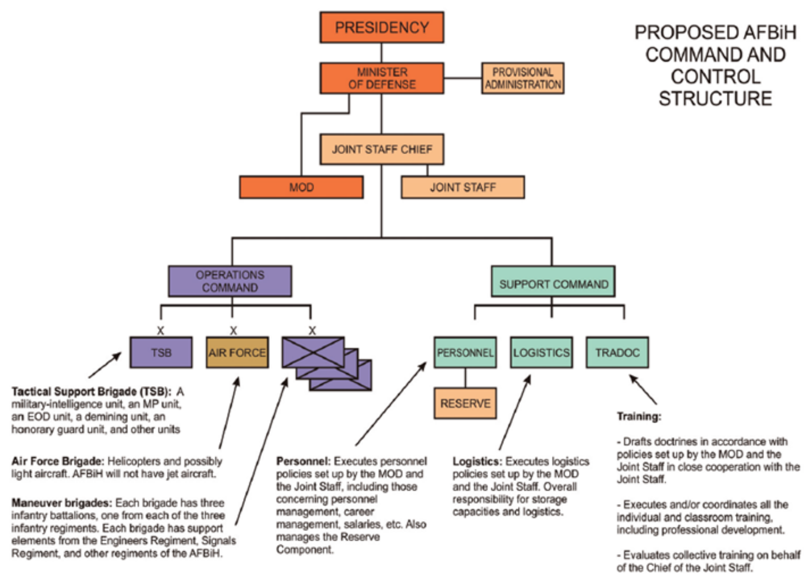
Picture 2 - Distribution of AFBiH Elements



The Armed Forces of Bosnia and Herzegovina are a professional single military force organized and controlled by Bosnia and Herzegovina. The Armed Forces have an active and reserve component. As an institution of Bosnia and Herzegovina, the Armed Forces are composed of the three Constituent Peoples and Others in accordance with the Constitution and laws of Bosnia and Herzegovina (see, Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, p. 44).

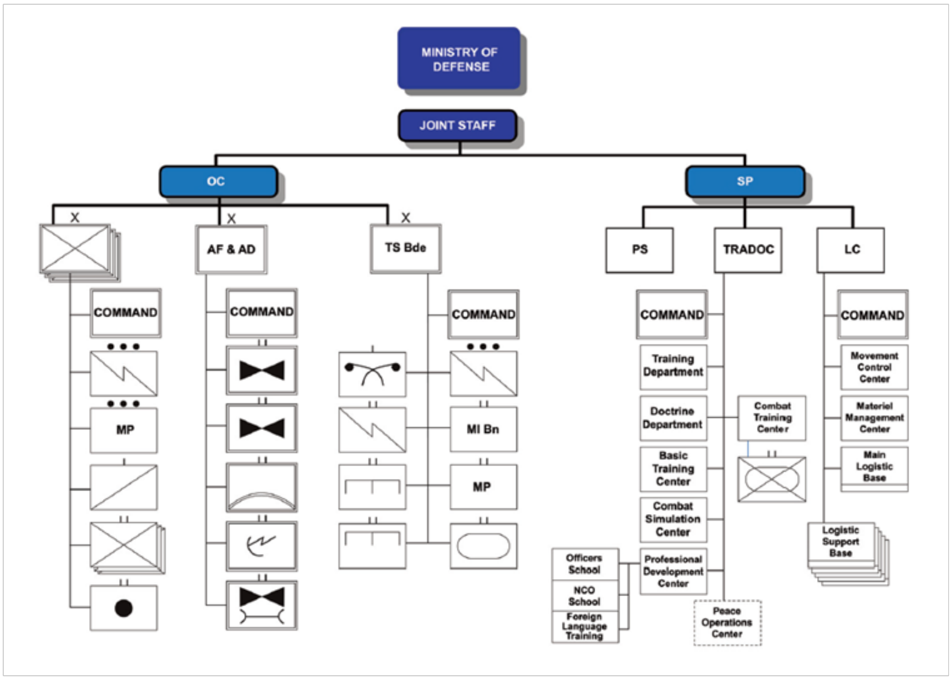
Article 66 of the Law set forth 1 January 2006 as the deadline for the implementation of the transition process to round off state defense institutions and terminate entity ministries of defense and entity armies (see Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, p. 77). The Law on Defense also defined rights and obligations of Bosnia and Herzegovina's institutions in the field of defense, the composition of the AFB&H (Picture 4.), competency to declare the state of emergency, responsibilities of defense structures in the event of natural and other disasters, conflict of interest, professionalism, the role of the Inspector General, oath, flag, national anthem, and military insignia, as well as transitional and final provisions regulating the transfer of authority for defense from the entity to state level (see, Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, pp. 41-81).

Picture 3 - AFBiH command and control ctructure



Source: AFBiH, SINGLE FORCE FOR THE 21ST CENTURY, Report of the Defense Reform Commission, September 2005, Sarajevo, page 185

Picture 4 - Structure of Armed Forces of Bosnia and Herzegovina

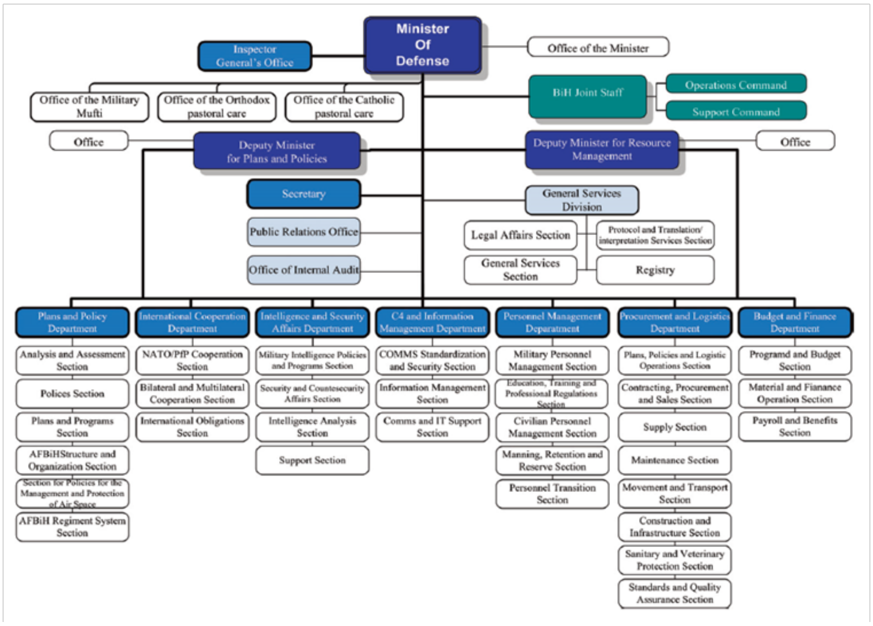


The B&H Law on Defense laid down in detail defense principles and concepts for the state level, while the Law on Service enabled the Ministry of Defense (Picture 5) to take over the management of the Armed Forces as the single point for payroll and human resource management (see, Report of the B&H Defense Reform Commission, Single military force 21st century, 2005, p. 44 and 89).

Additionally, draft constitutional amendments and amendments to entity laws were drafted to enable defense reform to progress and fit in the broader functional frame in which it had to operate. The idea of defense reform, however, had taken root earlier within the framework of the Dayton Peace Agreement implementation, among representatives of the international community in B&H and a number of local officials, primarily Bosniaks. In first post-war years, political representatives of Bosnian Serbs were strongly against the idea of a single armed force for various practical, political or even ideological reasons.

In time, thanks to further democratization of the political scene in B&H, and improved access to truth about B&H's recent past, more awareness of the country's prospects, development possibilities that defense reform could open in other social areas, and the replacement of radical political forces operating within B&H authorities, the preconditions to carry out defense reform were met in the way that would have been unthinkable only a few years before.

Picture 5 - BiH Ministry of Defense Organization Chart



The place of defense reform is therefore important not only in the context of security changes and state-building but also as an example upon which many other reform solutions have been later modeled. Consequently, the rapprochement to the PfP and NATO is often analyzed from the point of view of lessons learned that can be used in B&H's efforts to join other Euro Atlantic structures. In a way, defense reform is seen as the precursor of total transition efforts necessary to bring the country to a better, more functional and efficient operation, internally and externally. Functionality of state level structures, as illustrated by the Defense Reform, have got crucial importance.

The first EUFOR Commander gave this assessment of why Bosnia and Herzegovina needed to have state-level armed forces:

> There are two or maybe three reasons why B&H needs to have state-level armed forces. One is the conventional defense of the country, which does not have to be relevant in case of B&H.

> The other is the value that armed forces, along with other institutions, like the government, ministries, president, king or queen, bring to any state as symbols of its statehood. Countries have borders. Armed forces are one of the very important statehood symbols (See Interview with EUFOR Commander David Leakey of 23 Sep 2005, Camp Butmir, p. 2).

General Leakey also noted that armed forces could be a very important indication of internal and external potentials of the state, which can positively reflect on the public image of the military or even the state.

> No formation of the armed forces should be underestimated, starting with an honorary guard unit. People see the honorary unit meeting guests from abroad, providing a courtesy welcome – it is an important symbol of the state.
>
> The third very important reason, probably most important for BiH, and the rationale behind having the armed forces is the need for Bosnia and Herzegovina to take up a position as a responsible member of the international community and contribute to the regional security and stability, and indeed the global security. I think it is the most important function of the BiH Armed Forces. It is how I see the sense of developing the BiH Armed Forces (See Interview with EUFOR Commander David Leakey of 23 Sep 2005, Camp Butmir, p. 3).

In his comment on the potential contribution of the B&H Armed Forces to NATO, General Leakey was even more specific,

> Every country that wants to join NATO must have values that will contribute to the organization instead of joining just as a fellow passenger. This does not apply to NATO alone but to another international organization, whether it is a coalition specifically formed for an operation, or an EU, NATO, OSCE or UN-led operation. Anyhow, whether it is an operation or organization, you do not want to be part of it if it takes passengers along. This is a military point of view because if you take passengers it means placing the lives of your soldiers in jeopardy (See Interview with EUFOR Commander David Leakey of 23 Sep 2005, Camp Butmir, p. 7).

When analyzing the process of building the B&H Armed Forces, it is important to respect all the positive changes that took place in terms of developing new laws and bylaws and organizational changes that a single armed force requires. However, the most complex phase in this process will begin when the subtle and emotional identity of the three armies become the foundation upon which to build single military identity which will identify with the country to which it belongs. It is an inherently complicated and complex phase which entails a number of problems that the military organization alone will not be able to solve only with its own mechanisms.

Relationships and awareness at the B&H political scene and in neighboring countries will strongly affect the dynamics and quality of this phase. On the other hand, building the sound and strong spirit of professionalism and belonging to successful team within the B&H Armed Forces, in which the success of one depends on the work and success of those around them, will contribute to building the identity of the B&H Armed Forces and cultivating the feeling of membership." The final goal of transition in the field of defense reform in B&H is to implement changes that will make the country more safe and stable, create a better environment for everyday life of citizens, and make the country capable of becoming an active member of the international community, i.e. PfP and NATO. It is important to note that the essence of transition is to improve the situation in B&H - not because it will enable the country to join different Euro Atlantic bodies but in order to improve the quality of life and economy in B&H. In other words, defense reform is not geared towards meeting requirements of people sitting in Brussels (NATO) but people in B&H – members of the B&H Armed Forces and all of the citizens of B&H.

In this context, defense reform should be understood as a means to create a long-term stability and security in B&H and an overall social climate indicative of a country more prosperous than the current B&H. The complexity of the total transition in B&H is reflected in the interconnection among various transition processes. The change of mentality, however, is something that will have to precede practical political, security and other changes. Corruption and organized crime will have to be tackled by all social structures, rather than law enforcement agencies, customs, inspection organizations and judiciary alone. The success of the fight against corruption and organized crime will largely affect the success of many reforms that are currently underway.

The obvious conclusion is that the organization, functioning and equipping of the AFB&H and international missions depend primarily on the integrated political support (by ethnic politics), and secondarily on the approach of international factors (military and political) to AFB&H. The lack of the necessary political will, primarily among ethnicities, may cause interethnic conflicts that could destabilize B&H and produce paramilitary and other structures dangerous for the overall security in B&H.

Activities of B&H Armed Forces

In accordance with the 2005 Law on Defense B&H AF conducts combat education and training activities, aimed to provide readiness for all tasks that B&H AF are supposed to do. In terms of peacekeeping operations Bosnia and Herzegovina significantly contributed to a number of different UN and NATO led operations, which is presented at the following chart (Figure 2.).

Figure 2. Contribution of BiH AF to Peacekeeping operations

Type Of Oper	Name	State	Period		Per-sons	Rota-tions	Total Num-ber	Length of Rotation	Mission	Mission Status
UN mission	UNMEE	Ethiopia and Eritrea	2001	2008	9	7	61	1 year	Military observer	Completed
UN mission	MO-NUSCO	DR Congo	2002		5	13	65	1 year	Military observer	Active
UN mission	MINUS-MA	Rep. Mali	2014		2	1	2	1 year	Staff duties	Active
PCO	IRAQI FREE-DOM	Iraq	2005	2008	36	8	288	6 months	EOD unit	Completed
			2008	2008	49	1	49	6 months	Protection unit	Completed
PCO	ISAF	Afghan-istan	2009	2012	2	6	12	6 months	Staff duties	Completed
			2009	2014	8	11	88	6 months	Staff duties	Completed
			2010	2014	45	8	360	6 months	Protection units	Completed
			2012	2013	6 i 2	2	8	6 months	MP in-structors	Completed
			2013	2013	26	1	26	1 year	MP unit	Completed
PSO	RSM	Afghan-istan	2015		45	2	90	6 months	Protection unit	Active
			2015		8	3	24	6 months	Staff duties	Active
			2015		2	2	4	6 months	Staff duties	Active

In terms of assistance to civilian institutions in case of natural and other emergencies, BiH Armed Forces proved many times its willingness to be in service to the society especially in times of floods and wild forest fires. Armed Forces contributed to the infrastructural projects, medical evacuation and in number civil-military cooperation projects. Demining actions across the whole Bosnia and Herzegovina have been crucially important contribution to the recovery of the state and society – just from 2002 and 2014, Armed Forces executed demining of 22.455.117 square meters of contaminated areas, destroying 4786 different mines (antipersonnel and antitank) and 6395 unexploded devices of different kinds and types.

Bosnia and Herzegovina and NATO

Bosnia and Herzegovina has a diversified relationship with the Alliance as does any other state. The first combat NATO operation in its history was conducted in Bosnia and Herzegovina, enforcing UN Resolution of No Fly Zone above B&H, in 1994, and then the conducting air strikes in August and September 1995. The first NATO peacekeeping mission was Implementation Force (IFOR) in Bosnia and Herzegovina, at the end of 1995, which was replaced by NATO Stabilization Force (SFOR) mission at the end of 1996, lasting until 2004, when European Forces (EUFOR) took over the mission from NATO. At that time, NATO HQ in Sarajevo was tasked to follow the implementation of the Defense Reform in B&H.

Bosnia and Herzegovina was invited to join Partnership for Peace (PfP) Program, at the NATO summit in Riga, November 2006. Then, afterwards, B&H progressed quickly through the PfP, providing the major necessary steps:

- January 2007 – Presentation Documwent,
- From 2007 – PARP (Planning, Analysing and Review Process),
- From 2007 – IPP (Individual Partnership Program),
- From 2008 – IPAP (Individual Partnership Action Plan),
- From 2008 – ID (Intensofied Dialog),
- 2010 – Bosnia and Herzegovina was invited to join the Membership Action Plan (MAP), pending the resolution of a key issue concerning immovable defense property – its registration as the property of the state of B&H.

Concluding Remarks

Armed Forces of Bosnia and Herzegovina are seen as one of the best and most effective institution of Bosnia and Herzegovina. The Defense Reform, by which the Armed Forces have been created, is considered to be the most successful reform in BiH in the aftermath of Dayton Peace Talks. This reform could be a good example for other reforms aimed to achieve the reconstruction of post-war society and provide the progress of the whole country – within the state borders and in terms of state integration into the international infrastructure and relations. Bosnia and Herzegovina's Armed Forces are an important part of the state identity and prosperity today, both within and outside the country, and will likely have the same role in the times to come.

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PART VIII

FOREIGN POLICY OF BOSNIA AND HERZEGOVINA

FOREIGN POLICY OF BOSNIA AND HERZEGOVINA: KEY PRINCIPLES, CHALLENGES AND ACHIEVEMENTS

Emir HADŽIKADUNIĆ
Ambassador of B&H in Malaysia

Before signing of the Dayton Peace Agreement three prominent foreign ministers served Bosnia and Herzegovina. Dr. Haris Silajdžić served as Minister of Foreign Affairs from 1991 to 1993. Later, he became Prime Minister of the Republic of Bosnia and Herzegovina. In the post Dayton time, he also served as the Chairmen of the Council of Ministers of B&H. In the 2006 elections, Dr. Silajdžić was elected as the Bosniak member of the Presidency of Bosnia and Herzegovina for four years in the rotating presidency system. As foreign minister, Dr. Silajdžić acted regionally and internationally and traveled across the world in a bid to gain the support and international recognition. He made many heartfelt pleas for stopping the aggression on his country that was internationally recognized and repeated calls for the lifting of the arms embargo against the Bosnia and Herzegovina. As top diplomat, he also documented on atrocities committed by Serb forces in Bosnia and Herzegovina and assisted Bosnian President Alija Izetbegovic in seeking peace with international mediators. Then, Dr. Irfan Ljubljankić served his country bravely and patriotically as the second Minister of Foreign Affairs of the Republic of Bosnia and Herzegovina from 1993 to 1995. Dr. Ljubljankić was elected to the Bosnian parliament and became one of the prominent members of the Party of Democratic Action. He temporarily left politics in 1992 after the beginning of the aggression on Bosnia and Herzegovina to serve as the medical doctor in the hospital in Bihać. As foreign minister, Dr. Ljubrankić traveled widely to help gain international support for his war-torn country. He made repeated calls to protect the safe zones from indiscriminate attacks. Shortly before his death, he represented Bosnia and Herzegovina at the 50th anniversary celebration of the end of World War II in London on May 1, 1995. Foreign Minister Ljubljankić was killed on May 28, 1995 when his helicopter was shot down by a missile over Cetingrad, Croatia, a town near the Bosnian border which was being held by Krajina Serbs rebels at that time. Finally, Muhamed Sacirbey served as Minister of Foreign Affairs in 1995. Earlier, he became Bosnia's first ambassador to the United Nations. He began his ambassadorship on May 22, 1992, the day that Bosnia and Herzegovina was admitted to the UN. During the war, he also made many impassionate pleas for the lifting of the arms embargo against the B&H and repeated calls for the UN to protect the safe zones from indiscriminate attacks. Sacirbey had long sought greater American involvement in his beleaguered nation and was glad the hour had finally come. Sacirbey was also instrumental in seeking the International Criminal Tribunal for the former Yugoslavia (ICTY). In November 1995, he accompanied the Bosnian delegation to the peace negotiations in Dayton, Ohio.

Jadranko Prlić became the first Bosnian Foreign Minister in the post Dayton time in 1996. Before that he served as Deputy Prime Minister of Federation of Bosnia and Herzegovina and as Defense Minister after Washington Peace Agreement was signed between Bosniak and Croats in 1994. During his time as foreign minister, Bosnian foreign ministry was expected to integrate three constituencies in Bosnia and Herzegovina in accordance with the new Constitution, Annex IV of Dayton Peace Agreement. Prlic's name was also associated with war crimes. International Criminal Tribunal for the former Yugoslavia found him guilty for participation in a joint criminal enterprise. On 29 May 2013, Prlić was sentenced to 25 years in prison.

Responsibility for the foreign policy affairs in Bosnia and Herzegovina in the post Dayton time was regulated by the Constitution of B&H, Annex IV of Dayton Peace Agreement. According to the Article V of the Constitution of B&H, it is the collective organ of Presidency of B&H that has the key authority over foreign policy matters. In this respect, Presidency of B&H is responsible for "conducting the foreign policy of Bosnia and Herzegovina, appointing ambassadors and other international representatives of B&H, representing B&H in international and European organizations and institutions and seeking membership in such organizations and institutions of which B&H is not a member." As an example, we can mention an institutional involvement of Presidency of B&H in the European integration process related to acquiring full membership in the European Union or Euro-Atlantic integration related to acquiring full membership in NATO. Presidency of B&H is also responsible for "negotiating, denouncing, and, with the consent of the Parliamentary Assembly, ratifying treaties of Bosnia and Herzegovina." As specified, according to Article V, Presidency of B&H also defines strategic foreign policy guidelines and decides about key foreign policy matters. In other words, if there is no decision by the Presidency of B&H, or if there is no consensus of all three members of the Presidency of B&H over certain issue / debate / discussion in the UN General Assembly, then there cannot be foreign policy position and Ambassador of B&H in UN will not participate / will abstain from voting. Likewise, as there is no agreement over formal recognition of Kosovo among three collective members of the Presidency of B&H, Bosnia and Herzegovina did not officially recognize Kosovo .

The Ministry of Foreign Affairs of B&H has secondary authority. It is responsible for execution of all foreign policy activities as defined by the Presidency of B&H. In practice, the Ministry of Foreign Affairs is responsible for the representation of B&H in diplomatic relations with other countries and international organizations, at international conferences and in direct communication with diplomatic agencies and offices of international organizations. The Ministry is also monitoring relations of B&H with other countries, international organizations and other entities of international law and international relations. Embassies of Bosnia and Herzegovina in other countries and / or international organizations regularly analyze and report to the Ministry on all institutional activities / changes / in their host countries. The Ministry of Foreign Affairs of B&H also submits proposals to the Presidency of B&H on establishment or suspension of diplomatic or consular relations with other countries.

The Ministry of Foreign Affairs of B&H is part of the Council of Ministries of B&H as one of nine state ministries. The Council of Ministers is a body of executive authority of Bosnia and Herzegovina, exercising its rights and carrying out its duties as governmental functions, according to the Constitution of B&H, laws and other regulations of Bosnia and Herzegovina. The Ministry of Foreign Affairs of B&H attends all governmental meetings and participates in ministerial discussion and decision-making process. It is also reporting on foreign policy activities and results to the Parliament of B&H, Presidency of B&H and Council of Ministers of B&H.

The promotion and representation of foreign policy interests of Bosnia and Herzegovina have been based on the provisions of the Constitution of B&H. It is also based on legislation, decisions and viewpoints of Presidency of B&H, Parliament of B&H, Council of Ministers of B&H and Ministry of Foreign Affairs of B&H. At the same time, relevant authorities in Bosnia and Herzegovina did not adopt effective strategic documents about its foreign policy. In this regard, there have been some discussions and debates in recent years. One of the key documents still available is called: *General directions and priorities for implementation of foreign policy of Bosnia and Herzegovina*. This document has been adopted by the Presidency of Bosnia and Herzegovina on March 26, 2003. This document regulates the basic principles, priorities and directions of the foreign policy. Therefore, foreign policy of B&H aims at promoting and preserving the lasting peace, security, stable democracy and prosperity of the country. In this regard, it promotes European integration process and accession of B&H into contemporary European, political, economic and security structures. Some other strategic documents regulate these foreign policy goals and objectives as well. One of these may be the Strategy for B&H integration in the EU adopted by the Council of Ministers of B&H.

Well aware of strategic objectives of promoting and preserving lasting peace, security, democracy and prosperity, B&H Presidency defined the principles, directions and priorities of foreign policy of Bosnia and Herzegovina. These principles, directions and priorities are referring to *General directions and priorities for implementation of foreign policy of Bosnia and Herzegovina.* For the purpose of promoting its strategic interests, B&H will conduct transparent foreign policy, in line with the following priorities:

1. Preservation and protection of independence, sovereignty and territorial integrity of Bosnia and Herzegovina within its internationally recognized borders;
2. Full and consistent implementation of the General Peace Agreement (GPA);
3. B&H inclusion into European integration processes;
4. Participation of Bosnia and Herzegovina in multilateral activities, in particular, as part of the system of the United Nations (UN), the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE), the Organization of Islamic Conference (OIC),
5. Promotion of Bosnia and Herzegovina as a partner in international economic relations and promotion of the activities aiming at the admission of Bosnia and Herzegovina into the World Trade Organization (WTO).

Principles of foreign policy of Bosnia and Herzegovina have been defined by the B&H Presidency as mentioned in the key document on foreign policy. On the grounds of the principles contained in the UN Charter, Helsinki Final Act and other documents of the Organization for Security and Co-operation in Europe (OSCE), as well as on the generally accepted principles of international law, B&H, a sovereign and internationally recognized country, will act within international, in other words, within bilateral, regional and global frameworks, and will govern the agreed relations as well as the relations of different nature with all the countries and international organizations.

In its relations with international partners, in accordance with its strategic guidelines, foreign policy of B&H has been based on the principles of openness and equal rights, on mutual respect for sovereignty and territorial integrity, as well as on the principle of peaceful co-operation, with respect of mutual interests. At the same time, while conducting the foreign policy activities, B&H will act in accordance with the obligations arising from the concluded and accepted agreements and other international instruments and membership in international organizations and associations. B&H underlines its commitment to peaceful settling interstate misunderstandings, with respect paid to the principles, which represent an integral part of international law. In addition, while seeking solutions for all open issues, B&H supports constructive dialogue. Pursuant to UN resolutions, Bosnia and Herzegovina has decided to continue fighting against terrorism and organized crime within the framework of UN Counter-Terrorism Committee and through strengthening global cooperation in this field.

As for key foreign policy achievements in last 10-15 years, B&H was accepted as a member of the Council of Europe (CoE) in April 2002. It was the first major achievement in terms of B&H desire to be part of European integration. Few years earlier, it successfully organized the high level summit of the Stability Pact for South Eastern Europe in Sarajevo in 1999. Sarajevo hosted many global leaders at the Summit including US President Bill Clinton.

As for the integration to NATO, B&H joined the Partnership for Peace (PfP) program in 2006. In February 2008, B&H became a member of the Regional Cooperation Council (RCC). The RCC is projected to maintain regional cooperation in South East Europe (SEE) through a regionally led structure that also supports European and Euro-Atlantic integration.

B&H signed the Stabilization and Association Agreement (SAA) with the European Union in June 2008. It has been the result of an almost ten years long European integration process during which various EU conditionality lists have been submitted to B&H authorities. The SAA has been ratified in 2015 after a delayed ratification process due to internal political challenges and additional EU conditionality. Agreement on constitutional amendments to implement the European Court of Human Rights ruling in the Sejdic-Finci case remains a priority before B&H can progress membership negotiations. By ratifying SAA, B&H became an associate member and potential candidate country. It has not yet formally applied for EU membership yet.

It is important to highlight that B&H also served as the member of the Security Council of the United Nations in the mandate 2010-2012. B&H was presiding with the Security Council in 2011, which was the largest foreign policy challenge of the state. As marked by other countries and statesmen, it was successfully completed. B&H also presided over Council of Europe in 2015 that has 47 member countries. That was yet another remarkable challenge of Bosnian foreign policy that was conducted successfully.

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PART IX

NON-GOVERNMENTAL ORGANIZATIONS IN BOSNIA AND HERZEGOVINA

NON-GOVERNMENTAL ORGANIZATIONS IN BOSNIA AND HERZEGOVINA

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This chapter provides a brief overview on the non-governmental sector in Bosnia and Herzegovina (B&H), starting with the presence of the civil society. Then, it is meaningful to incorporate definitions and a brief reflection on legal frames for the NGO sector. The historical preview of the civil sector in B&H will also include some of the main issues that B&H is facing regarding the NGO sector. The aim is to bring some of the old as well as new concerns to the forefront and to provide comprehensive information with a platform for further research related to the NGO sector in B&H.

According to the available data from all the public registers of associations and foundations there are over 12,000 registered NGOs in B&H (see Sejfija, I. *NVO Sektor u BiH – Tranzicijski Izazovi*). It is difficult to know the exact number since the law does not require strict liquidations. Due to this reason, many organizations decide to quite their work without reporting it. Another issue regarding their registration is that they can be registered on Cantonal and Federal level in the Federation of Bosnia and Herzegovina (FB&H) and on the entity level in the Republic of Srpska (RS) without a centralized database on the state level. Since the war from 1992-1995, the civil society in B&H has developed under foreign donors and the influence of international support policies. Therefore, a large number of local NGOs were founded as a result of the donors' need to have a local partner in implementing their current project. This provided an obstacle to a healthy development of the B&H civil society. This is mainly because local NGOs were not aware of the real missions of the civil society. They were unsuccessful in forming solid relations with the citizens because most of their projects were donor-driven instead of being a reflection of the people's needs.

The Yearbook of International Organizations defines NGOs as “organizations which have not been founded, and are not formally controlled, by national governments.” Under the following titles we will provide further definitions of NGOs. Furthermore, the focus will be on the current state and the variety of missions, areas of action and activities of NGOs in BiH. This chapter will conclude with challenges and prospects B&H NGO sector is has been facing with. It will discuss some of the issues like the ineffective system of registration of associations and foundations at the state level, the lack of transparency in the allocation of funds to civil society organizations from the state budget, as well as the failure to establish institutional mechanisms to support and cooperate with NGOs within the state.

Defining Civil Society and NGOs

The core roots of civil society as a term can be traced back to Aristotle’s *politike koinonia* – political society/community. This interpretation defined the term polis. According to Aristotle, the polis is an organized society, a space in which, based on freedom principles, good can be achieved by those who share the common space as equals. That also means a community of free and equal citizens under a legally defined system of rule. Thomas Hobbes in his theory on *the social contract* conceptualizes a community whose existence and coherence based on absolute sovereignty guarantees an authority. In his points of view, the civil society is lost in a state without the possibility to profile itself as a separate social entity.

John Locke, for the first time in the history of political thought in his *The True Original, Extend and End of Civil Government*, writes about the idea of the existence of the civilian as one of the state separate and independent self-generating sphere, able to sublimate interests and enables the transmission of individual or collective will of the citizens. Lock’s civil society exists in a non-state space and its function is to protect human freedom from interventions of the powerful state (See Summers, 1998, pp. 497 – 498).

For Montesquieu, civil society networks should be protected by the law of the state of independent entities and have an important role in its division and limitation of power. He considers that monarchist government must be limited, above all, the rule of law, and then by controlling the countervailing powers. This counter-sublimated civil society whose existence is necessary in order to ensure freedom. Therefore, these institutions should occur at all levels from local to the national (Summers, 1998, p. 498).

Contemporary theorists like Popper, Habermas, Taylor and Keane, agree that civil society includes a fluid space of civic activism that takes place between the family and the state. In the civil society, citizens appear to be the most important actors, especially when setting up citizens' associations and network organizations, civic institutions, social movements or participating in other civic activities. The actual description of the civil society is based on the isolation of these spheres of the state, market and community, and warns that the line of demarcation between them is still difficult to establish (Reese-Schaefer, 2004, p. 69).

As in the case of the definition of civil society, there is no theoretical consensus on the definition of NGOs. In various literature, we find definitions that are based on the different characteristics and purposes of the association, as well as those that are designed according to the requirements of the administration and legal practices. B&H legislation recognizes two forms of non-governmental organizations, associations and foundations. It defines associations as any form of voluntary association connecting many individuals and legal entities from improving and achieving some common or general interests or goals. All of this in accordance with the *Law on People's Associations and Foundations*. The widespread use of the structural definition by Salomon and Anheier identifies non-governmental organization by the presence of the following five characteristics: a certain degree of organization, privacy, non-profit distribution of goods, self-governing and voluntariness (See Salamon, et. al., 1992. pp. 125-151).

The definition of NGOs mentioned in the introduction, defined by the *Yearbook of International Organizations*, added the second characteristic for NGOs and it is the search "by private means private objectives that are likely to have domestic or transnational public effects" (see Reinalda and Verbeek). Clarke defines NGOs as "private, non-profit, professional organizations with a distinctive legal character, concerned with public welfare goals" (see Clarke, pp. 36 – 52). Suter defines them as "any organization outside the government, such as the public service and the defense forces, and business" (Suter, 2003). When it comes to types of NGOs, in the United States, Michael O'Neill divides NGOs into nine types, identified by organization's orientation. Those are: religion, private education and research, arts and culture, healthcare, advocacy and legal services, social sciences, foundations and corporate funders, international assistance and mutual benefit organizations (see: O'Neill, 1989).

Even though civil organizations existed throughout human history, NGOs in today's perspective had mainly developed during the last two decades. The term *Non-Governmental Organization* was first used when the United Nations was founded in 1945. It entered the use by the very foundation of the United Nations, under the provisions of Article 71, Chapter 10 of the Charter of the United Nations, regarding the advisory role of organizations that are neither governments nor member states. Furthermore, the UNHCR and the UNESCO set several criteria for defining NGOs. Those are: to be for nonprofit, noncommercial, nongovernmental, legally registered, and to agree with universal humanitarian values and practices.

The following common points can be drawn from the scholarly literature about NGOs:

- Non-governmental funding or support;
- Opeare according to defined goals and objectives;
- Consider local level to deliver aid, education and information to the addressees they are providing the information to policy makers, funding agencies and even state organizations;
- They are independent, especially from the government and other state bodies and from political parties as well as trade associations;
- They are for non-profit, even though there are clear cases that many NGOs do make profit;
- They are formed on voluntary bases.

A Brief Historical Preview of NGOs in B&H

It is difficult to determine when the term civil society was introduced in B&H in its scientific or political sphere. According to some authors, (Sejfija, Vol X, No. 21-22) it was in the 19th century that there were certain civic organizations that were involved in the development of literacy of its members, awakening and expanding of national consciousness, as well as cultural and other social development. Some of the main organizations were *Caritas* (1931), *Merhamet* (1913), *La Benevolencija* (1892), and *Prosvjeta* (1902) that have established schools, small businesses and other endowments, however, they generally cultivated ethnic containment.

The Yugoslav socialist period and the period after the World War II was marked by the constitutional guarantee of freedom of association and freedom of assembly and other public gatherings. The constitution included detailed legal regulations of association in political, social organizations and citizens' associations (see Official Gazette SFRJ, Number 42/90). Overall, this was a period in which civil society organizations were quite active. The dominant type of organizations were trade unions, sports associations, youth and other gatherings, but national humanitarian organizations also re-opened like *Caritas*, *Merhamet*, *Dobrotvor* and *La Benevolencija*. Furthermore, volunteering was widespread because the higher standards of living allowed the citizens to get involved in volunteer activities. However, any individual action and participation in private and autonomous groups was greatly limited, because it was thought that this type of organization was suspicious and contrary to the dominant ideological framework.

NGOs functioning from 1992 to 1995 was marked by a large number of registered organizations centered mainly in big cities. Still, it is important to note that those organizations were not initiated by local initiators; instead they were part of projects and donations of international organizations. The initial stages of their actions carried mainly or even solely humanitarian characteristics. That is how they became an important aspect of surpassing the difficult situation that B&H was in during and right after the last war. It is important to note that in B&H the main characteristic of non-governmental organizations were defined directly by international organizations and donors who helped finance their creation. Donors' interests and financial assistance provided were critical to shaping the form and operation of NGOs in B&H. Thus, despite the large number of non-governmental organizations the needs of citizens and various groups were very often not fulfilled because their primary concern was to meet the needs and requirements of the donors.

Current Issues of the NGOs in B&H

B&H has been experiencing many transitional changes overwhelmed by legacies and consequences from countering war, and the destruction of state and social structures. Unlike its neighboring states, B&H is still in a very complex transitional reality facing many issues as a non-functional political system that is based on ethno-national principles, a crisis on all levels of governing, a lack of a critical mass, corruption, the obsolescence of legislation, a complex and expensive state administrative organization and many more that would make this list longer.

Early forms of actual civic activism in B&H started to develop during the late 1980s, when economic and political crisis throughout Yugoslavia created the space for greater political participation. In this setting, and strongly influenced by well-advanced forms of public dissent in neighboring Croatia, students in Sarajevo started to demonstrate for greater freedom of expression and the right to criticize political establishments. A number of committees were established in the industrial towns of Zenica and Tuzla that promoted human rights and environmental issues, by challenging the regime and raising awareness of democracy and liberalism. Those early movements only appealed to the educated elite in Sarajevo and had no significant impact on the wider society in B&H. When Yugoslavia fell apart, this rather weak civil society was unable to compete with the aggressive nationalist movements that affected peoples' minds and hearts and led the republic into four-years-long war in 1992 (Sterland, 2006).

During the war, B&H experienced an explosion of the civil society sector when numerous international NGOs started to operate within the country. Between 1992 and 2001, a total of 8,000 NGOs officially registered as *humanitarian organizations*, including local branches of international NGOs, subsidiaries of foreign NGOs as well as local organizations (Sejfia, 2007, pp. 125-140). Today, out of over 12,000 registered NGOs only 500 to 1,500 are estimated to be active. Moreover, out of these a significantly smaller number can be described as professional NGOs (http://www.tacso.org/doc/nar_ba2014april.pdf).

Based on the recent TASCO B&H report from 2014 only twelve percent of all NGOs in B&H are registered at the state level, yet, their activities are well distributed across the whole country with around 51.1 percent operating from smaller towns. 15.9 percent work in Sarajevo and 25 percent in other cities like Tuzla, Mostar and Banja Luka. Still, 7.7 percent work and operate in rural areas, which are rather a low number (see TACSO B&H, 2014). Furthermore, when it gets to networks memberships some 52 percent of all NGOs are members of local networks and some 27 percent operate in international networks (see TACSO B&H, 2014).

Several issues are present in B&H regarding the NGO sector. Some of them are ineffective system of registration of associations and foundations at the state level, the lack of transparency in the allocation of funds to civil society organizations from the state budget, as well as the failure to establish institutional mechanisms to support and cooperate with NGOs within the state. Cooperation and coordination within the NGO sector is limited. The UN volunteers study on the civil society in B&H found that many NGOs do not see advantage in cooperating (see *United Nations Volunteers, Bosnia and Herzegovina Seeking the Way Forward*, 2011). As a result, overlapping and duplication of project initiatives are not an exception. Still, we cannot neglect some positive examples of using local and international networks that contribute to transparency and cooperation among the NGO sector in B&H (For a detailed list of networks please visit the TASCO 2012 Report, p. 27).

When it come to the allocation of NGO sector, most public funds were allocated to sports associations (40.76 percent) and associations of war veterans (14.96 percent), followed by associations dealing with social protection issues (9.37 percent) and cultural and art associations (8.92 percent). The least funds were given to associations on human rights (0.20 percent) and protection of the environment (0.28 percent) (Kronauer Consulting, 2008).

Regarding the project-based funding it is often tied to the interests and priorities of the donors, which causes problems due to projects that do not respond to local realities and actual needs. As Sefija writes the situation created a *"projectomania"*, that is "an uncritical attitude of NGOs whose entire program of activities revolves around project funding, and whose priority is to develop projects that focus on compliance with the sponsor's criteria, often without considering the practical relevance and viability" (see Sejfia, 2007). This causes great difficulties in finding donors for wanted and needed activities. Furthermore, organizations in rural areas or projects related to the development of rural areas are not preferred. Moreover, foreign donors tend to concentrate on funding in urban areas and smaller towns. The 2014 TASCO report shows that the main orientation of many NGOs is almost entirely dependent on the desires and interests of the donors. The lack of transparency in the allocation of funds does not allow the government or the public to judge if NGOs are implementing their work correctly. This on the other side causes the wider public to be suspicions and mistrusting towards the whole NGO sector in B&H.

Conclusion and Recommendations

Future development and improvements need to be made on several occasions. Regarding the issue of cooperation, or rather the lack of it, suggestions would be that NGOs need to start seeing the advantages of cooperating and put more efforts in doing so. One useful way to make cooperation more efficient would be through various networks, where different experience can be shared. Moreover, calls for action in fields of interest in aiming to attract organizations with similar goals to cooperate. In addition, by reporting on actions through networks it would contribute to more transparency and building trust among NGOs. Then, the issue of overlapping and duplication of project initiatives could be reduced to a minimum.

Another issue is the interests and priorities of donors that need to be aligned with the current situation in the country. Sponsor's criteria needs to consider practical relevance of the projects implemented. Donors need to include their own experts in the relevant field who would test the real situation on the ground to connect the donors with actual and real needed activities. The third issue that needs to change is how projects are allocated. There is a growing trend to include rural areas as aspects of criteria in projects as well. However, as previously indicated, it is not enough and main focus is on funding in urban areas and smaller towns. Therefore, the focus needs to increase to more areas that are rural. Moreover, a connection between urban and rural development should be emphasized. The final suggestion for the NGO sector in B&H would be to increase the transparency in the allocation of funds. This would have multiple effects; it would foremost increase trust between NGOs and encourage cooperation; it would cause the wider public to be less suspicious and mistrusting towards the NGO sector; and finally it would open up more space for improvements. Still, the government needs to be aware of this in emphasizing more transparency in the funds allocation.

To conclude, there are still some positive examples and exceptions of NGOs that established clear and defined lines of work that do divert from their strategic orientation in meeting the preferences of foreign donors. They have managed to hold strategic positions in the society and are acknowledged by government institutions as valuable partners in developing policies and strategic documents. B&H is still in the transitional process where the NGO sector needs some time to transfer from a purely humanitarian to a more civic activism. Several positive examples do show that this sector does grow into a more serious and influential direction where the still skeptical public would have the freedom to express themselves and freely contribute to its critical development.

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PART X

MEDIA IN BOSNIA AND HERZEGOVINA

INTERNATIONAL MEDIA PERCEPTIONS OF BOSNIA AND HERZEGOVINA

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This chapter aims to provide an informative overview of the possible influence of media toward perceptions of Bosnia and Herzegovina in global community. The framework for this analysis is built upon two underlying assumptions. The first assumption is that media has an influence on how their consumers construct social reality (Shrum, et. al, 2005, p. 473). The second assumption is that there is no hostile media perception. An empirical study provided a proof of the tendency for partisans to perceive media coverage of controversial events as biased, unfair and hostile to the position they advocate (Vallone et. al., 1985, p. 584) Murphy and Zweiri (2011, p. 136) further proved that individuals with pre-existing loyalties are likely to concentrate on hostile aspects of media coverage, as well as Christen (2002, p. 423), who proved that both partisan groups perceived neutral news coverage as hostile to their positions.

This empirical research is considered significant, since strong globalization theories claim that the process of globalization has new social dynamics, which underlines importance of media and communication in contemporary social reality (Sparks, 2007, p. 132). The research is limited in the sense that actual analysis of social, economic and political situation in the country is out of its' scope. Therefore, comparison between actual situation and media interpretation is not possible as well. Research will concentrate on the issue of image of Bosnia and Herzegovina in international media or in other words: in which way international media portray Bosnia and Herzegovina?

Methodology and Sample

The research is performed using the effects model of communication research, which is sometimes known as the hypodermic approach or the stimulus-response approach. This model concentrates on 'the direct influence that the mass media have on the audience *en masse*,' (Howitt, 1982, p. 7).

Survey will be performed through empirical analysis of occurrence of various types of news and media reports. News or reports will be classified into following groups: political progress, investment opportunities, local business, tourism potentials and natural beauties, sport, culture and education (all considered as positive images), political conflicts, unemployment, emigration and terrorism (considered as negative images), other positive news and other negative news. By manipulation of mentioned raw data total number of positive news and negative news will be available.

Data were obtained from official websites of international media encompassing 6 news agencies, 16 newspapers and 5 TV houses, altogether 27 various media from 26 countries. The countries are chosen from all over the world: 7 countries from Europe (counting Russia which is strictly speaking Euro-Asian country), 6 from Africa, 4 from Americas (two from North America, two from South America), 8 from Asia out of which 4 are from South East Asia to compensate the fact that there is just one country from Australian continent. Strictly speaking sample is not random due to two criteria used in selecting media. A first criterion was to avoid hostile media perception and for that reason, Serbia and Croatia are omitted from survey. They are probably better suitable for case studies, which would also test the level of hostile media perception. The second criterion was to include media giants like BBC, CNN, Aljazeera, France Press and Reuters in survey. However, even with such controlled sampling the sample can be considered representative.

Timeframe of publication of surveyed news and reports is from 01.01.2014 till 31.06.2015 divided into three half a year periods, indicated as 2014-1, 2014-2, and 2015-1. There was no control group to compare with regards to other media or in regard to media perception of other country. All comparative remarks in this study will compare studied media between themselves in regard of reporting about Bosnia and Herzegovina. List of the media analyzed in this study is provided in Table 1.

Media	**Country**	**Media type**
The Australian	Australia	Newspaper
News24	South Africa	Newspaper
New Straits Times	Malaysia	Newspaper
Jakarta Post	Indonesia	Newspaper
The New Paper	Singapore	Newspaper
The Daily Tribune	Philippines	Newspaper
Abendzeitung	Germany	Newspaper
Agence France Presse	France	News agency
Аргументи и Факти	Russia	Newspaper
BBC - The British Broadcasting Corporation	UK	TV house
Telegraf	Belarus	Newspaper
BTA - Bulgarian News Agency	Bulgaria	News agency
News Ring	Romania	Newspaper
CNN- Cable News Network	USA	TV house
Aljazeera	Qatar	TV house
CTV News	Canada	TV house
The Rio Times	Brazil	Newspaper
Reuters	UK	News agency
Associated Press of Pakistan	Pakistan	News agency
New Delhi Television	India	TV house
Mercopress	Argentina	Newspaper
IRNA - Islamic Republic News Agency	Iran	News agency
The Moroccan Times	Morocco	Newspaper
Ahram online	Egypt	Newspaper
ANGOP Angola Press	Angola	News agency
Vanguard	Nigeria	Newspaper
Daily Monitor	Uganda	Newspaper

Table1: List of media included in survey

Findings and Discussion

Before proceeding to overall remarks and descriptive statistics of the sample it would be useful to point out some interesting details about each of media encompassed by this study. There were no specific criteria for ordering media, therefore they are ordered mostly chronologically regarding time they were surveyed leaving less significant to be mentioned at the end.

The research started with Australian paper which presented not so many news or reports about Bosnia and Herzegovina, not surprisingly considering geographical distance between two countries. For the first half of 2014 two most important topics were Soccer World cup in June and enormous floods that hit Balkan region in May of that year. For second half of 2014 and first half of 2015 top issue was terrorism with a couple of news related to Australians of Bosnian origin investigated because of suspected involvement in international terror networks. Visit of Pope Francis to Sarajevo was followed by just one report entitled "Pope in Sarajevo hits "atmosphere of war"." Even the report was discussing efforts of reconciliation like it was the case by other media the title is rather bombastic and produces negative image.

Dominant news in South African News24 about Bosnia and Herzegovina was related to sports, Soccer World Cup was well covered. English Premier League is drawing a lot of attention, therefore news about Bosnian players playing in EPL were covered as well. This media was covering important events generally well. They did not miss to cover conference 'End Sexual Violence in Conflict' in London in June 2014 attended by UNHCR envoy Angelina Jolie and her dedication of the whole summit to a rape survivor from Bosnia. Interesting, at the official page of the summit there was no record of this dedication. This media is the only one besides Egyptian Ahram that reported an interesting story about Muslim carvers from Zavidovici under title "Muslim Family carves chair for Pope Francis", in March 2015. South African News24 could be regarded as media showing nice portrait of Bosnia and Herzegovina, and it seems that such trend will continue since there was an introduction in August 2015 of September Sarajevo half marathon as a way of promoting touristic potential of Bosnia, which is out of timeframe for this survey, but somehow it was important to mention it due to deficit of news about touristic potentials in other media.

New Strait Times Malaysia was the only media together with Al Jazeera Qatar and Indonesian Jakarta Post to report that Bosnia grant first ever compensation to wartime rape victim. Relatively high number of terrorism-connected news about Bosnia in this media could be explained with Malaysian concerns about terrorism and intention of raising public awareness among own citizens.

The Jakarta Post from Indonesia brought to attention Angelina Jolie's dedication of the whole summit to a rape victim from Bosnia (source Associated Press, London) like the News24 from South Africa. However, Jakarta Post also reported about conference in Sarajevo in March 24th on the same issue and with same participants among others UNHCR Special Envoy Angelina Jolie, and British Foreign Secretary William Hague. They praised Bosnia's decision to include prevention of sexual violence in military training, saying it is "groundbreaking" and should become standard for any armed forces serving in U.N. peacekeeping missions. Such positive image of Bosnia and Herzegovina is presented in another report by this newspaper where they informed their public that a multimedia-based peace-building project that promotes reconciliation and enhances inter-ethnic cooperation among Bosnian citizens has won the Intercultural Innovation award in August 2014. Project is named The Ordinary Heroes, established by the Post-Conflict Research Center of Bosnia-Herzegovina, and the award is received from the United Nations Alliance of Civilizations (UNAOC) during the 6th UNAOC Global Forum in Nusa Dua, Bali. Even the issue of terrorism was regularly classified as negative in other media, this Indonesian paper is an exception since they informed that one of leading figures in Bosnia's Islamic Community Enes Ljevakovic condemned ISIS (so called Islamic State of Iraq and Levant).

The Daily Tribune from Philippines brought a war story from Bosnia, which is classified as a positive one. While reporting about soap opera produced in Ruanda in order to help heal the wounds left by the genocide it is pointed that the role model is the work of radio La Benevolencija Sarajevo, during the war in Bosnia, which was in turn inspired by the success of the BBC's "New Home, New Life" radio soap opera.

The New Paper's from Singapore coverage of Bosnia and Herzegovina is confined to sport news, while the coverage of other issues is quite poor with small number of news. Abendzeitung from Munich, Germany produced rich coverage of important events and could be best considered as mainstream media. If there is something that should be mentioned it is extensive annunciation of film series of Bosnian filmmakers in Munich movie museum.

Surprisingly small number of news about Bosnia and Herzegovina was found on Associated France Press site, while on the other hand AFP is cited as a source of other media in this survey. Most probable reason is of commercial nature: selling news and providing access to those who pay for it. Important to mention about the Russian newspaper Arguments and Facts that it was the only surveyed media which reported that 7 billionth child was born in Bosnia. It is just one of the few media mentioning entities in Bosnia and talking about Russia's relationship with Republika Srpska.

Among media with rich amount of news about Bosnia and Herzegovina is BBC providing sufficient coverage however focused on politically related events and analyses, country profile, media profile etc. BBC keeps archive of published news for long period dating back to even 1996. As a consequence it is one of the rare media that would enable following its' perception of Bosnia and Herzegovina for such a long period providing an insight into possible changes of that perception throughout the time.

Telegraf from Belarus is one of the media that provides a bad image of Bosnia and Herzegovina. Irrelevant information about three cases of swine flu in the first two months of 2014 was reported without mentioning that situation was improving compared to previous years. Another example of negative portrayal is selective information about graffiti on exterior walls of Orthodox Church in Visoko town, which was in 2004 declared a national monument. However, damage was so small comparing to other cases in Bosnia and Herzegovina when religious objects of other communities were desecrated, and for that reason, the mentioned report could be judged as biased.

On the contrary, Bulgarian News Agency perceives Bosnia and Herzegovina as a serious country in a process of development. It does not provide so many reports about Bosnia and Herzegovina, but provided news is remarkable. Two most impressive examples are reporting statements of Bulgarian President Rosen Plevneliev about Bosnia and Herzegovina. First is that Bulgarian companies have grown more confident during the process of European integration and nowadays they are willing to invest in Bosnia and Herzegovina. The second is about readiness of Bulgaria to share experience in managing, planning and successfully implementing EU programs and mechanisms.

CNN proves itself as an informative media providing wide spectrum of information but also playing what could be described as constructive role of media (Sadaf 2011, p. 228). While reporting about floods that happened in the middle of year 2014 they utilized popularity of soccer player Edin Dzeko to raise awareness of seriousness of situation and need to help by making interview with him. Solution oriented approach is evident as well in extensive coverage of Pope's visit to Sarajevo in June 2015 where the issue of reconciliation is highlighted. Moreover, CNN produced a marvelous piece of promotion of natural and cultural potentials of Bosnia and Herzegovina. Among '10 romantic destinations you should know about' they included Mostar, praising its' revived Old Bridge Area (not forgetting to mention that UNESCO and World Bank funded $15 million for restoration. The old bridge itself is described as something of a symbol of reconciliation and ethnic harmony in the Balkans. Like the BBC CNN has massive archive of news dating back to 1997.

Another media with many news and positive image of Bosnia and Herzegovina is Canadian CTV. It joined Jakarta Post in coverage of Angelina Jolie efforts in preventions of sexual violence and her dedication of conference to a rape victim from Bosnia. This is the only surveyed media that reported about plans of Dubai company to build a luxury resort worth 2.3 billion euro ($2.6 billion) on a mountain near Sarajevo - a ski resort where three decades ago the Winter Olympics were held. A portrayal of Bosnia and Herzegovina through its' ordinary citizens is accomplished by bringing a story about legendary shoe shiner who was replaced by his son after passing away. The visit of Pope Francis is reported under titles like 'Pope urges Bosnians to work for peaceful future, 'Sarajevo 'radiating with joy' before papal visit'. CTV also was solely media to report some critical news like the measles outbreak or political tensions around celebration of anniversary of proclamation of Republic Srpska when relatives of victims sent Bosnian Serb leaders postcards with photos of mass graves and a message about their region (entity): "Don't forget, these are her foundations."

The approach of Qatari TV station Al Jazeera to reporting about Bosnia and Herzegovina is rather critical than informative. They produced extensive coverage of general elections in fall of 2014, however most of the news they produced about those elections are classified as negative since they are producing not optimistic perceptions. The news pointing that nationalists are leading and that Bosnia has conditional democracy are surely not promising. Worth of mentioning is their analysis of situation in Balkans stating that trouble is brewing and that there is Russian involvement. They also reported that Berlinale movie Festival winner (amateur actor) wants to emigrate from Bosnia. Obviously, negative image of Bosnia and Herzegovina is dominating their agenda. From the other side of the coin they are the only media publishing story about famous Bosnian comedians *Nadrealisti* and speculation about their reunification as a boost to reconciliation process. The overall impression about reporting of Aljazeera is that they cannot be blamed for their critical approach which is maybe more realistic compared to other media.

Very informative in regard to happenings in Bosnia and Herzegovina is Reuters News Agency. It is the only media that reports local business news. Besides being informative they bring brighter side of Bosnia and Herzegovina in focus. When reporting about protests in early 2014 they stated that EU said to political leaders 'listen to your people' therefore bringing some positive outcomes from violent protests. In the same period, they informed about support of Serbia for single Bosnia amid secessionist rhetoric. The interesting story that they published alone is about

Renata Pranjkovic, known across Bosnia as the "Bullfight Queen", one of the few women but best-known personalities in the world of the Balkan bullfight (between bull and bull with no casualties). She is a breeder and referee for the bull-against-bull fights, a tradition in Bosnia stretching back for more than 200 years. Even more interesting is the story about 'town of twins'. Motivated by difficulty of finding a suitable baby stroller for twins during the war Nedzib Vucelj from Buzim made a survey and discovered that at least 21 sets of twins had been born in the town of 20,000 people during the 1992-95 war. He has launched an initiative to declare Buzim the "Town of Twins". Since Reuters is interested in local business they are also alone who bring negative reports from this sector like closing of bank or arrest of bank clerk.

Pakistani News Agency brings news about activities of Bosnian ambassador in Pakistan, they are portraying Bosnia in positive light and supporting its' integrity. Similar situation is with Pakistani News Agency. Indian New Delhi Television NDTV is indicating sources of news, mostly AFP, Reuters and Indo-Asian News Service. This could be considered as mainstream media with no clear indication of positive or negative perception. A report that is unique for them is about hope of Serbs in Bosnia after referendum in Scotland that their chances can grow to do the same. Egyptian Ahram online shows sensitivity for cultural issues since they reported about Sarajevo Film Festival, and dedicated some efforts to promote tourism to Bosnia and Herzegovina portraying it as a friendly country.

Newsring from Romania, Rio times from Brasil, Mercopress from Argentina, Morroco Times, Angola Press, and Vanguard from Nigeria and Daily Monitor from Uganda are the all media with small number of news or reports, focusing on most frequently reported events that would be discussed below.

For the sake of descriptive statistical analysis of the frequencies of occurrence of positive and negative news they are divided into various categories, which were given codes for easier overview. Summary of codes and categories of news is provided below in Table 2.

Event-news code	**Event-news description**
PP	Political progress, implementation of law, reparations, convictions of war criminals
INV	Investment opportunities, donations, economic growth, credits
LBUS	Local business successful stories
TOUR	Tourism potentials and natural beauties
SPORT	Sport success of Bosnian team and individuals
CULT	Culture, education, public gatherings, celebrations, religious festivals and activities
CONFL	Political conflicts, negative political climate, violent protests
UNEMP	Unemployment, bad economic situation
TERR	Emigration, terrorism, crimes involving Bosnian citizens abroad, connections with terroristic networks
OTHERP	Other positive news
OTHERN	Other negative news
NATCAT	Natural disasters and catastrophes

Table 2: Classification of news-events

Period	PP	INV	LBUS	TOUR	SPORT	CULT	OTHERP	POSITIV
2014-1	24	10	7	4	130	16	7	198
2014-2	37	4	10	2	11	9	4	77
2015-1	24	2	7	2	6	41	11	93
	85	16	24	8	147	66	22	368

Table 3: Overview of frequency of specific topics considered as positive

As seen from the table political progress shows some variation, just slightly number of news was higher in the second half of the 2014 because of general elections in October. Investment, local business and tourism show no variation, with relatively small number of news. On the contrary, sport has an impressive figure for the first half of 2014 due to Soccer World Cup contributing as well for the high overall number of positive news for this period. Cultural events have the highest figure for the first half of 2015 because of the visit of Pope Francis to Sarajevo in June, an event which was classified into this category.

Period	POSITIVE	PP	INV	LBUS	TOUR	SPORT	CULT	OTHERP
2014-1	198	0,12	0,05	0,04	0,02	0,66	0,08	0,04
2014-2	77	0,48	0,05	0,13	0,03	0,14	0,12	0,05
2015-1	93	0,26	0,02	0,08	0,02	0,06	0,44	0,12
	368	0,23	0,04	0,07	0,02	0,40	0,18	0,06

Table 4: Proportion of specifically classified positive news within the total amount of positive news

The Table 4 shows proportion of specific events within the total amount of positive news. Comparing each category for different periods the characteristically high figures are seen for political progress which has 0.48 for second half of 2014 (elections) compared to 0.12 and 0.26 for other periods, for sport which has 0.66 for first half of 2014 (World Cup) in contrast to 0.14 and 0.06 for other two periods, and cultural events which shows 0.44 for first half of 2015 (Pope's visit) visibly higher compared to other half a year periods which show 0.08 and 0.12.

Period	CONFL	UNEMP	TERR	OTHERN	NEGATIV	NATCAT	NEG+ NATCAT
2014-1	36	0	1	12	49	80	129
2014-2	15	0	7	10	32	17	49
2015-1	5	0	16	5	26	4	30
	56	0	24	27	107	101	206

Table 5: Overview of frequency of specific topics considered as negative

Period	NEGATIVE	CONFL	UNEMP	TERR	OTHERN
2014-1	49	0,73	0,00	0,02	0,24
2014-2	32	0,47	0,00	0,22	0,31
2015-1	26	0,19	0,00	0,62	0,19
Total	107	0,52	0,00	0,22	0,25

Table 6: Proportion of specifically classified negative news within the total amount of negative news

Political conflicts and bad political climate were most frequent news in the first half of 2014 due to violent protests in February amounting to 0.73 or 73% of all negative news. They were the most frequent also in the second half of the year due to some negative evaluations of general elections in October, this time with proportion of 0.47. Regarding the first half of the 2015 most frequent news were about terrorism activities and criminal with proportion of 0.62 of all negative news.

News about natural catastrophes are shown separately, since even they are sad news, they were not in this survey considered as negative images of the country, it just can happen anywhere without influence of human factor. The floods that happened in May 2014 attracted attention of international media and were frequently reported about.

Period	Positive	Negative	Positive-negative ratio
2014-1	198	49	4,04
2014-2	77	32	2,41
2015-1	93	26	3,58
Total	368	107	3,44

Table 7: Overall frequency of positive and negative news and their ratio

The final part of this descriptive statistical analysis is comparison between frequencies of positive and negative news. The overall ratio is 3.44 meaning 3.44 times more positive news. Especially high ratio of 4.04 was for the first half of 2014 thanks to Soccer World Cup followed by 3.58 in the first half of 2015 thanks to Pope's visit. The smallest but still satisfying ratio of 2.42 was in the second half of 2014.

Finally, inferential statistic tests were performed in addition to descriptive statistics. The null hypothesis was that there is no difference of frequency of reporting between media from countries with different level of diplomatic connections with Bosnia and Herzegovina.

ANOVA test used frequency of positive news and frequency of negative news as dependent variables. Independent variable was level of diplomatic connections. This independent variable was obtained combining variables: existence of Bosnian embassy (consulate) in foreign country and existence of foreign embassy (consulate) in Bosnia and Herzegovina. Those two variables were measured on nominal scale with values 'Yes' and 'No'. Variable level of diplomatic connections was obtained in such a way that the country – and consequently respective media – was assigned value '0' if there is 'No' for Bosnian embassy and 'No' for foreign embassy, value '1' if there is either Bosnian or foreign embassy, and value '2' in the cases of mutual diplomatic connection.

Performed ANOVA test showed that there is significant difference of average frequency of negative news between media from countries with different levels of independent variable. Post-hoc test showed that mean difference of 1.8 exists between '0' and '1' level of independent variable level of diplomatic connections with P value of 0.022, which means that difference is statistically significant at 0.05 level.

T test for independent samples was performed to check which embassies make more impact. Dependent variables again were frequency of positive news and frequency of negative news, while independent variables were existence of Bosnian embassy and existence of foreign embassy. Significant mean differences of frequencies were found for independent variable Bosnian embassy. Mean difference for positive news was 3.23 with P value 0.012, while for negative news mean difference was 1.23 with P value 0.003. In both cases mean for 'Yes' value of independent variable was higher than the mean for 'No' value.

Results of those tests should be taken with caution because of possible spurious relationship among variables (Agresti, 2007, p. 307). In other words, there could be some factor that influenced decision of opening embassy in specific country and also contributed to interest of media from that country in Bosnia and Herzegovina. Therefore, further research is needed to prove either diplomatic activity could attract interest of international media and contribute to overall image of the country. Such a research could be carried by Bosnian ministry of foreign affairs in order to develop an efficient strategy of international promotion of Bosnia and Herzegovina.

Conclusion

Empirical studies of international media perceptions of Bosnia and Herzegovina brought out that there are varieties among media in the way and method they portray it. Studied media could be classified as biased, informative, critical and constructive, while the majority of them belong to the informative group. Issues that heavily contribute to negative image are political conflicts and involvement of Bosnian citizens in crime and terrorism. On the other hand, the positive image is mostly achieved through success in sport, political progress and support from internationally known personalities. The country is seen in international media as ordinary country (with no emphasis on its' internal organizational structure) and its' overall image is the positive one with some spaces for improvement. That improvement can be in the first place achieved through proactive role of political and religious leaders and diplomats by organizing press conferences or making public statements about issues that are attractive for international media.

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PART XI

SOCIAL AND HEALTH CARE IN BOSNIA AND HERZEGOVINA

BOSNIA AND HERZEGOVINA SOCIAL CARE REPORT

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According to 1995 Dayton Peace Accords Bosnia and Herzegovina (B&H) consists of two entities: Federation of Bosnia and Herzegovina (FB&H), Republic Srpska (RS) and the District Brčko. It is important to note that two entities and District do not have a consistent data gathering, analyzing and interpretation methodology, which makes social health care data comparison process difficult.

As far as B&H's population is concerned, two data sources will be used: Agency for Statistics of B&H and CIA World Factbook for B&H. Agency for Statistics of B&H estimated the B&H's enumerated population, in 2013, to be 3,791,622 persons. On the other hand, CIA World Factbook in its latest July, 2015 release, estimated the B&H's population to be 3,867,055 (Agency for Statistics of B&H, 2013; CIA World Factbook, 2015).

In writing of this book chapter, we utilized Agency for Statistics of Bosnia and Herzegovina's (B&H) Bulletin titled "Social welfare in B&H" which was its regular annual publication. The Bulletin is a result of aggregation of data from entities' statistical offices of FB&H, RS and District Brčko.

In Bulletin "Social welfare in B&H" Agency for Statistics published data on beneficiaries of all forms, measures and services of social welfare, as well as data on social welfare institutions and employees of these institutions for the period 2008-2013. Data are provided by the age of beneficiaries, extent of disadvantage as well as by kind of social needs and social welfare institutions (Agency for Statistics B&H, 2014). The plan of this book chapter is to cover the latest period of five years, either 2008-2013 or 2009-2014 (where available, as the latest statistically available years/ time periods). This chapter presents the following discussion elements to the overall social care data sources at the state level: definitions of various categories of social welfare beneficiaries, forms, measures and services of social welfare, social welfare institutions, forms and services of social welfare for minor and adult beneficiaries, residents and non-residents of social care institutions according to having parents. Then, we presented social care institutions in entities by considering their activities sector of health protection and social work.

Categories of Social Welfare Beneficiaries

A social welfare beneficiary is any person who has used certain forms and measures of social welfare and social work services, once or several times during the reference year (Agency for Statistics B&H, 2014). Beneficiaries are classified into two basic age groups: minors and adult beneficiaries.

Minors beneficiaries disadvantaged by the family situation include the following categories: without both parents; of unknown parents; abandoned by parents; children of parents prevented from performing parental duty; children of parents deprived of parental rights; coming from economically disadvantaged families; coming from families with disturbed family relationships; other minors with disturbed family relationship; physically and mentally disabled minors; physically disabled minors; mentally disabled minors; minors with behavioral and personality disorders; with asocial behavior; minor offenders under 14 years of age; mentally ill persons; minors beneficiaries in need of different social and protective services and without specific category (Agency for Statistics B&H, 2014).

Adult beneficiaries include: beneficiaries of subventions (for rents, heating and funeral); physically and mentally disabled; with visual disorders; with hearing disorders; physically disabled; mentally disabled; other disabled persons; with combined disorders; persons with socially unacceptable behavior; mentally ill persons; individuals not having a sufficient income to support themselves, financially un-provided; financially un-provided persons; unable to work; old persons without family care; chronically ill and without specific category (others) (Agency for Statistics B&H, 2014).

Forms, Measures and Services of Social Welfare

Forms, measures or services are considered to be represented by every case of protection provided by Center of social welfare or Social welfare service based on legal acts and regulations concerned with this field. Data on forms, measures and services refer to the number of conducted, that is, used forms, measures and services in the reference period, and not to the number of persons. One person can be shown several times as a beneficiary, as much times as it has used some of the forms, measures and services during the reference year. If the same person uses the same form, measure or service more than once, it is covered only once. If a person uses several forms, measures or services, it is covered by each form, measure and service (Agency for Statistics B&H, 2014).

Forms of social welfare include guardianship, adoption and foster care. Guardianship refers to every case of appointing a guardian to look after the affairs of minor or adult person deprived of working capability. Adoption is considered as every case of legal adoption. Finally, foster care is considered consigning persons (children, adults, old persons) in need of social protection to a family for dwelling, nourishment, upbringing and care.

Measures of social welfare concerning minors are considered engagement of social welfare center in conducting measures of upbringing proclaimed by court as well as measures conducted by center upon its own decision. According to Agency for Statistics B&H (2014) measures of social welfare include the following categories: 1) Assignment to school and vocational training refers to the engagement of social welfare center in including into the process of education minor beneficiaries that have left school or have not been covered by regular education as well as including mentally and physically disabled children and youth in special education, (i.e. vocational training); 2) Other measures are defined as cases of rendering advice about problems in upbringing and development of children, providing summer vacations and rehabilitation financed from social welfare funds, covering health insurance of uninsured persons; 3) Assistance in vocational training and employment is considered engagement of social welfare center in employment of beneficiary in an enterprise as well as in preparing those persons for new working environment; 4) Employment on temporary basis «at home», various services, etc., as well as employing disabled in protective workshops; 5) Allowance for rehabilitation is money for vocational training or professional rehabilitation of mentally and physically handicapped children and youth and disabled adults, given from funds of social welfare centers or social welfare services; 6) Allowances - Permanent allowance are moneys/funds provided by social welfare centers or municipal social welfare services, which is the only or supplemental financial resource for persons in need of social welfare; 7) One - off allowance is paid twice a year at most for a household. This allowance cannot exceed the amount of five allowances in total determined in law, except for cases requiring greater amount due to special circumstances. The decision on the approval of such payment is made by an executive of the body that determines this right; 8) Allowance for care rendered by other person is considered to be a special allowance for persons requiring assistance of other person for satisfying their existential needs; 9) Classification on the basis of diagnoses is categorization of mentally and physically handicapped children done by organization in charge; 10) Assistance in exercising certain rights refers to cases of rendering help for regulating pension, alimentation; 11) Assistance in solving issues concerning children of divorced parents or parents in divorcement procedure is considered giving opinions and suggestions to court about custody of children after divorce in cases when parents have reached no agreement; 12) Care and other services rendered in home refer to rendering health care in home to severely and less severely chronically diseased, immobile and otherwise diseased persons, irrespective of their financial condition; 13) Assistance in normalizing marriage and family relationship is conducted, regularly, through advisory methods and giving professional opinions of social, psychological, pedagogical, legal or other character. Included here are issues about parents' rights to visit children during and after the divorce, child recognition, and the like;14) Other services are professional expertise, written reports and mediation at other institution in order to provide appropriate help as well as assistance in providing food, clothes, footwear and fuel.

Social Welfare Institutions in B&H

According to Agency for Statistics B&H (2014) there are four specific social welfare institutions. First, institutions for children and adolescents without parental care provide temporary or permanent care, food, health care, upbringing, education and vocational training for children and youth in need of such a form of protection. Second, social welfare institutions for mentally and physically disabled children and adolescents provide depending on the type and extent of disability, temporary or permanent accommodation, care, upbringing, education and training for work under special conditions. Third, social welfare institutions for adult disabled persons are enterprises for professional rehabilitation which provide vocational training and employment of persons with impaired working capability. Employees of these enterprises are handicapped persons able to work in enterprises or at home and persons on rehabilitation disabled persons attending vocational training or training for new qualification. Fourth, social welfare institutions for adult persons are homes for pensioners and other adult persons and social, geriatric centers which provide temporary or permanent accommodation, food, nursing and health care for adult persons without financial resources or family care, mentally or physically disabled and therefore incapable for independent life and without conditions required for help being rendered in their own family.

Table 1. Number of social welfare centers in B&H, 2008-2013

	FBiH	RS	BDBiH[1]	**BiH**
2008.	72	45	1	**118**
2009.	72	45[2]	1	**118**
2010.	72	45[2]	1	**118**
2011.	72	45[2]	1	**118**
2012.	72	45[2]	1	**118**
2013.	72	46[2]	1	**119**

[1] U Brčko distriktu ne postoji centar za socijalni rad već samo jedan pododjel u okviru Odjela za zdravstvo.
[1] Social welfare centre doesn´t exist in Brcko District, there is only one department for Social welfare within Health Centre of Brcko Distrikt.
[2] U Republici Srpskoj od 2009. godine postoji i 10 službi socijalne zaštite koje djeluju pri općinama.
[2] In Republika Srpska, 10 Social welfare services have been working at municipalities since 2009.

Source: B&H Agency for Statistics, 2014.

According to the table in the above the number of social welfare centers in B&H virtually remained the same in the period 2008-2013. While in 2008, there were 72 Social welfare centers in FB&H, 45 in RS and 1 in Brcko District, totaling 118 for the entire B&H, in 2013, only one additional Social welfare center was created in RS, totaling 119 for the entire B&H (Agency for Statistics B&H, 2014).

Table 2. Treatments rendered in social welfare centers in B&H, 2008-2013

	Broj slučajeva obrađenih u centru *Number of cases handled in centre*			Broj intervencija pruženih u centru *Number of treatments rendered in centre*		
	svega *all*	muški *males*	ženski *females*	svega *all*	muški *males*	ženski *females*
2008.	596.816	315.945	280.871	665.779	361.740	304.039
2009.	628.297	311.378	316.919	752.628	403.955	348.673
2010.	623.282	304.489	318.793	723.373	391.866	331.507
2011.	639.346	317.390	321.956	645.194	325.347	319.847
2012.	599.538	304.606	294.932	785.374	403.617	381.757
2013.	462.823	214.660	248.163	686.455	343.546	342.909

Source: B&H Agency for Statistics, 2014.

According to the table in the above the number of handled case in social care centers in B&H varies from year to year in the period 2008-2013. It reached its peak in 2011, when it measured 639,346 handled cases. On the other hand, as far as the number of rendered treatments, for the period 2008-2013, is concerned, they reached its peak in 2012, with 785,374 of rendered treatments (B&H Agency for Statistics, 2014).

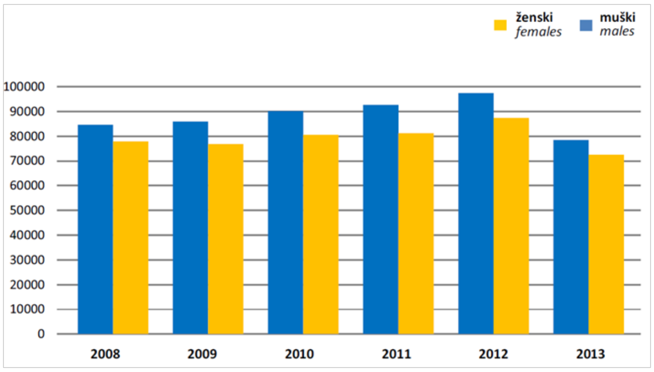
Table 3. Employees in B&H's Social welfare centers, 2008-2013

	2008.	2009.	2010.	2011.	2012.	2013.	
UKUPNO	**1.248**	**1.250**	**1.286**	**1.265**	**1.273**	**1.318**	***TOTAL***
muški	326	298	316	332	328	321	*males*
ženski	922	952	970	933	945	997	*females*
Socijalni radnici	456	468	474	472	473	487	*Social workers*
Pedagozi	48	52	51	54	48	55	*Pedagogues*
Psiholozi	55	48	55	52	58	65	*Psychologists*
Defektolozi	21	21	20	19	20	19	*Special education therapists*
Zdravstveno osoblje	6	6	16	13	13	12	*Health care staff*
Pravnici	146	145	152	154	170	180	*Legal professionals*
Administrativno osoblje	350	339	348	325	330	334	*Administrative personnel*
Ostali	166	171	170	176	161	166	*Others*

Source: B&H Agency for Statistics, 2014.

The number of employees employed in Social Care institutions in B&H shows a constant increase in period 2008-2013. It increased from 1,248 employed in 2008 to 1,318 in 2013. As far as category of employed is concerned the largest number is composed of Social workers, followed by the Administrative staff. It is interesting to note that the number of Legal workers (i.e. lawyers) had increased from 146 in 2008 to 180 employed in 2013.

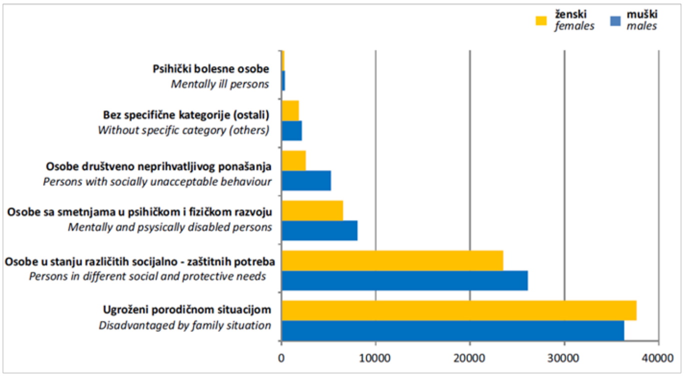
Table 4. Minor beneficiaries of social welfare in B&H, by gender, 2008-2013



Source: B&H Agency for Statistics, 2014.

According to the table in the above minor beneficiaries of social welfare in B&H, categorized by gender reached the peak in 2012 and started decreasing in 2013 (B&H Agency for Statistics, 2014).

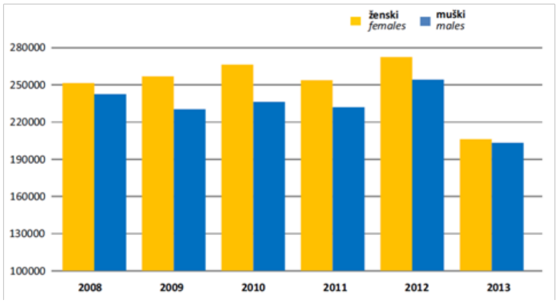
Table 5. Minor beneficiaries of social welfare in B&H by type



Source: B&H Agency for Statistics, 2014.

As far as minor beneficiaries of social welfare in B&H by type of category and gender in 2013 are concerned, the largest number is comprised of those who were disadvantaged by family situation, followed by the category of those individuals in various social and protective needs. By far, the smallest numbers of care receiving were mentally ill persons; and this fact is something that should be looked further into to additionally assess and/or improve (B&H Agency for Statistics, 2014).

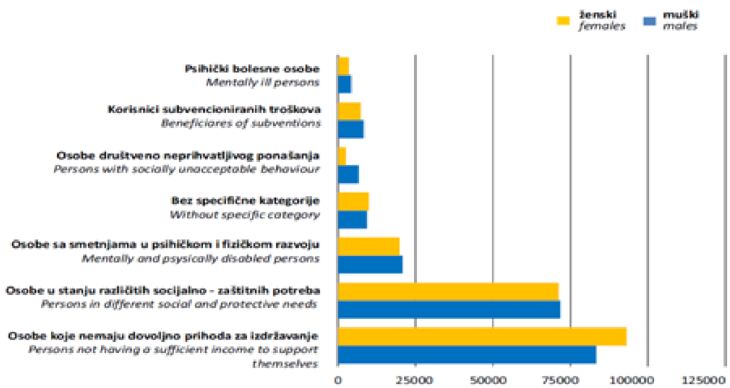
Table 6. Adult B&H beneficiaries of social welfare by type



Source: B&H Agency for Statistics, 2014.

As far as the number of adult beneficiaries of B&H Social welfare for the period 2008-2013 is concerned, it is interesting to note that they reached their maximum number in 2012, after which is showed a sharp decrease in 2013, measuring the lowest numbers for the observed six years, period (B&H Agency for Statistics, 2014).

Table 7. Adult beneficiaries of B&H social welfare by type



Source: B&H Agency for Statistics, 2014.

As far as the type of adult beneficiaries of B&H Social welfare for the last observed year, 2013 is concerned, it is interesting to note that the largest category is comprised from the citizens who were not having sufficient income to support themselves, followed by the category of those persons in different social and protective needs (B&H Agency for Statistics, 2014).

Table 8. Sources and forms of social welfare for minor beneficiaries in B&H, 2008-2013

Kategorija korisnika *Category of beneficiares*	2008.	2009.	2010.	2011.	2012.	2013.
UKUPNO *TOTAL*	**72.775**	**100.929**	**102.871**	**99.039**	**94.063**	**90.883**
STARATELJSTVO I USVOJENJE *GUARDIANSHIP AND ADOPTION*	**3.234**	**2.478**	**2.344**	**2.799**	**2.728**	**2.555**
Starateljstvo *Guardianship*	1.744	1.599	1.587	1.868	1.601	1.647
Starateljstvo za posebne slučajeve *Guardianship for special cases*	1.421	821	699	843	1.060	858
Usvojenje *Adoption*	69	58	58	88	67	50
SMJEŠTAJ U USTANOVE *PLACEMENT IN INSTITUTIONS*	**1.839**	**1.757**	**1.924**	**1.714**	**1.914**	**1.670**

Source: B&H Agency for Statistics, 2014.

By analyzing the sources and forms of minor aged social care beneficiaries in B&H, for the period 2008-2013, it is important to state that their number was the lowest in 2008, with 72,775 minor beneficiaries. Following the initial measuring year it showed a large increase, in 2009-2010, with 100,929 and 102,871 beneficiaries, respectively. After these increases, their number constantly kept decreasing through 2013 (B&H Agency for Statistics, 2014).

Table 9. Financial allowances for minor beneficiaries, 2008-2013

Kategorija korisnika *Category of beneficiares*	2008.	2009.	2010.	2011.	2012.	2013.
NOVČANE POMOĆI *ALLOWANCES*	**11.916**	**8.451**	**7.618**	**7.659**	**9.632**	**7.838**
Stalna novčana pomoć *Permanent allowance*	779	891	771	969	1.621	885
Izuzetna novčana pomoć *Special allowance*	227	57	340	384	737	408
Jednokratna novčana pomoć *One-off allowance*	3.514	3.403	2.492	2.899	3.432	3.435
Prava na dodatak za pomoć i njegu od strane drugih osoba *Entitlement to additional allowance for asistance and care rendered by other persons*	4.620	3.027	3.108	1.926	2.161	2.197
Pomoć za opremu djeteta samohranim nezaposlenim roditeljima *Allowance to single unemployed parents for outfiting a child*	2.776	1.073	907	1.481	1.681	913

Source: B&H Agency for Statistics, 2014.

By analyzing the forms and sources of financial allowances for minor aged social care beneficiaries in B&H, for the period 2008-2013 it is important to state that their number steadily kept decreasing throughout the measured period. From 11,916 beneficiaries who received the financial allowance in 2008, their number kept decreasing to the lowest number of 7,838 in 2013. As far as the categories of financial allowances are concerned the most frequent type of assistance is exemplified through the entitlement for additional allowances for assistance and care provided by other individuals, followed by the one-time financial allowance and allowances to single unemployed parents for the purposes of outfitting the child (B&H Agency for Statistics, 2014).

Table 10. Residents of B&H's social care institutions, by gender and age, 2008-2013

		Ukupno *Total*	Godine starosti korisnika/*Age of residents*						
			do 3 godine *under 3 years*	3 - 6	7 - 10	11 - 14	15 - 18	iznad 18 godina *over 18 years*	
2008.	**svega**	**794**	**78**	**69**	**120**	**165**	**189**	**173**	***all***
	muški	407	61	45	79	99	100	23	*males*
	ženski	387	17	24	41	66	89	150	*females*
2009.	**svega**	**778**	**86**	**67**	**131**	**154**	**174**	**166**	***all***
	muški	343	42	37	81	90	82	11	*males*
	ženski	435	44	30	50	64	92	155	*females*
2010.	**svega**	**763**	**81**	**57**	**112**	**166**	**184**	**163**	***all***
	muški	363	38	39	68	99	110	9	*males*
	ženski	400	43	18	44	67	74	154	*females*
2011.	**svega**	**746**	**77**	**47**	**103**	**159**	**173**	**187**	***all***
	muški	313	40	27	55	93	80	18	*males*
	ženski	433	37	20	48	66	93	169	*females*
2012.	**svega**	**765**	**68**	**64**	**80**	**145**	**209**	**199**	***all***
	muški	318	35	36	43	84	98	22	*males*
	ženski	447	33	28	37	61	111	177	*females*
2013.	**svega**	**678**	**49**	**62**	**71**	**166**	**264**	**66**	***all***
	muški	363	24	33	39	95	148	24	*males*
	ženski	315	25	29	32	71	116	42	*females*

[1] **Brčko distrikt BiH nema podatke o domovima za djecu i omladinu bez roditeljskog staranja.**
[1] *District Brcko has no data on institutions for children and adolescents without parental care.*

Source: B&H Agency for Statistics, 2014.

Table 11. Residents of social institutions in B&H according to having parents, 2008-2013

	2008.	2009.	2010.	2011.	2012.	2013.	
UKUPNO	**794**	**778**	**763**	**746**	**765**	**842**	***TOTAL***
Bez oba roditelja	122	121	123	125	145	46	*Without both parents*
Samo sa majkom	318	313	303	294	274	274	*Only with mother*
Samo sa ocem	64	70	67	53	65	54	*Only with father*
Sa oba roditelja	290	274	270	274	281	304	*With both parents*
od toga djeca razvedenih roditelja	144	126	152	128	161	164	*of which, children of divorced parents*

Source: B&H Agency for Statistics, 2014.

If we analyze the total number of residents we see that their number has increased from 2008 (794 residents) to (842 residents) in 2013. We must also note, that by far (by the ratio 5:1), more residents live with mother, in comparison with father.

Table 12. Structure of B&H Social care institutions' residents, by parents, 2008-2013

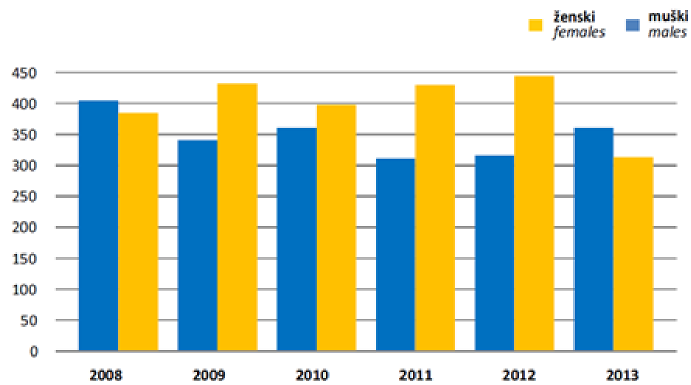
12. Struktura korisnika prema roditeljima
Structure of residents by parents

%

	2008.	2009.	2010.	2011.	2012.	2013.	
Bez oba roditelja	15,37	15,55	16,12	16,76	18,95	6,78	*Without both parents*
Samo sa majkom	40,05	40,23	39,71	39,41	35,82	40,41	*Only with mother*
Samo sa ocem	8,06	9,00	8,78	7,10	8,50	7,96	*Only with father*
Sa oba roditelja	36,52	35,22	35,39	36,73	36,73	44,84	*With both parents*

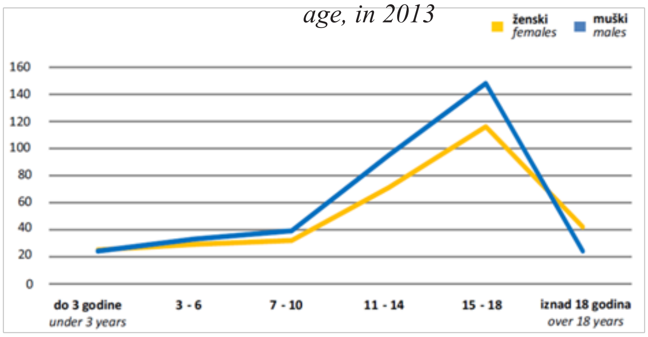
Source: B&H Agency for Statistics, 2014.

Table 13. Residents of institutions for children and adolescents without parental care by gender



Source: B&H Agency for Statistics, 2014.

Table 14. Residents of institutions for children and adolescents without parental care by age, in 2013



Source: B&H Agency for Statistics, 2014.

When we analyze the residents of institutions for children and adolescents without parental care by age, in 2013, we can state that the largest number was in the 15-18, age category.

Table 15. Employees in B&H social care institutions for children and adolescents without parental care (2008-2013)

	2008.	2009.	2010.	2011.	2012.	2013.	
UKUPNO	**341**	**360**	**357**	**359**	**372**	**412**	***TOTAL***
muški	64	69	70	77	91	102	*males*
ženski	277	291	287	282	281	310	*females*
Odgajatelji	106	107	90	93	96	109	*Educators and caregivers*
Zdravstveno osoblje	52	58	60	59	61	49	*Health care staff*
Ostali stručni radnici	34	37	36	36	36	35	*Other experts*
Administrativno osoblje	23	30	33	33	36	36	*Administrative personnel*
Ostali	126	128	138	138	143	183	*Others*

Source: B&H Agency for Statistics, 2014.

By analyzing Table 15, it is interesting to note that the total number of employed kept increasing from 341, in 2008 to 412 in 2013. The largest category was comprised by the Educators and caregivers, followed by health care staff (Agency for Statistics B&H, 2014).

Social Care Aspects in FB&H, BD and RS

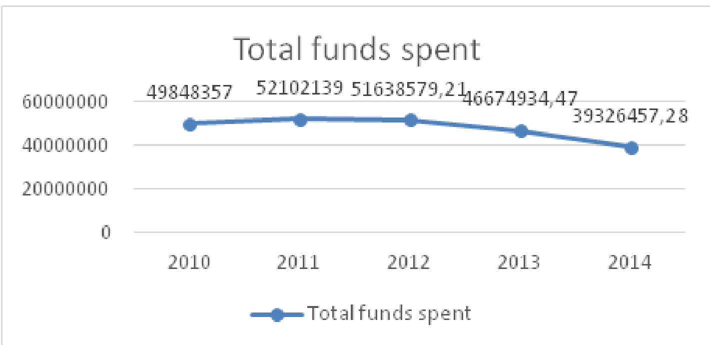
FB&H in 2013 had the permanent population of 2,865,000. Data on recipients, rights, services and measures of social welfare results from annual reports by Social welfare centers and social welfare offices. Data are regularly collected and published in international health publications in accordance with recommendations and definitions by the World Health Organization (WHO) (Institute of Statistics of FB&H, 2014).

Social welfare recipients are defined as the persons who have been granted with any kind of social welfare due either through particular living conditions or to a special mental or physical situation. Social welfare recipients are defined by law. Services of Social welfare are the following forms and activities taken in order to prevent, eliminate or reduce situations when the social protection is needed; qualifying for work, aid in conflicts' settling in the family or at work, aid in finding a place to live, accommodation into other families or social welfare institutions and other support in cash or similar financial means.

In period 2008-2013 the number of institutions of social welfare had increased from 13, in 2008, to 17, in 2013. Within the same time period the number of wards had increased from 1,806 in 2008 to 2,084 in 2013. The number of employed, had also increased from 770, in 2008 to 1,010 in 2013. The number of adults' caring institutions had increased from 15, in 2008 to 31, in 2013, while the number of wards increased from 1,832 in 2008 to 2,543 in 2013. Within the same time period the number of employees increased from 577 in 2008 to 838 in 2013. The number of institutions for professional rehabilitation remained stable at seven for the previously discussed time period, while the number of wards had increased from 95, in 2008 to 115 in 2013 (Institute of Statistics of FB&H, 2014).

Subdivision for Social Protection of Brčko District, their work and tasks are based on the law in force, and implementation of legal regulations. The laws applied by this Sub-Division are: Social Protection Law; Family Law and Child Protection Law (Brčko District B&H, 2015). These laws are in constant coherence with each other. Their sub-units are composed of Department of adults' psychosocial care; Service for general social welfare and protection of marriage and family; Department of Child Protection and Department for veterans' or civilian victims of war. The coherence of these services, as well as the application of laws, is an essential factor in providing services to the citizens of Brčko District.

Table 16. Total funding for health and social benefits - District Brčko



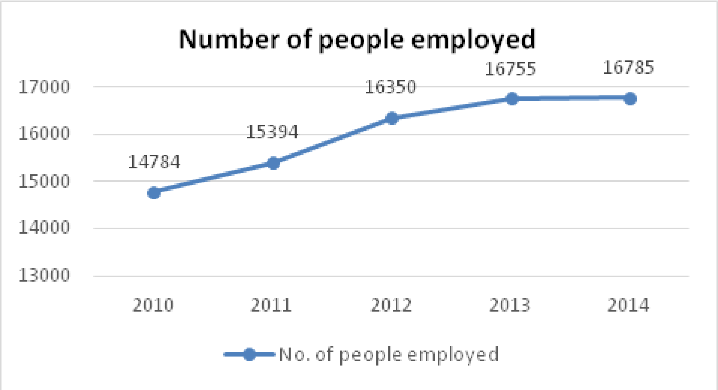
Source: Brčko District Central, 2015.

Social, Family and Child Protection in RS

This department is in charge of the following: normative and administrative affairs in the first and in the second degree of administrative procedures in the field of social, family and child protection, professional supervision over the work of social welfare institutions, providing technical assistance to the first degree authorities in addressing the rights of its scope, work related to the application and citizen complaints concerning the work of social welfare institutions, providing support for persons with disabilities and other socially marginalized population groups, monitoring and analyzing the needs of the elderly, care of the elderly without family care.

The department is providing technical assistance concerning development of policies, strategies, programs and projects that are related to the promotion of social, family and child care, business planning and monitoring of socio-demographic research projects that are important for monitoring and analyzing of the social needs of families with children, children in foster care and children placed in institutions, children and youth with physical and mental development problems, monitoring the work training of children and youth who are trained under special conditions, and monitoring and evaluation of alternative forms of care for persons in need. Through the scope of work of this department, cooperation is realized with professional and academic institutions, social and international organizations that have their activities directed to the social, family and child protection, implementation of international conventions and recommendations, assessment and evaluation of completed projects, launching new projects, etc. Internal organizational units of RS Department for social, family and child protection are: The Division for Social Protection and The Division for Family and Child Protection (Republic of Srpska Government, 2015).

Table 17. Employed in RS Sector of health protection and social work, annual averages



Source: Institute of Statistics - Entity of Republika Srpska, 2015

Concluding Remarks

The data presented in this chapter only outline one aspect of social care in the very fragmented Social Care system of Bosnia and Herzegovina. In this light, it is important to note that two entities and one District utilize different data gathering and interpreting methodologies. While in Federation of Bosnia and Herzegovina, Social care Department is distinct department, completely separated from Department of health services, in RS entity, Social care department is part of the same department with Health care department. Consequently, in Brcko District, similarly, like in RS, in the period 2000-2013, Social and Health Department were single department, when they split into two distinct Departments in 2014.While, both entities and Brčko district spend significant financial resources on Social care, it is evident that in RS entity and Brčko District they are decreasing. In RS the number of persons utilizing Social care is sharply decreasing from its peak in 2010, when it reached 358,663 beneficiaries. In 2014, their number was reduced to 198,971, which represents a decrease of 44,52 percent. In District Brčko, according to Brcko District Central data from 2015, it could be see that the costs for health and social benefits had the largest amount in 2011, when they amounted to 52,102,139.00 BAM. Following that, there is a constant cost decreasing trend, so that, in 2014 they reached the lowest level of 39,326,457.28 BAM. Unfortunatelly, the Health and Social Care benefits, according to the Brčko District Central, could not be separated, which should be improved in the next period, so that they could separetelly monitored and analyzed.For further, future analysis, it would be interesting to monitor the movement of these cost trends, since they are critical for development and stability of each society.

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BOSNIA AND HERZEGOVINA HEALTH CARE REPORT

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The B&H Agency for Statistics presents the data regarding National Health Accounts (NHA) for B&H which are prepared through the Project "Reform of Public Health II", financed by the European Union in the period 2012-2013 (Agency for Statistics of B&H, 2014).

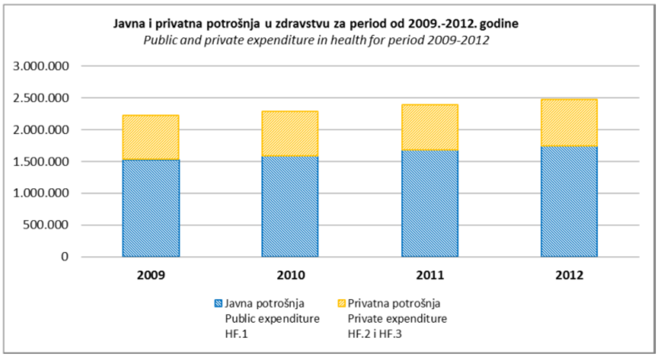
In 2014, the B&H Agency for Statistics published a data series from 2009 to 2012 for the following categories: 1.) total expenditures in health care sector divided by purpose of health care and sources of funding (HC x HF), 2.) total consumption in health care sector by purpose of health care and health care providers (HC x HP) and 3.) current expenditures in health care sector by providers of health care and sources of funding (HP x HF), which are in accordance with the International Classification for Health Accounts – ICHA (Agency for Statistics of B&H, 2014).

The plan of this book chapter is to cover the period 2008-2013 and 2009-2014 (where available, as the latest statistically available year). We will start with discussion of some aspects, like health spending by purpose of health care and sources and funding, health care spending by various functions, by various providers, etc. for the entire B&H state in the period 2009-2012. Our analysis is continued by discussing the status of particular Health and GDP Parameters in Federation of B&H entity, followed by statistics on number of beds, hospital days and health care workers. We continue by taking a look into RS entity's Department for health protection and its organizational units, RS Department for public health, activites of the RS Public health institute, Pharmacy department in RS, RS Department for planning and organization, Health spending in RS in aggregate total BAM and percentages of GDP, RS GDP measures according to the production and income approach for period 2009-2013. In addtion we researched the number number of insured in RS for period 2010-2014, number of emplyed in RS health care institutions and percentage of health care uninsured for the above listed five year periods. We continued our discussion by analyzing particular health care aspects in FB&H for the period 2009-2013, such as the number of physicans. In conclusion, we analyzed health care system in District Brčko, by taking a closer look at its Department for Health and other services, total funding for health and social benefits 2010-2014, its Public Health institute, primary and hospital health care concluding with dental and mental health services.

Healthcare Spending: Public and Private Expenditures

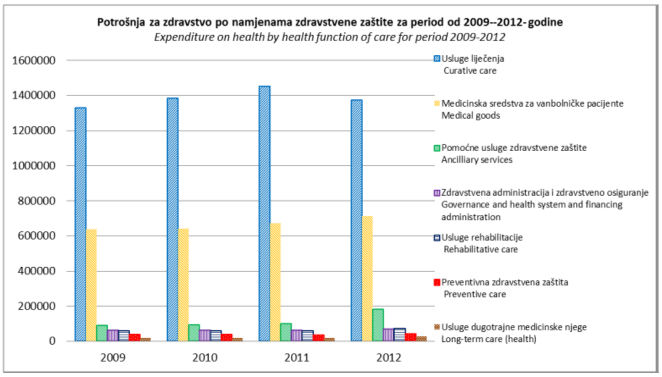
The total spending in the health sector in B&H in 2012 amounted to 2,468.00 million or 2.468 billion BAM of which public expenditures are 70% and 30% private. According to the sources of funding in 2012, out of total of all sources of funding, 70.33% is financed from the budget and mandatory health insurance, while the rest of 29.67% is financed from voluntary payment of health care and out of pocket household expenses. By providers of health care services in 2012, out of total current expenditures in health care, 37.33% refers to the hospitals. A significant participation of retail and other distributors of medical goods are noted in percentage of 28.81%, while the share of ambulatory health care service providers is 26.43%. Public spending for health care in the period 2009-2012 has increased from 68.8% to 70.3%, while private health care expenditures in the same period were reduced from 31.2% to 29.7%.The share of public expenditure in total health care spending is relatively high in relation to the EU average, which is due to a long tradition of social health insurance (Agency for Statistics of B&H, 2014).

Figure 1: Public and private expenditures in Health care of B&H for period 2009-2012, (in millions of BAM)



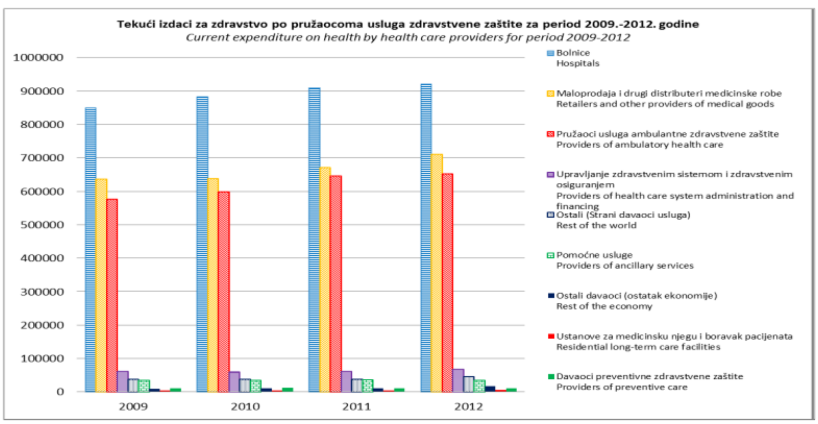
Source: (Agency for Statistics of B&H, 2014).

Table 2: Health care expenditures by various Function(s) of care (2009-2012)



Source: Agency for Statistics of B&H, 2014.

Table 3: Current health care expenditures (2009-2012)



Source: Agency for Statistics of B&H, 2014.

Department for Health Protection in RS

The Department for Health Protection of Republic Srpska entity (RS) is in charge of conducting the activities concerning preparation of implementation of health policies, strategies, programs and projects aimed at successful implementation and enforcement of health care, in order to improve the populations' health. Normative work and administrative procedures of first and second degree, in the field of health care are under the supervision of this department, as well as the organization of professional supervision of medical institutions. Scope of work of this department includes the preparation and conducting of procedures for approving specializations and additional education, planning and organization of expert exams for health care workers and health associates, conducting procedures for acquiring title of primaries, activities concerning improvements of system quality of health protection, and monitoring of health technologies and technologies for conducting medical waste. Department cooperates with institutions and agencies in health system, local communities, chambers and professional health workers chambers, international health institutions and non-governmental organizations in the area of its scope of work and other (Republic of Srpska Government, 2014).

Internal organizational units of the Department for Health protection consists of three divisions: Primary health protection division; Division for hospital health protection; and Division for normative-legal work (Republic of Srpska Government, 2014).

RS Department for Public Health and the EU

Public Health department in RS is in charge of following modern achievements concerning development of public health in EU countries, neighboring countries and other countries in the world in terms of development of public health in the entity Republic of Srpska, according to recommendations of World Health Organization (WHO). In cooperation with other departments of the Ministry, this department plans and prepares public health policies, strategies, programs, and projects in order to improve health of population. Also, in cooperation with other departments of Ministry and other Ministries the department plans and prepares laws and subordinate legislations in order to improve and to update public health in the Republic of Srpska with EU regulations, standards and norms in public health area. The department is involved in harmonization and in fulfillment of requirements in the process of European integrations. The department cooperates with institutions and agencies in the public health area, and also with local communities, chambers, professional associations of health workers, international health organizations and non-government organizations from the department's area of expertise.

It encourages and preserves international cooperation. It organizes conferences, forums, seminars and workshops in the area of public health and international cooperation and it is involved in their organization around the world. It nominates experts from certain public health areas (national coordinators) and from international cooperation area. Internal organizational units of the department are division and sector: Public health division and Sector for international relations and European integration (Republic of Srpska Entity Government, 2014; Institute for Public Health of Republic Srpska, 2015).

The Public Health Institute is a highly specialized health institution, with scope of activities and operation prescribed by the Law on Health Care and the Law on entire region of Republika Srpska and often beyond. The Institute performs its activities through its six units stationed in Banja Luka, Doboj, Trebinje, Istočno Sarajevo, Foča and Zvornik (Republic of Srpska Entity Government, 2014; Institute for Public Health of Republic Srpska, 2015).

It performs a range of general operations and activities such as surveillance and analysis of entire health sector of Republika Srpska and participates in development of strategies and legal regulations on health care; it also processes clinical and non-clinical specimens and performs microbiological, epidemiological, radiological and physical and chemical testing (Republic of Srpska Entity Government, 2014); (Institute for Public Health of Republic Srpska, 2015). The institute deals with range of activities, from global, such as surveillance and analysis of entire health sector of Republika Srpska, participation in development of strategies and legal regulations in health sector, to processing of clinical and non-clinical specimens and their microbiological, epidemiological, radiological and physical and chemical testing.

Pharmacy Department in RS

Department for pharmacy is in charge of normative legal work from its jurisdiction-areas of pharmacy and chemicals, planning and coordination of activities related to use of medications and medical equipment in health protection on all levels, giving suggestions for performing measures in order to provide quality, safe and effective medications, coordinating activities referring to usage of chemicals, preparation of documentation for conducting international cooperation agreements and coordination in the area of pharmacy and chemicals, preparing annual work plans, reports, information, and analyses. The department is in charge of scientific and analytical work that includes gathering of data, including production, guidance and analysis of data bases, writing scientific works, studies and programs, and guiding the register of legal and physical subjects in its jurisdiction according to the law. Also, it gives expert opinions and directions under the jurisdiction of this department. This department is also in charge of cooperation with health institutions, organs and institutions in the Republic of Srpska, Federation of Bosnia and Herzegovina, and Bosnia and Herzegovina and other countries, international, government and non-government organizations, as well as all the other stakeholders (Republic of Srpska Entity Government, 2014; Institute for Public Health of Republic Srpska, 2015). Internal organization of the units of Pharmacy department: Sector for chemicals and Sector for pharmacy (Republic of Srpska Government, 2014).

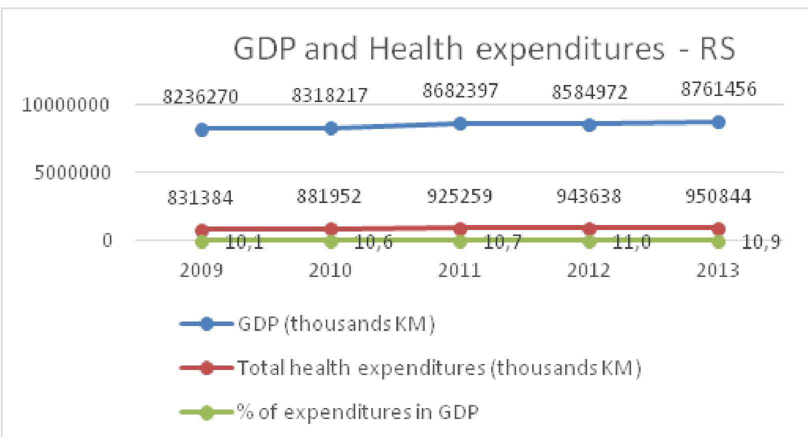
RS Department for Planning And Financing

The Department for planning and financing is in charge of financing of health protection in the Republic of Srpska, establishing priorities for financing of health protection of total financial means for all health protection levels, for allocation of means on health protection levels, for financing programs and projects dealing with health system reform. Measures of economic politics are prepared, made and suggested in terms of development and improvement of health system, they are prepared and proposed for medium- and short-term strategic plans for capital expenditures and investments programs in health area, and they are dealing with preparation of feasibility studies and economic justification, studies and other professional and analytical materials. The monitoring and analysis of financial management of health institutions are performed in this department, as well as planning of public procurements for the purpose of realization of international projects and contracts, giving expert opinions to competent authorities about drafts and law suggestions and other regulations referring to economic and financial question concerning health system, preparing of draft budget of Ministry, in line with budget realization monitoring, reporting and informing about this area and other (Republic of Srpska (RS) Government, 2014; Institute of Public Health RS, 2014).

Health Spending in RS

Institute of Statistics of RS entity provided the data on gross domestic product (GDP), health care expenditures and percentage of health care expenditures as part of aggregate GDP. GDP for RS in 2009 amounted to 8,236,270.000 BAM. In the same year total health care expenditures amounted to 831,384,000 BAM, which amounted to 10.1 percent of expenditures calculated as part of the aggregate GDP. GDP in RS kept increasing and in 2013 was calculated to 8,761,456.000 BAM, while the total health care expenditures in the same year were measured at the level of 950,844,000.000 BAM, which amounted to 10.9 percent of GDP. In the period 2009-2013 total health care expenditures as the percentage of GDP varied from 10.1 to 11.0 percent, which indicates a constant growth. This release presents data on Gross domestic product and Gross value added for 2013 and 2014. The calculation is performed using the production approach, and it is based on the System of National Accounts from 1993 concept, and on the European System of Accounts from 1995. This release presents calculated income components of Gross Value Added (GWA) by the institutional sector for 2014. The calculation is based on the methodological principles of the System of National Accounts from 1993 concept and European System of Accounts from 1995 (Institute of Statistics RS, 2015).

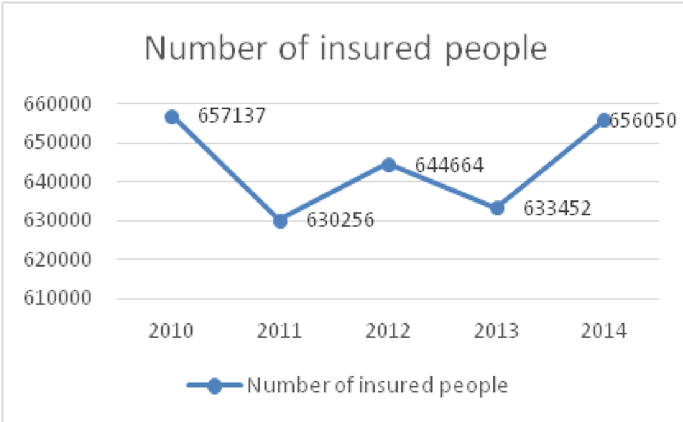
Table 4. GDP and health expenditures - Entity of Republika Srpska



Source: Institute of Statistics - Republika Srpska Entity, 2015

The numbered of health care insured people in RS in 2010 amounted to 657,137. This number was significantly reduced in 2011, when it was calculated to be 630,256. In 2014, this number kept increasing and was measured to be 656,050.

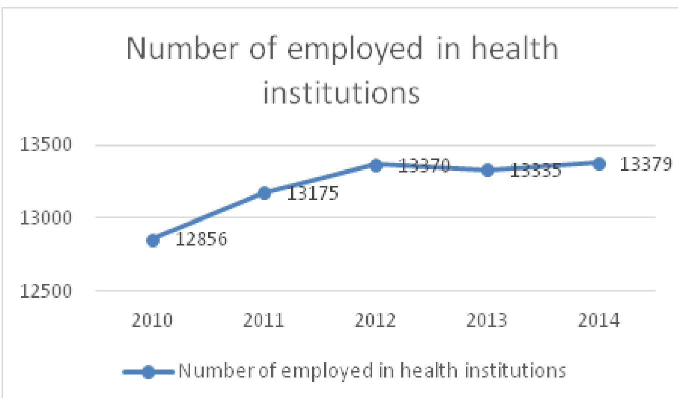
Table 5. Number of health care insured people in RS



Source: Health insurance fund - Entity of RS, 2015

For the period 2010-2014, the number of employed in RS Health care institutions shows a constant growth. In 2010, the number of employed in RS Health care institutions was 12,856, while in 2014 this number increased to 13,379. This increase amounted to 4 percent or 523 newly employed over the period of five years (Health insurance fund - Entity of Republika Srpska, 2015).

Table 6. Number of employed in health care institutions in RS



Source: Health insurance fund - Entity of RS, 2015

The percentage of health care uninsured in RS was the largest in 2010, when it was measured to be 27 percent, while in 2012 decreased to 12 percent. In 2014 the number of health care uninsured stabilized to 16 percent.

FB&H Health Care Aspects

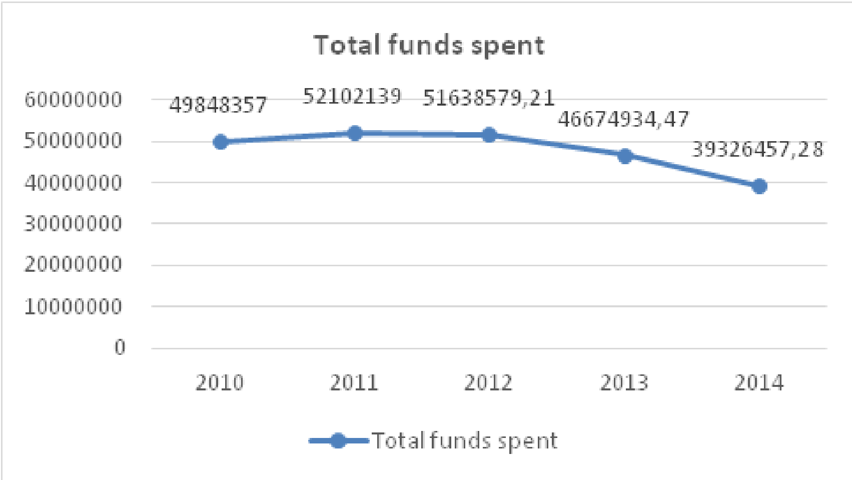
FB&H in 2013 had the permanent population of 2,865,000. In the same year there 20,145 newborns and there were 20,465 deceased persons. This represents a natural decrease of 320 persons. Collection of statistical data on health care is the responsibility of the Institute for Public Health FB&H and county offices public health. In order to make the system of statistical surveys unique, in record keeping the uniform methodological principles and statistical standards (definitions, classifications, and nomenclatures) are used at the state level. Data are regularly collected and published in international health publications in accordance with recommendations and definitions by the World Health Organization (WHO). Primary health care in FB&H includes: The activity of general practice, health care of pre-school and school children, hygienic and epidemiological care, dental care, emergency health services, occupational health, primary health care of women, community nursing and pharmacies. It is provided by the health care institutions regardless of ownership: health centers, institutions for emergency medical care, institutions for home health care, pharmacies and private offices. Secondary health care includes specialists – consultative health care, hospital health care in general and specialized hospitals and health resorts. Tertiary health care includes most complex forms of health care in the field of specialists' activities in clinics and state health institutes. Health employees are persons who obtained education from Faculty of Medicine, Faculties of Pharmacy and Biochemistry and from health non-university colleges and secondary schools. Hospital is described as a health institution equipped for 24-hours physicians and nursing care, diagnostics, treatment and rehabilitation of diseased and injured persons, usually for both, medical and surgical cases, with professionally trained and skilled medical personnel, with at least, one physician. Hospitals, can, even though it may be not necessary, provide their services to out-patients (Institute of Statistics of FB&H, 2014).

If analyze the number of medical doctors employed in hospitals than we can conclude that in 2009 their number amounted to 1,980 and in 2013 that number increased to 2,270. The number of discharged patients in 2009 was 237,616 and in 2013 that number increased to 241,800. Within the same time period of five years 2009-2013 the number of hospital days was decreased from 2,059,977 in 2009 to 1,907,637 in 2013. By utilizing systematic check-ups in 2009, 70,000 of pre-school children were covered, and in 2012, 81,000. This number was sharply decreased by 8,000 in 2013, to a total of 72,000. In the time period 2009-2013 the number of physicians increased from 118,000 to 126,000. When we analyze school-aged children's preventive care, than, we can conclude that the number of physicians in period 2009-2013 decreased from 93, in 2009, to 74 in 2013. Within the same time period 31,000 school aged children were covered by systematic check-ups. If we analyze the reported cases of infectious diseases in a period 2009-2013 than we can see that their number was the largest in 2011, with 89,731 cases, while the lowest one was measured, two year before, in 2009 with 39,846. Among infectious disease a dominant place was taken by influenza, followed by varicellae, enterocollitis, TBC pulmonum (lung tuberculosis), H1N1 (new and more dangerous form of mutated influences) and scabies. In 2009, there were two recorded cases of AIDS and in 2013 than number increased to three cases (Institute of Statistics of FB&H, 2014). When we look at the period 2009-2013, we can conclude that the number of physicians increased from 4,268 in 2009 to 4,625 in 2013. In period 2009-2013 the number of dentists increased from 491 to 576 (Institute of Statistics of FB&H, 2014).

District Brcko Department of Health

According to the District Brčko Central's data, total health and social care expenditures in 2010, amounted to 49,848,357.000 BAM. These expenditures measure the largest amount in 2011, with 52,102,139.000 BAM. From 2011 on, the total expenditures on health and social care show a constant decreasing tendency, so that in the final statistical measuring year 2014, they came to be 39,326,457.000 BAM. In 2013, Health Care Department was separated from the Social Care department (with which represented one distinct Department from District's establishment in 2000. Health Care Department is under control of Brčko District's Assembly. It is important to note that from 2014 on, all inhabitants residing in District Brčko, 65 years old and older, have a legal right to obtain health care protection (Brčko District Central, 2015).

Table 7. Total funding for health and social benefits - District Brčko



Source: Brčko District Central, 2015.

Public health institute of Brčko District carry out all the activities on health maintenance. It supervises the health status of the population as a whole; by looking into: a.) the factors that affect the health of the population; b.) it performs planning, programming and evaluation of health care system through: a total registered infectious diseases, leading infectious diseases, lethality of infectious diseases, epidemics of infectious diseases, immunization, the total number of non-communicable diseases and the leading non-communicable diseases (Brčko District Central, 2015).

The general hospital Brčko provides the specialist polyclinic, diagnostic services and hospital health care at the secondary and tertiary level of the partly insured - residents of Brčko District and other users upon request (money orders) and in the case of emergencies. The lifelong learning and the application of new acquired knowledge and techniques is applied in the treatment process according to the available human and technical resources. It strives to find the most effective method of treatment in all specific cases. It cherishes respect for all moral and ethnic principles within the entire working process that sub-department deals with the permanent control of the overall work procedures and their outcomes (Brčko District B&H, 2015).

Conclusion

The Health Care system in Bosnia and Herzegovina, as all health care systems has its positive and negative aspects, along with elements and areas that need improvement. The highly fragmented structure of B&H, following 1995 Dayton Peace Accords, with 14 governments, provides the seeds for fragmentation rarely seen in any country in the world. On the positive side, some aspects of the family and other areas of primary medicine provide decent entry level, care with a relatively low cost. Introduction of cost saving and efficiency improving electronic medical records (EMRs) has spread in some major clinical centers and their clinics. On the other hand, the following negative aspects need to be addressed: the continued presence and growing number of uninsured, relatively low levels of innovation and innovation management, low levels of negotiation power, since Federation of B&H is split in ten cantons, each of which has its own Cantonal Ministry of health to negotiate the best purchasing prices for pharmaceutical drugs and agents, medical equipment, etc. The compensation of medical and health professionals is not sufficient in its basic packages, which forces them to work in their basic governement (public) and multiple private practices. This situation provides for lack of focus in research and practice and desire to move to other more developed countries. Medical and Health Faculties provide for the insuffcient number of new student entrants and are being plagued by poor and outdated curriculums and performance, low quality, wastefulness, moral-political fit and nepotism. Managers in B&H's health care institutions are largely not chosen on the basis of performance, like in other developed countries, but, unfortunately, on the basis of moral and political - party-membership fit. The situation in which, with each new election, which occurs every two or four years, the existing Board of Trustees and managers are replaced, regardless of their performance needs to be given serious attention of tax-paying public. Serious reforms are needed to improve the health care system in order to make it sustainable in the future for all of its stakeholders, patients – clients (as the economic service demand side), medical and health workers (as the economic service supply side) and managers of health care organizations as the supposed/designed protectors of both sides.

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Selmo Cikotić was born on January 25, 1964, in Berane, Montenegro, attended Military High school in Belgrade. Having graduated from former Yugoslav Military Academy in 1986 (air defense branch) he began his professional officer career, acting as a commander and teacher of reserve officer cadets at Air Defense School Center at Zadar. 1990/91 school year he completed English language school at JNA Foreign Languages School Center in Belgrade. During the war in Bosnia and Herzegovina he performed different military assignments, including the duty of a battalion commander, operational group (division size) commander and the corps chief of staff. He, also, acted as a liaison officer of BH Supreme Command with UNPROFOR Command in Sarajevo, for three months, during the first year of the war. From December 1994 until June of 1997, he served as the Defense Attaché of Bosnia and Herzegovina to The USA, in Washington DC, where he participated at Dayton peace talks, as a military representative of Bosnia and Herzegovina within the state delegation. Afterwards, from August 1997, till January 1999, he worked as the Chief of Doctrine, Education and Training Division of B&H Federation Military. Then, he was assigned as the Chief of personal staff of B&H Federation Deputy Defense Minister. From April until November 2000 he acted as the 1st corps of Federation Military Deputy Commander and then as a Commander of the same corps, from November 2000 until April 2004, when he retired from military service with the rank of brigadier. In the aftermath of his military career he worked for three years in a private construction company OKI Sarajevo as CEO. From April 22 2007 up to March 05 2012 he was assigned to the position of the Defense Minister of Bosnia and Herzegovina. From 2000 he attended Postgraduate studies at The Sarajevo University Faculty of Political Sciences and earned degree of Master of Science in security and defense. The title of his theses was: „Possibilities of Transfer of Compatible Solutions from USA Security System to the Security System of B&H“. He defended his PhD theses under the title: “Security Prospects of Bosnia and Herzegovina” in July 2008. In May 2009 he was elected Docent for Politics and Strategies of National Security at Faculty of Political Sciences at Sarajevo University. He published a number of articles, translated a lot of military field manuals and studies, from English to Bosnian. His two books, “The USA – BIH, Possible

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Azra Branković has lived in many countries, working for international companies, international organizations, the government sector and universities. She is currently engaged by the International University of Sarajevo, Bosnia and Herzegovina at the Department of International Business and Finance as a Program coordinator. Her many years of academic experience include the University of Sarajevo, Department of Economics and Business; the Athens University of Economics and Business, Athens, Greece; the University Bocconi, Milan, Italy; the Academy of Economics, Krakow, Poland and the International Burch University, Sarajevo. Azra's professional career also includes work for the Italian company Ferrero as International Manager, where she was in charge of developing business in Poland. Further, she was engaged by the Organization for Security and Cooperation in Europe as the Chief of Supply, and by the government of Mecklenburg County, North Carolina, USA. Azra has been living in Bosnia and Herzegovina for the last 11 years, working with the Parliamentary Assembly as Head of the Research Center, and for the Council of Ministers as Expert Adviser for public administration reforms. In addition, Azra has been a member of several Steering Boards on EU projects in the fields of public finance and public procurement as well as EU Subcommittee for trade, industry, customs and taxes and EU subcommittee for economic and financial matters.

Ognjen Riđić in June of 2002, at Naugatuck Valley Community College (NVCC), City of Waterbury, State of Connecticut, USA, he earned Associate in Science Degree (A.S.), majoring in Business Finance, as Cum Laude Honors student. In Fall of 2002, Mr. Riđić enrolled at University of Connecticut (UCONN) School of Business Administration (SBA) majoring in Business Finance. In May of 2003, Mr. Riđić became UCONN Alumni scholar. In August of 2004, he earned Bachelors of Science (B.S.) degree majoring in Business Finance. In May of 2010, he earned Masters of Science degree (M.S.) in Management and Leadership at Albertus Magnus College, New Haven and East Hartford, Connecticut, USA with 3.79 CGPA. In November, 2013, Mr. Riđić earned his Ph.D. degree at Economic Faculty, University of Zenica. Currently, Assist. Prof. Dr. Ognjen Riđić is Management program coordinator at Faculty of Business Administration (FBA), IUS. Since 2010, Dr. Riđić had published 37 academic publications, among them 5 book chapters as co-author, presentations at 8 international scientific conferences and publications in 22 peer-reviewed academic journals with a present cumulative Research Gate (RG) score of 7.85.

Goran Riđić completed Trinity College, Hartford, CT, USA as Bachelor of Arts (B.A.) in Economics with Honors. Dr. Riđić enrolled at University of Connecticut (UCONN), School of Business Administration (SBA), Hartford, CT, USA, where he earned a title of Master of Business Administration (MBA) majoring in Finance. Until September, 2011, Dr. Goran Riđić lived and worked in Connecticut, U.S.A., working for various employers: The Hartford Insurance Inc.,Hartford, CT - Complex Claims Group, United Technologies Corporation, Pratt & Whitney (P&W), East Hartford, CT, USA. In August of 2011, at the age of 32, Mr. Goran Riđić completed his doctoral studies at Northeastern University, Boston, Massachusetts, USA, majoring in Public Policy and Law, with Dissertation title: “Defensive medicine and medical malpractice in Connecticut”.From September, 2011 until February, 2014, Dr. Riđić worked as an Assistant Professor in Economics department – University Sarajevo School of Science and Technology (SSST). Dr. Goran Riđić has the extensive experience as Senior Policy Analyst on USAID Project of Fiscal Reform in Bosnia and Herzegovina – with Finit consulting. As far as the academic publishing is concerned, Assist. Prof. Dr. Goran Riđić has published 15 academic articles at peer-reviewed journals and international conference levels,was co-author in three book chapters with a present cumulative Research Gate (RG) score of 5.09.

Tomislav Jukić completed Primary and Secondary Dental School in 1980, in Ljubljana. In 1985, Mr. Tomislav enrolled at the Faculty of Dentistry, in Sarajevo, where he graduated in 1990. In 1991 he passed the State exam. Since 1983, Tomislav has been working as a Senior Advisor in the Medical trade for foreign companies in Eastern Europe. In 2010, he defended his doctoral dissertation with a topic: „The effect of the tumor on the immune reactivity of the organism - the role of regulatory T lymphocytes“, which was recognized at the Ministry of Higher Education and Science of the Republic of Slovenia.In 2010, he was appointed as a Senior Assistant at the Department for Internal Medicine, History of Medicine and Medical Ethics, Medical Faculty – University Josip Juraj Štrossmayer in Osijek, Croatia. In 2012, Dr. Jukić was appointed as a Research Associate of the National Science Council of the Republic of Croatia. In 2013, he was elected as Assistant Professor at the Department of Internal Medicine, History of Medicine and Medical Ethics, Medical Faculty – University Josip Juraj Štrossmayer, where he holds classes, and introduces lectures and exercises in propedeutics dental system. In 2013, Assist. Prof. Dr. Jukić was appointed as Vice Regent of International Collage of Dentistry-ICD Europa D-14. As far as the academic publishing is concerned, Assist. Prof. Dr. Tomislav Jukić has so far published 18 academic articles at peer-reviewed journals and international conference levels,was co-author of numerous book chapters with a present cumulative Research Gate (RG) score of 11.55.

Edita Đapo earned her Bachelors of Arts (B.A.) degree from the Economic Faculty, University of Sarajevo in 1996. She continued her graduate studies in Japan, where she earned Masters of Arts (M.A.) in Economics from Tohoku University, Japan in 2002. From 2002 till 2007, Mrs. Đapo pursued her post-graduate studies in Economics, where she earned her doctorate degree in Economics in 2007 at Tohoku University, Japan. In 2008, After earning Ph.D. in Economics, Dr. Đapo worked as Research associate as part of the Graduate program on Frontier Environmental studies. Following that she became the lecturer and Assist. Prof. Dr. at Faculty of Business Administration (FBA) in Economics and International Business and Finance from 2008 till October 2015. Dr. Đapo held the important public functions, such as Expert associate at Bosnia and Herzegovina's (B&H) Ministry of Foreign Affairs (1999-2006), Deputy Minister at Ministry of Finance and Treasury (B&H) from 2012 till 2014 and Federation of B&H entity's Minister of Environment and Tourism from October, 2015 till present time.

Amer Bukvic, received his Bachelor's degree from the International Islamic University (IIUM) in Kuala Lumpur and his Master's degree from the International University of Japan. He began his banking career working for the Islamic Development Bank, Saudi Arabia. Since 2006 he serves as a CEO of BBI bank, Sarajevo. He serves as a Vice Chairman and a board member of several companies in Bosnia and Herzegovina and Albania, and as a board member of multiple universities in Southeast Europe and United Kingdom. He is a member of steering committees of several regional and international business summits. Mr.Bukvic taught and gave lectures at various universities in the region, Saudi Arabia and South Africa. He participated, as a keynote speaker, at many international business conferences and forums. He co-founded the Sarajevo Business Forum (SBF), the largest investment conference in Southeast Europe. He received numerous prestigious awards including : "Jewels of Muslim World Award 2015" – OIC TODAY Magazine Malaysia, „Best Banking CEO B&H 2014" - Global Banking & Finance Review U.K., "The Best Entrepreneur and Leader in 2014" - Prince Abdulaziz bin Abdullah International Prize for Entrepreneurs Kingdom of Saudi Arabia, "Best manager in Banking sector of Bosnia and Herzegovina 2013" – Perdana Leadership Foundation Malaysia, Charter of International League of Humanists "Aurelio Peccei" - International League of Humanists, 'Medallion of the City of Sarajevo'.

Emir Hadžikadunić obtained postgraduate degree in Human Rights and Democracy (Interdisciplinary regional program at University of Sarajevo / University of Bologna) and undergraduate degree in Communication at International Islamic University, Malaysia. He is now PhD candidate in the program of International relations at the International University of Sarajevo. He wrote two books (*Od Dejtona do Brisela* in 2005, and *Zašto Iran* in 2013), a number of book chapters and articles in academic journals and media outlets on European integration, foreign policy and political culture. He served as the Secretary General at the International University of Sarajevo for 6 years. He also served for Bosnian government in the Directorate / Ministry for European Integration and Ministry of Foreign Affairs for 9 years. He is currently serving as Bosnian Ambassador to Malaysia.

Elma Agić Šabeta completed her master's thesis in structured capital market products with JP Morgan London/Frankfurt. Her MBA was obtained from the European School of Business, University of Reutlingen in Germany. Since 2002 she has held various leading positions in the accounting/controlling divisions of HVB bank, Unicredit Group and BBI bank in Sarajevo. She has been engaged as a lecturer in Money and Banking at the Sarajevo School of Science and Technology and guest lecturer at the University of Sarajevo. Currently, she heads Project Management Office at BBI bank in Sarajevo. In 2015 she received her PhD in Finance from the Faculty of Economics, University of Sarajevo. She received scholarhips from Konard Adenauer Fundation, D.A.A.D., The Fund for American studies. She published articles in academic journals/conferences and business conferences. Her main research interests include financial markets, asset management, risk management, risk modeling, life insurance, and banking.

Velid Draganović graduated at Faculty of Gheodesy, University of Zagreb 1992. His Master studies he pursued in Malaysia at International Islamic University Malaysia, where he obtained degree in Islamic Revealed Knowledge and Human Sciences in year 2000. Mr.Velid Draganović was employed in NGO sector in Switzerland being attached to Bosnian Islamic Community in St. Gallen in period 2001-2008. From 2009 he continued his education and volunteered at International University of Sarajevo. He has been appointed at position of Senior Assistant at the Department of Social and Political Sciences at IUS in 2011. He was and still is involved in several domestic and international research projects. Currently, he is a PhD candidate in a field of Social and Political Sciences at IUS. He is nature lover, passionate hiker and certified mountain guide.

Šejma Malanović- Adilović is MA student of International and Public Relations at IUS Sarajevo. She holds a bachelor degree in International Affairs from Qatar University, where she was awarded Academic Excellence Medal at graduation (2014). She also fluently speaks Slovenian and colloquial Arabic. She volunteered for Arab Museum of Modern Art in Doha, participated in ROTA (Reach Out To Asia) 4th Annual Youth Conference and in Model Organization of Islamic Conference (OIC) held by Qatar University; volunteered for United Nations COP 18 Conference and was part of student exchange trip with Qatar University to William Peace University in Raleigh, NC- USA. She also twice represented Bosnia & Herzegovina in Qatar University Cultural Village event.

Nerkez Opacin is a lecturer and Summer Schools Coordinator at the International University of Sarajevo. His research areas include conflict analysis and resolution, peace studies, peace education, dealing with the past, inter-ethnic reconciliation, transitional justice and international relations.

Azra Bičo is Senior Assistant at International University of Sarajevo at department of Economics. Her research and teaching interest is in Macroeconomics and Labor Economics with focus on Gender studies.

Belma Riđić completed Faculty of Health Studies, University of Sarajevo, in July of 2012, as Medical – Laboratory diagnostics engineer. Mrs. Belma completed her Master studies in May, 2015, as Master of Biology, from Natural– Mathematical Faculty, University of Sarajevo.

Amra Habibović was born in Ljubovija, Serbia on April 18, 1992. She graduated from The first Bosniak High School in 2010. She attended Cambridge International School and earned an IGCSE diploma. In June ,2014, Ms. Amra earned Bachelors of Arts (B.A.) in Management degree from International University of Sarajevo (IUS) with a title of High honors student. Currently, Ms. Habibović is working at the World Bank: Bosnia and Herzegovina and Montenegro’s Country Office. Parallel with her professional engagement she is at the same time pursuing her Master in

Business Administration (MBA) degree at the International University of Sarajevo (IUS), Faculty of Business Administration (FBA).

Lejla Ramič-Mesihovič is a researcher, analyst and political scientist from Sarajevo, Bosnia and Herzegovina. Her academic background is in literature of countries of former Yugoslavia and political sciences, with particular focus on international relations. She is specialized in geopolitics of the Southern Balkans countries. Her professional history includes agency journalism, running of International Relations Department of the BiH Union of Journalist, political activism and activism in the NGO sector and political mentoring, advising and consultancy. Currently, she is a PhD candidate at the International University of Sarajevo.

Emil Knezović was born on May 1, 1988 in Sarajevo. In 2007, he finished his high school in his hometown Visoko. He received his BA degree in Management at International University of Sarajevo in June of 2011. During his undergraduate studies, he was student assistant for two years at International University of Sarajevo. Emil Knezovic completed his MA in Management in 2012 at International Burch University, after which he entered his PhD studies in Management at International University of Sarajevo. His professional career was built in companies such as BBI Real Estate and Bosnian Transport Servis. Until now, Emil Knezovic was author of one book, one book chapter, one journal paper and several conference proceedings papers.