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Investing in Bosnia and Herzegovina • It's better than another war: a beginner's guide to Bosnian politics
The search for talent: Bosnia's ICT scene • Embracing the seeds of change in Bosnia and Herzegovina



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ISSN 2399-7605

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Investing in Bosnia and Herzegovina

Emanuel Salinas, World Bank country manager for Bosnia and Herzegovina (BiH) and Montenegro, and Ian Brown, head of the European Bank for Reconstruction and Development's (EBRD) office in BiH, speak to Andrew Wrobel about the country's challenges and opportunities.

WORDS ANDREW WROBEL

In 2018, the economy of Bosnia and Herzegovina grew by three per cent, according to Focus Economics.

“Our current projection is that real GDP growth will be 3.5 per cent in 2019, with public investment being an important driver of growth,” says the EBRD’s Mr Brown. “However, risks are tilted to the downside in light of possible delays in forming new governments, as well as a potential slowdown in the wider European economy.”

The World Bank’s forecast is around 3.4 per cent. “From the outset this doesn’t seem to be a bad proportion, but we have two main concerns in this regard,” Mr Salinas tells *Emerging Europe*. “The first that economic growth has been to a large extent driven by construction, consumption and public sector spending. These are not sustainable sources of growth and they do not necessarily create the more and better jobs that the people in BiH aspire to have, especially the youth.”

Internal vs external challenges

The World Bank says that the key economic challenge for Bosnia and Herzegovina is the imbalance of its economic model: public policies and incentives are skewed towards the public rather than the private sector, consumption rather than investment, and imports rather than exports.

“These ‘rebalancings’ are critical for the country going forward,” says the World Bank’s Mr Salinas. “Having an economy that is inward looking, based on consumption and where the government is one of the largest sources of jobs is not sustainable and will likely not be the basis for a modern and competitive BiH.”

The EBRD agrees with the analysis. “Conditions for doing business in Bosnia remain difficult, as shown by the country’s persistently low ranking in the World Bank’s annual Doing Business report. Private investment will be difficult to mobilise unless there are substantial improvements to the business environment,” Mr Brown says.

Mr Salinas sees all three shifts as equally challenging and they will require strong commitment and leadership by BiH’s authorities. BiH needs to unleash the potential of the private sector while at the same time reducing the footprint of the very large and inefficient public sector. There needs to be a shift towards a business environment that supports both vibrant small- and medium-sized enterprises and the growth of larger companies. Despite improvements, BiH’s private sector still struggles with a non-conducive business environment, high labour taxes and inflexible labour market policies,” he adds.

The World Bank estimates that at this rate of growth, it would take BiH more than 50 years to reach the level of livelihood that we observe now in EU.

“Altogether, this means that economic growth is not sufficiently high and is not necessarily sustainable and inclusive. We are firmly convinced that BiH has an enormous untapped potential for growth. Unleashing that potential will require concerted action from the government to address the obstacles that are hampering the country’s development,” Mr Salinas adds.

“We have long argued that Bosnia’s prosperity is being held back by the complex internal political structure and the slow





pace of reforms, but external conditions are also important, given Bosnia's growing integration into the wider regional and global economy," Mr Brown says.

Improvements for people's sake

In the World Bank's Doing Business Report 2019, Bosnia and Herzegovina is ranked 89th, three notches lower than in 2018.

"To be fair, this doesn't necessarily mean that the business environment has become more challenging," Mr Salinas explains. "What it means is that during these years governments in many countries have understood that they simply cannot afford to have a bad business environment and have taken decisive actions to address the obstacles that companies face. Unfortunately, that has not been the case in BiH. This is bad as it sends a very negative signal to the local in foreign investors as per the commitment of the authorities to make BiH a good place to invest."

For the EBRD's Mr Brown, the main priority is to reduce the complex burden imposed on companies and make it easier to do business. "Progress on privatisation would also help — in the Federation there has been much talk on trying to find buyers for some of the larger SOEs, but very little action," he says.

According to the World Bank much can be done by authorities to improve the economic performance of the country and strengthen resilience to global shocks.

"This includes moving ahead with the reforms that have been identified as necessary to enhance macroeconomic sustainability. It also includes taking decisive action to improve the business environment, which is critical to enable new domestic firms to be created, existing firms to grow, and foreign investors to consider BiH as a desirable investment destination," Mr Salinas says.

"The people of BiH are the most valuable resource that the country has, but unfortunately shortcomings in health and education mean that people in BiH, on average, will only get to reach 60 per cent of their

productive potential over their lifetime. Losing 40 per cent of the productivity of the people in BiH is a major loss for the whole country and its potential to grow and is just one of the many factors that are fully within the hands of the government to resolve. We are terribly sad to see so many talented people leave the country in search of the opportunities that they cannot find here. We hope that the new government will awake to this challenge and take decisive actions to make it easier to do business in BiH,” Mr Salinas adds.

Opportunities awaiting investors

And, for the EBRD, BiH’s economy has plenty of potential to develop in areas such as energy, agribusiness and tourism, to name a few sectors. “Then improving internal and cross-border infrastructure, to which the EBRD is contributing in a major way, is helping to integrate Bosnia further into regional and global markets and supply chains,” Mr Brown says.

“As a small, open economy, BiH has many opportunities – its proximity to the EU; a well-educated labour force, and export potential in both goods and services. Once the distortions to private sector development are removed, BiH has export opportunities in

a number of sectors, including wood processing, metal and automotive industries, tourism and information technologies. Agriculture is also a sector with strong potential, but the key will be moving from small-scale and subsistence agriculture to a sector that can be competitive in an international arena,” Mr Salinas tells *Emerging Europe*.

As of now, a very large proportion of BiH’s exports are raw materials and low-added value manufacturing. Many companies have outdated technologies and production processes, which limits their productivity and competitiveness. This also means that they cannot be the source of the better-paid jobs that people aspire to have. Going forward it will be important to put in place decisive actions to support the development of private enterprises.

An EU accession could speed up reforms. Following the general elections in October 2018, Bosnia and Herzegovina now needs to submit swiftly all the replies to the questionnaire for the European Commission in order to finalise its opinion on the country’s EU membership application.

“We are convinced that EU accession is a critical path for the development of BiH,” says the World Bank’s Mr Salinas. “Time and time again we have seen that EU membership helps countries

to converge faster to higher levels of income per capita both during accession and after becoming a member of the EU. Likewise, we expect that for BiH, the EU accession will help economic growth, including by creating urgency on implementation of the reforms needed.”

The IFIs’ plans

In the meantime, both the World Bank and the EBRD continue their operations in Bosnia and Herzegovina. The first organisation has invested two billion euros in more than 120 projects, the latter — almost 2.3 billion euros in 156 projects.

“At the present time we are providing financing of around 446 million euro for projects that include improving roads and railways; reducing the risk of floods; improving irrigation; protecting and using forestry responsibly; supporting employment; refurbishing schools and hospitals; improving water supply and sanitation; improving management of solid waste; to name just a few areas,” Mr Salinas says.

“The EBRD will continue to invest in major infrastructure projects, including the key Corridor Vc motorway project that links BiH with EU markets,” Mr Brown says. “In February last year we signed an MoU with the authorities in BiH with a plan to invest up to EUR 700 million over the next several years in this project, and this plan is well underway to be realised.”

In May 2019, the EBRD is organising its Annual Meeting in BiH’s capital, Sarajevo.

“We see the Annual Meeting not only as an event for Bosnia and Herzegovina, but also as an event that can showcase the whole interconnected Western Balkans region. EBRD is working intensively to promote regional economic integration in the Western Balkans, and having our Annual Meeting in Sarajevo is a great way both to show the progress made in this, and to promote the region as an investment destination,” Mr Browns concludes. ▲



Ian Brown heads EBRD office for BiH



It's better than another war: a beginner's guide to Bosnian politics

Bosnia has the world's most complicated system of government: a gerrymandered mess overseen by an unelected mandarin. While it pleases almost nobody, the system has helped keep the peace since the end of the Bosnian War. It has also, however, stifled the development of genuine democracy. Craig Turp tries to explain how it works.

WORDS CRAIG TURP

Grab a notepad, a pen, and stock up on patience. Few countries on earth have a political structure as complex as Bosnia and Herzegovina (BiH). Ostensibly one country split into two entities, myriads of autonomous regions and ethnic divisions have led to the creation of endless layers of government which, even with a great deal of goodwill, would make running the country difficult. In the Balkans alas, goodwill is often in short supply, and Bosnia is no exception. As such, the country at times appears to be ungovernable. No wonder some commentators have compared it to a failed state. The country's latest round of elections, held at the beginning of October 2018, were predictably inconclusive, voters – as usual – electing politicians on purely ethnic criteria. Almost four months on, the country has yet to form a new government.

"Bosnia's political instability should be a cause for concern for both the European Union and NATO," says Damir Kurtagic, a Europe Fellow at Young Professionals in Foreign Policy. "As the most ethnically diverse country in the Western Balkans, Bosnia's institutional strength is pivotal to deterring the influence of outside powers such as Turkey and Russia."

Blame Dayton

The current morass is the direct result of the Dayton Agreement, which ended the 1992-95 Bosnian War. The agreement set out to create a multi-ethnic state within Bosnia's existing borders in which the country's three major ethnic groups (Croats, Serbs and Bosnian Muslims – usually referred to

as Bosniaks) would each have a guaranteed share of power.

Bosnia and Herzegovina's head of state is nominally the country's president, elected by universal suffrage for a four-year term. However, the country has not one, but three presidents – a collective, each representing the three ethnic groups which make up the country's population. Each of the three serves for eight months at a time on a rotating basis during the four years of the presidency, meaning that each of the three will spend a total of 16 months in office over the course of the four years (two eight-month terms). In last year's elections, Bosniak voters returned Šefik Džaferović as their member of the presidency, Croats opted for Željko Komšić. The Serbs put Milorad Dodik, who openly calls for the unification of the Serb-dominated entity, the Republika Srpska, with Serbia, into office.

While the presidency sets Bosnia's foreign policy agenda (it also proposes the state budget and has control of the military), executive power at country-wide level is the responsibility of the Council of Ministers, headed by a chairman (the de facto prime minister) chosen by the presidency. One third of the council's ministers must be from the Republika Srpska.

The Bosnian parliament is split into two chambers, the house of representatives and the house of peoples. Members of both houses are elected for four-year terms, with seats split equally between the three ethnic groups.

Day-to-day government in Bosnia however is generally left to the two separate entities which make up the country: the Federation of Bosnia and

Herzegovina (populated primarily by Bosniaks and Croats) and the Republika Srpska (predominantly Serb). The Federation has its own president, bicameral parliament, and is itself split into 10 autonomous provinces with their own governments and assemblies.

The Republika Srpska also has its own president, assembly and government. Parliaments in both entities have jurisdiction over policing, education, agriculture, healthcare, labour policy and internal affairs. At both state and entity level, parliaments are obliged to ensure that all legislation is acceptable to all ethnic groups.

If that were not complicated enough already, the eastern province of Brčko is a multicultural district of the country which falls inside the territory of both the Federation and the Republika Srpska, and is administered jointly by both entities.

Within the system are a number of fault lines, created by those in the Republika Srpska who long for an independent state (or, like Mr Dodik, unification with Serbia), Croats in the Federation who would like their own entity, and Bosniaks who would like the country to be more centralised.

High representative

Overseeing the whole political process – with the authority to dismiss any Bosnian official, elected or otherwise – is the High Representative for Bosnia and Herzegovina (OHR), a post created in 1995 immediately after the signing of the Dayton Agreement. The high representative is appointed by the 55 countries and organisations which make up the Peace Implementation Council (PIC), the international body charged with implementing Dayton. The current high representative is an Austrian, Valentin Inzko, appointed in 2009. He is the longest-serving high representative, and many in Bosnia hope that he will be the last.

"The current structural issue with the OHR is that its actions are rooted

in a degree of political consensus on the PIC which once existed but no longer does," says Jasmin Mujanović, a political scientist and analyst of southeast European and international affairs. "In other words, the issue with the OHR is the lack of political will for more meaningful engagement in European capitals, rather than the institution as such."

The Economist Intelligence Unit's latest Democracy Index categorises Bosnia as a hybrid regime, ranked 101st globally: slightly more democratic than Belarus, but less democratic than Kyrgyzstan. While the country scores relatively high in the areas of electoral process (not without flaws, but generally free) and political participation, it performs (unsurprisingly) poorly when it comes to functioning of government.

"Granted, the OHR may appear nominally incompatible with idealised democratic processes, but BiH is not an ideal democratic polity, in no so small part because of the Dayton constitution which has so fatally undermined just such politics, to the advantage of entrenched, corrupt, ethno-nationalist elites of various stripes," Mr Mujanović tells *Emerging Europe*.

The European dream, the Turkish nightmare

The European Union's vague promises of eventual membership (as well as vast amounts of financial support) have for a number of years done much to prevent the total collapse of Bosnia and Herzegovina.

However, in its Western Balkans Strategy, published in 2018, the European Commission's promises were more vague than ever. No date was given for the beginning of accession talks (indeed, Bosnia has yet to be invited to formally apply for EU membership) and the best the commission could offer was a fiercely non-committal statement that suggested the country could eventually become a candidate for accession "with sustained effort and engagement."

No wonder then, that a number of Bosnians are having their heads turned by alternatives to the EU, notably Turkey and Russia.

Turkish President Recep Erdogan has not been slow to spot an opportunity. He held a rally in Sarajevo in May 2018, and was welcomed by Bakir Izetbegovic, the then Bosnian Muslim chairman of the tripartite presidency, with the words: "God has sent [our] nations one person to return them to their religion. He is Recep Tayyip Erdogan. We remain standing with God's help." A leader of diaspora Turks hailed Sarajevo as "Jerusalem at the heart of Europe".

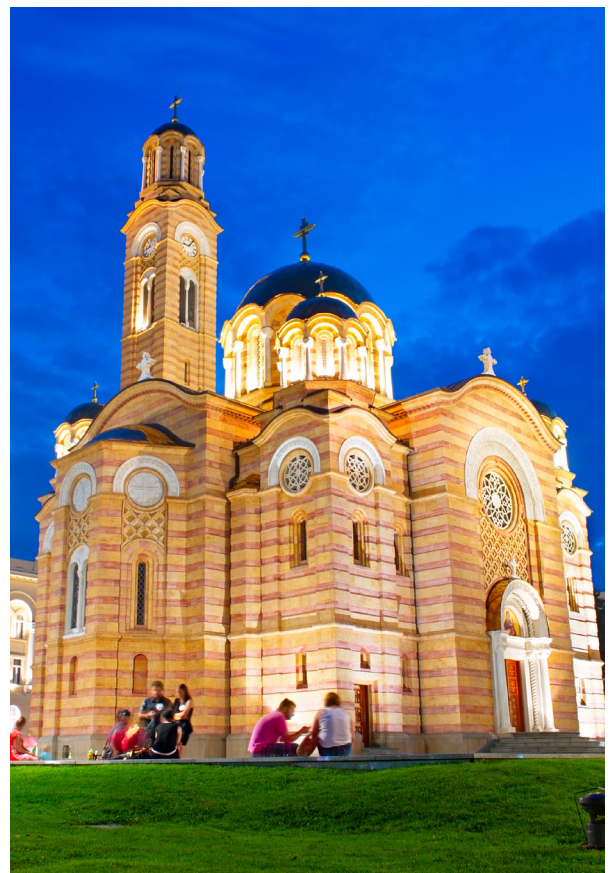
"For Erdogan, the Balkans is the region that can put him in a position to realise his political goal of reviving some semblance of the Ottoman Empire while undermining the EU's influence in these countries," says Alon Ben-Meir, a professor of international relations at the Centre for Global Affairs at NYU.

European leaders have already been voicing concerns over Turkey's influence in the Balkans. Last year French President Emmanuel Macron declared: "I don't want a Balkans that turns toward Turkey or Russia". It may be too late, although NATO membership – on the table, if not widely expected any time soon – could ease some of the pain.

"Bosnian Muslims have lost their hopes that their trinitarian state will become an EU member," says Xhemal Ahmeti, a historian and expert on the Balkans. "Paradoxically, though, while the Bosnians Muslims seek Erdogan's protection from the Orthodox (Serbs and Russians), Erdogan's close allies are Putin and [Serbia's president] Vucic."

"BiH's future progress is largely dependent on two dynamics coming together: bottom-up, civil society pressure, in particular for reform, and international support for such efforts," concludes Jasmin Mujanović. "BiH's recently reactivated NATO accession path is one concrete objective both locals and internationals can fruitfully work towards. But whether that happens is, as ever, a matter of political will."

The election of Mr Dodik in the Republika Srpska – who opposes NATO membership and who has the power to veto it - suggests that political will may not be forthcoming anytime soon. ▲



The search for talent: Bosnia's ICT scene

With the vast majority of countries in emerging Europe continuing to develop and grow as ICT hubs, Bosnia and Herzegovina (BiH) should in theory be no different. However, BiH currently appears to be lagging behind neighbouring countries and the region, and one of the primary reasons for that is access to talent.

WORDS SHAKHIL SHAH

“**Y**es, the truth is that we are lagging behind the region when it comes to the input the ICT sector has in GDP,” Gordan Milinić, head of the Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA), tells *Emerging Europe*.

The World Economic Forum ranked BiH 135th out of 137 countries in its Global Competitiveness Report for capacity to retain talent, and there are some clear reasons why.

“There are two reasons people are leaving the country,” Edin Deljković, president of Bit Alliance, an organisation that aims to develop

the IT industry in BiH, tells *Emerging Europe*. “First, people who don’t have a prosperous job are going to EU countries to seek better opportunities, and second, those who already have good jobs in Bosnia are leaving in order to have a better quality of life in Germany or somewhere similar. They are starting to have families, they seek cities with better weather, air quality, better social security and health services.”

According to FIPA, the future of the ICT sector in BiH is dependent on three strategic objectives: Restructuring of the education system; Improving

the business environment for the support of IT sector development through the establishment of an IT development council, changes to legislation, the establishment of funds and finding ways to implement a wide range of tax incentives or subsidising certain activities; The establishment and construction of Technology Park Sarajevo which will include flexible and functional premises for the needs of IT companies combined with space for the IT faculty and an area for IT research and development that can also integrate the function of a modern innovative IT accelerator.



Education

Bosnia's educational and upskilling infrastructure is poor. "One of our biggest challenges is the existing educational institutions that are educating personnel for the IT sector in BiH," says Mr Milinić. "The structure, current enrolment quotas, educational curriculums, profiles of teaching staff and the fact that there is only one specialised IT educational institution are limiting factors for the further development of the IT sector."

According to Mr Milinić, there needs to be a systematic and comprehensive change in both quantitative and qualitative terms.

"It is evident that we need to significantly increase the level of knowledge and competencies of teachers, as well as a need for modernisation of the existing curriculums, such as establishing mechanisms to adapt curriculums to dynamic development and technology trends. This requires direct and systematically organised cooperation between IT industries/ companies and educational institutions, so that in the future graduates will be equipped with the practical knowledge required for a job in the IT industry," Mr Milinić adds.

Upskilling and adapting the education system is one step in the right direction, however there is a need to dig deeper and increase the number of places available in universities or colleges as well as including IT in the education structure from an earlier age.

"A study carried out in BiH has proposed the establishment of at least two vocational secondary schools (or restructuring two existing schools), the establishment of an IT faculty as a part of the University of Sarajevo and incorporation and attraction of private educational institutions into IT education through a system of subsidies related to employment of their graduates in the IT sector," Mr Milinić explains.

Business environment

The total number of IT engineers in BiH is currently relatively low, for a country with a population of almost four million.



"At present, we have over 2,000 specialists working in software development directly, although this does not include big ICT companies like telecoms," Mr Deljković adds.

"The number of IT professionals is well below the needs that can ensure the continuity of the existing level of business. In addition to the Information Technology Department at the Faculty of Electrical Engineering in Sarajevo, the Economic Faculty and IT-oriented courses at the Faculty of Natural Sciences, currently in BiH, there is only one Faculty of Information at public universities (the Faculty of Information Technologies at the Džemal Bijedić University in Mostar). At two accredited private universities in Canton Sarajevo (Sarajevo School of Science and Technology and International University of Sarajevo) there are study directions for IT where between 15 and 25 IT specialists graduate each year," adds Mr Milinić.

Based on information gathered from Bit Alliance and FIPA, there are only about 400 ICT companies in BiH, and of those only 10 per cent are medium and large enterprises.

This, Mr Deljković believes, "offers a lot potential to foreign investors," as the market is not saturated when it comes to companies operating in the sector.

While the head of Bit Alliance is positive about the future of the sector in BiH, it would seem as though FIPA have a bleaker view, if change does not happen.

"Major foreign direct investment in the IT sector is difficult to foresee at the moment, as such investments are directly determined by two elementary conditions: the size of the local market and the available resources. Namely, the basic resource for the development of the IT sector is the available of talent. Unfortunately, in BiH there is not enough talent for the existing companies, nor is the quality of their education sufficient for the requirements of the turbulent IT market," adds Mr Milinić.

In addition to the lack of talent, the existing legal framework offers no adequate legislation to regulate in detail the specifics of the IT sector (custom regulations, the codes of the activity, the profile of the occupation) nor any incentives or support measures for development.

"It will be difficult to maintain long-term international competitiveness since most developing countries, as well as neighbouring countries, have been intensively supporting the development of their own IT sector with a broad spectrum of incentives," concludes Mr Milinić. ▲

Energy: A balancing act

As Bosnia looks to phase-out coal and move towards hydropower, environmental groups are concerned at the impact on the delicate Balkan ecosystem.

WORDS CLAUDIA PATRICOLO

The energy sector is one of the most powerful economic areas of Bosnia and Herzegovina (BiH) with a long tradition and huge potential, and many possibilities for further development and investment.

Thanks to coal, Bosnia and Herzegovina is largely energy-independent, as coal accounts for over 65 per cent of its total primary energy consumption. The country also has a huge hydro potential of 6,000 MW but does not currently make use of its full potential.

“The power generation mix in Bosnia at the moment is approximately 40 per cent from hydropower plants (HPP), and 60 per cent from thermal power plants (TPP; based on local coal and lignite). A small percentage comes from renewables (RES-E),” Mirza Kušljugić, a professor at the Faculty of Electrical Engineering at the University of Tuzla tells *Emerging Europe*.

Considering the goals of the European 2020 Strategy and the new framework strategy for 2018-2035, investors have recently expressed great interest in investing in the production of electricity from renewable sources. But with foreign interest growing, many concerns have been raised by the local population worried about the destruction of the landscape.

Closer to the EU

“BiH has just started working on an integrated National Energy and Climate Plan (NECP) for the period 2021-2030 (with the long term goal of de-carbonisation until 2050) in order to align with EU energy and climate policies,” Professor Kušljugić explains.

Last year, Bosnia’s central government also adopted a long-term energy strategy after years of political wrangling between its

two entities, paving the way for major funding from the European Union and other investors.

“We have now completed the adoption of a package of the four most important strategies for economic reforms,” said Bosnia’s Prime Minister Denis Zvizdic.

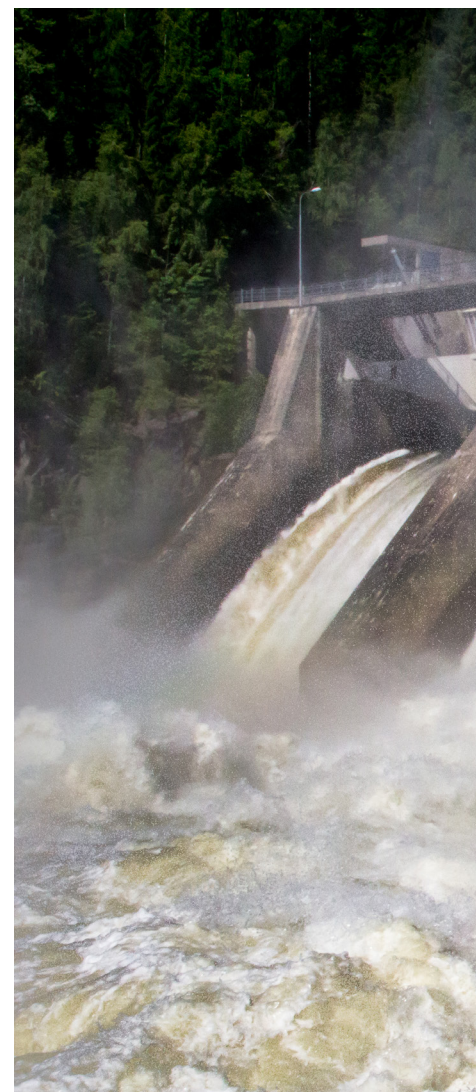
“We halted a negative trend that meant we could not apply for energy projects and lost hundreds of millions of euros of investments and grants.”

The framework strategy, drafted under EU sponsorship and designed to secure electricity supply and a transition to green energy, anticipated an investment of about nine billion Bosnian marka (4.6 billion euros), expecting to indirectly help increase employment, reduce public debt, and improve competitiveness in Bosnia.

“But Bosnia still needs to change its regulations to meet terms set by the European Energy Community,” Mr Sarovic added.

“In my opinion preparation of NECP will be a beginning of the shift towards the RES-E. However substantial reforms of electricity markets and elimination of political, administrative and financial barriers to RES-E development should be implemented,” agrees Professor Kušljugić.

“It is planned that in 2019 national targets for GHG emissions reduction, improvement of energy efficiency and the increase of RES share in gross final energy consumption for the members of the Energy community will be adopted. The approved targets will be a guiding indicator for the development of the energy sector in BiH. In general, my expectation is that in the next five to eight years the share of electricity production from coal TPP will decrease and



production from WPP and PV will increase. The main challenge to the de-carbonisation process at the moment comes from the issues related to the political economy aspect of clean energy transition. Phasing out coal will be a special challenge due to the negative social consequences of the process,” he adds.

Hydropower

Unlike its Balkan neighbours, which rely on imports to meet much of their energy demand, Bosnia is able to export power thanks partly to its hydropower capacity, which provides 40 per cent of its electricity.

Last year the construction began on a new CHE Vrilo hydropower plant in Tomislavgrad, while state hydropower producer Hidroelektrane na Trebisnjici (HET) plans to make investments worth 18.64 million



marka (9.5 million euro) in 2019.

“By setting this stone foundation for the construction of CHE Vrilo we confirm our development strategy, respecting the new technologies. We want to be the leading the country in production of green energy,” said General Manager of JP Elektroprivreda HZHB, Marinko Gilja.

CHE Vrilo will consist of seven buildings: the upper pool, the entrance of the tunnel, the five kilometre long tunnel, the water and latch chambers, a 450 m long pressure pipe; engine room with exit tunnel and exiting building, plateau and gutter and bottom pool and will produce 196 GWh of electricity annually.

Preserving natural landscapes

“Our total production is based on clean energy without any adverse consequences on the environment and human health. We are aware

that before the management and workers of EPHZHB is a time of great business challenges, because every new production facility is a step into the future, and therefore uncertainty, this cornerstone is a proof of reliability and persistence,” said Mr Gilja.

But several NGOs and local inhabitants have a different opinion, fearing that the proposed run of dams will destroy the landscape, steal their water and extinguish species unique to the Balkans.

“Three thousand hydropower plants will destroy these rivers,” said Viktor Bjelić, of the Centre for Environment (CZZS), a Bosnian environmental group. “Many of the species depending on these ecosystems will disappear or will be extremely endangered.”

While both the government and the Investment Promotion Agency (FIPA) say boosting hydropower is key to reducing regional

dependency on coal and to falling in line with European Union energy policies. about a third of the planned dam projects are in protected areas, including some in national parks.

International banks including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank’s International Finance Corporation (IFC), are funding hundreds of projects.

“It’s a waste of money and a moral travesty that some of the world’s largest financial institutions have embraced this outdated and exploitative technology,” commented Yvon Chouinard, founder of US clothing company Patagonia, which last year launched a huge campaign to preserve Balkan rivers and dissuade international banks from investing in hydropower. ▲

The Heart-Shaped Land

Tourism now accounts for almost 10 per cent of Bosnia and Herzegovina's GDP, but there is a great deal of room for the sector to develop even further.

WORDS NIJAT EL DAROV

The conflict in Bosnia and Herzegovina in the 1990s was the most complicated, deadliest and longest of all the Balkan wars which followed the breakup of the former Yugoslavia. When President Tito passed away in 1980, ethnic and religious diversity, consolidated for a long time, paved the way for growing tensions.

With the evanescing of Communist party control in Bosnia and Herzegovina, a number of nationalistic parties assumed control in the aftermath of the first free elections. In addition to a variety of competing nationalities (Muslim Bosniaks, Catholic Croats and Orthodox Serbs), allegiances from neighbouring Croatia and Serbia and Montenegro intensified the political turmoil even further.

Today, 20 years on, the country known as the Heart-Shaped Land is much more peaceful, and the tourism sector is becoming an increasingly important segment of the country's economy. While the historical past of the country generates opportunities for dark tourism associated with death and disasters, its beautiful landscape, friendly people and architectural treasures do far more to attract foreign travellers. The challenge for Bosnia and Herzegovina now is to repeat the tourism success of its Croatian neighbours.

Drivers of tourism success

After a long period of political instability, Bosnia and Herzegovina's tourism sector continues to grow, thanks to, in particular, its dynamic tourism promotional system and the warmth of the nation. Since 2013, the government, through the Foreign Investment Promotion Agency (FIPA), has published Investment Opportunities in Bosnia and Herzegovina guides covering the agriculture, metal, energy, tourism, wood, real estate and innovations sectors in order to encourage foreigners to invest



in the country. For the leisure industry, the report outlines ski and mountain tourism, eco-tourism, wellness tourism, religious and cultural tourism, adventure tourism and sea and sun as very propitious domains for investments, and calls on investors to discover “the new unexplored destination.”

“This beautiful country has so much to offer for those people who seek different experiences, away from the crowds, whether they are lovers of skiing, rafting, hunting or patient bird-watching. Those who search for more cultural tourism will be able to relive centuries of history by visiting many vestiges and heritage dating back to Roman, even to prehistoric times,” FIPA notes.

On the other hand, Bosnia and Herzegovina is consistently praised for its people's friendliness. In 2013, the World Economic Forum (WEF) listed as the eighth friendliest in the world in terms of the way it welcomes tourists.

Moreover, according to WEF, the international openness of Bosnia and Herzegovina, and,

in particular, its soft visa policy accounts for the development of tourism. All EU citizens, citizens of EU visa-free regime countries, Azerbaijan, Bahrain, China, Kuwait, Oman, Qatar, Russia and Turkey are exempt from visa requirements when entering the country. Moreover, all EU citizens, citizens of Western Balkan countries, Liechtenstein, Monaco, San Marino and Switzerland may enter using merely a national ID card for a stay up to 90 days. Infrastructure is also improving, not least the number of airports offering international connections.

Tourism in numbers

The number of arrivals by international tourists amounted to more than 777,000 in 2016, more than double the 300,000 reported in 2008. Tourist arrivals reached an all-time high in August 2018 August, with 185,648 visiting the country that month alone. According to the latest figures (for 2017) provided by the Agency for Statistics of Bosnia

and Herzegovina, 62.1 per cent of all international tourist arrivals were accounted for by 10 countries: Croatia (10.5 per cent); Turkey (9.8 per cent); Serbia (8.4 per cent); Slovenia (six per cent); Republic of Korea (5.6 per cent); Saudi Arabia (5.2 per cent); Italy (4.7 per cent); Poland (4.3 per cent); Germany (3.7 per cent) and Oman (3.7 per cent). These are followed by China (3.4 per cent), which along with Israel is the fastest growing visitor market.

While looking at tourism statistics for Bosnia and Herzegovina, it's handy to keep a close eye on figures related to growth. According to the World Travel and Tourism Council's Travel and Tourism Economic Impact 2018 country report for Bosnia and Herzegovina, visitor exports generated 843.5 million US dollars in 2017, accounting for 13.2 per cent of all exports for the year. This is predicted to grow by 6.1 per cent per annum. What's more, the total contribution of travel and tourism to GDP was 9.6 per cent in 2017 and is forecast to rise to 12.6 per cent in 2028, thanks to an expected rise of about 5.4 per cent per annum.

It should, therefore, not come as a surprise that the World Tourism Organisation defined Bosnia and Herzegovina as one of the three countries in the world with overall tourism market growth potential exceeding 10 per cent annually. Moreover, Bosnia and Herzegovina is also in the list of top 10 countries recording most significant increases in tourist arrivals, according to the UNWTO. In 2017, tourist arrivals and overnight stays increased by 13.7 per cent and 12.3 per cent respectively, in comparison with the same period of the preceding year.

Places to visit

Bosnia and Herzegovina is a crossroads of distinct cultures and civilizations, making the country rich with sacred places. It is, moreover, a destination of adventure, natural beauty, satisfying cuisine and much more besides.

The capital Sarajevo was heavily damaged by shells and bombs during the war in the 1990s, but

has since returned to being the vibrant city it was in the past. "Its historic centre blends East and West – visitors can feel they are in Vienna one minute and Istanbul the next," according to travel writer Jennifer Walker. Unsurprisingly, it is possible to find a mosque, synagogue and Catholic and Orthodox churches all within the same block. Sarajevo is also one of the cheapest capital cities in Europe.

Sarajevo's War Tunnel Museum is a must-see. When Sarajevo fell under the siege of Serbian forces in 1992, it became isolated from all supplies from the outside world. The tunnel was the only place through which weapons, ammunition, fuel and electricity were made available. As such, the museum represents the survival of Sarajevans from almost four years of isolation. Today, various tours are held in the tunnels to provide background information while photos, newspaper clippings and a short film guides tourists through their journey. The Museum of Crimes Against Humanity and Genocide also concentrates on the darker aspects of the Balkan wars.

Mostar is one of the most picturesque cities in the country. The city is home to the famous Stari Most (Old Bridge), the most visited sight in all Bosnia. The bridge was bombed in 1993, but has since been reconstructed and each summer brave young people dive from its highest point into the river below.

Bosnia and Herzegovina is also home to the second largest Catholic pilgrimage site in the world, Međugorje. The story of the Međugorje pilgrimage dates from 1981, when six teenagers playing in the hills between the villages of Međugorje and Bijakovici claimed to have seen the Virgin Mary. While there is much controversy over the legitimacy of the visions, more than 15 million people have so far visited the small hillside.

Unsurprisingly, Bosnia and Herzegovina is also home to the largest Islamic pilgrimage site (Ajvatovica) in Europe, at Prusac in the centre of the country. The site was named after Ajvaz Dede (Grandfather Ajvaz), a Sufi dervish who prayed to God for 40 days to send rain during a very long period of draught. On the 40th day, rain

came to the area, and people, seeing it as a sign of God's work, began visiting the site.

Stari Most is not Bosnia and Herzegovina's only entry in UNESCO's World Heritage List. The Mehmed Paša Sokolović Bridge and Stećak medieval tombstone graveyards are also present. Located in Višegrad over the Drina River, the bridge is unique example of Ottoman-era architecture. It was built by the Mimar Sinan on the orders of the Grand Vizier Mehmed Paša Sokolović, after whom the bridge is named. Within the borders of Bosnia and Herzegovina lie more than 60,000 Stećak tombstones, whose origins are still contested by the scholars.

The Heart-Shaped Land is also rich with sporting attractions. Banja Luka, through which the river Vrbas flows, is a popular destination for rafting and adventure sports. After the capital Sarajevo hosted the Olympic Winter Games in 1984, the ski resorts which surround the city (Jahorina, Bjelašnica and Igman) became popular tourist attractions. The Vlašić and Kozara mountains are also popular destinations for skiing, snowboarding and eco-tourism.

Room for improvement

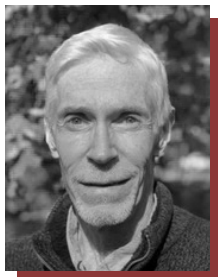
While the tourism sector of Bosnia and Herzegovina is growing remarkably, the cities outside the capital still remain unexplored. Moreover, the development of the tourism sector has neglected sustainability. According to the Travel and Tourism Competitiveness Report 2017 by the WEF, Bosnia and Herzegovina is listed 94th and 120th in terms of attention paid to environmental sustainability and sustainability of travel and tourism industry development, respectively. Moreover, the weaker points of tourism sector are also price competitiveness (110th) along with the taxes and airport charges (114th).

The Heart-Shaped Land has unquestionably made much of its tourism potential, yet in order for the industry to function more effectively, these areas need to be developed. ▲

Embracing the seeds of change in Bosnia and Herzegovina

There is a groundswell in Bosnia and Herzegovina as citizens (mostly young people) are beginning to embrace a vision of hope and change in their country—a change that could lead to democracy and a brighter tomorrow for all.

WORDS CLARK CURTIS



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The seeds of the new vision for Bosnia and Herzegovina were planted in 2018 when Mirsad Hadžikadić, a professor with more than 30 years of experience at the University of North Carolina at Charlotte and a native of the country, ran for the Bosniak presidential council seat. Although he did not win the election, he received nearly 60,000 votes—double his most optimistic forecast. For a relatively unknown, totally underfunded, independent candidate, these results have been deemed unprecedented and historic. More important to Hadžikadić, his candidacy proved to be the “spark” for democracy with the formation of the Platform for Progress Movement, which has survived the election and is growing. People committed to change and democratic values are emerging.

Hadžikadić and his team selected November 25, 2018—Statehood Day in Bosnia and Herzegovina—as the day to hold the founding assembly for the Platform for Progress Movement. A historic day for the movement and the country, as the movement officially announced its formation. Members were allowed to elect representatives to a supervisory board as well as the eleven-member presidential board. Members could also review and provide input and vote on the proposed movement statute and its structure. Additionally, for the first time, the diaspora (Bosnian citizens living outside of the country) were allowed to participate directly in this process. Most notably, though, was the introduction of electronic voting for members viewing the live stream of the event. The implementation of electronic voting set a historic precedent, changing the process for country-wide elections moving forward. As one member of Hadžikadić team

pointed out, “citizens were able to witness directly the democratic process.”

Change is possible

The founding assembly took place at Dom Mladih – Skenderija, a youth centre that is part of a large entertainment and sports complex, nestled in the heart of Sarajevo. Throngs of people arrived, patiently waiting in line to gain access to the centre. The complex’s 800 seats and any available standing spaces were quickly claimed. The building was crowded with people eager to be a part of the moment. These were citizens from Sarajevo, towns, and cities from across Bosnia and Herzegovina, dignitaries and those viewing remotely as they laid witness to and were a part of history and democracy in the making. There to embrace the vision of hope that together, change is possible in Bosnia and Herzegovina.

“When my wife Mirzeta and I arrived some 45 minutes before the event on that cool and damp day, there was a long line of people waiting to get in, standing quietly and patiently to enter the facility,” said Hadžikadić. “Bosnians are not known for standing in line quietly, often impatiently trying to get ahead of others in front of them. But, such was not the case on this day. A magical day as music resonated through the center as people sang the national anthem, the newly written anthem of the Platform for Progress for the Movement and were allowed in person or electronically to actually participate in the political process and have their voices heard.” Sites are now set on the 2020 local elections and the 2022 general election as Bosnia and Herzegovina, as well as the rest of the world, are witnessing democracy in the making.

Fine tuning

Now the arduous and often tedious task of establishing the Platform for Progress Movement in Bosnia and Herzegovina continues. This includes solidifying and fine-tuning the internal structure and operation of the movement, the long process of vetting those who will represent the movement throughout the country, selecting candidates for the 2020 local elections, and establishing an organised presence in cities, towns, and municipalities across the country and neighbouring countries in Europe. All of which is necessary and vital as the world witnesses the budding of democracy in this western European country.

A major goal for the 2020 local elections is recruiting trustworthy people who will serve and represent the movement as well as scout prospective council and mayoral candidates. One of the challenges is determining which of the 140 total municipalities are the best to target for this recruitment. Hadžikadić says the objective is not quantity but quality.

“We have set a goal of ten to twenty-five mayorships in the upcoming local elections, which we feel is very doable,” said Hadžikadić. “We want to send the message that we are not afraid and within the movement create a mindset that we must work hard to accomplish our goals. Ten mayorships would be excellent; twenty-five would be marvelous. Either would show the strength of the movement and prepare it for success in the general elections in 2022.”

Establishing an organised presence of the movement has also expanded outside the borders of Bosnia and Herzegovina. Hadžikadić has already been to Switzerland, with more visits planned to Sweden, Austria, and Germany. The objective is to start

forming local organisations within the diaspora in those countries and encouraging them to become more involved with the political process in Bosnia and Herzegovina. He says the introduction of electronic voting will encourage and nurture that involvement.

“We hope that as the diaspora will become more involved with the political process not only in Bosnia and Herzegovina but also within their own countries,” said Hadžikadić. “Our aspiration is they will form lobbying groups who will then go before their government leaders using Bosnia and Herzegovina as an example of how change is possible. This will then serve as a catalyst for future talks between myself and the leaders of those countries as we strive to establish mutually beneficial relationships and collaboration moving forward.”

The need to get to the polls

Spreading this vision of hope and change both within Bosnia and Herzegovina and outside its borders also addresses a key and disturbing issue facing the country.

Citizens are electing to leave in droves. Once they leave, few are returning, which will eventually create a huge economic crisis within the country. Hadžikadić says people are leaving for the very same reason that they are not coming back: the current climate within Bosnia and Herzegovina.

“People are fed up and unhappy with the current state of the country where hatred and divisiveness run rampant,” said Hadžikadić. “The nationalists are running the game, tearing the country apart, manipulating the political process. Fear is currency, and nobody can stop them. We, the movement, must continue to share our vision that change is possible. We need those who have become so apathetic with the situation to embrace this vision that change is possible and to either remain in Bosnia and Herzegovina or to return to their homeland and help make it better by restoring the rules of law and a sense of justice.”

Hadžikadić says those who have left the country would start coming back; even if it meant receiving half the salaries they are currently receiving elsewhere in Europe if

it were not for the current lack of normalcy, fear, and divisiveness. He says this constant divisiveness makes those who have left feel that they are not welcome back. The nationalist parties thrive upon this uncertainty and breaking down those barriers can only serve as a threat to their corrupt ways.

“It is imperative that the movement continues to spread the vision that hope and change are possible but only with the participation of everyone,” said Hadžikadić. “For this to become a reality, we must emphasise the need to bear the responsibility of getting involved and contributing. Pointing the blame at others is no longer acceptable. Citizens in Bosnia and Herzegovina and the diaspora need to get to the polls. They need to help change the way elections are being done. Pushing for electronic voting will help streamline the entire voting process, helping to mitigate the cumbersome nature of the process and eliminate the current fears by some to freely vote their conscience. Once they begin to embrace the message and begin to see the ‘light at the end of the tunnel,’ they will return.” ▲





