CROSS BORDER COOPERATION IN TOURISM, SECTOR AS A CHANCE FOR LOCAL DEVELOPMENT OF BOSNIA AND HERZEGOVINA

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Abstract: Bosnia and Herzegovina had dynamic changes of borders in the 20th century. At the beginning of the century they were annexed by Austrian-Hungarian monarchy from Ottoman Empire. After the end of the World War 1 it became part of the Kingdom of Serbs, Croats and Slovenians, later Kingdom of Yugoslavia. After the end of the World War 2, Socialist Federative Republic of Yugoslavia was created by the demarcation of new interstate borders, which led to reconfigurations and changes of the society and geographic space. These borders were later recognized as state borders in the process of disintegration of Yugoslavia. However, Bosnia and Herzegovina still has a complex structure of interstate governance. With stabilization of Western Balkan countries, EU perspective is open to all of them. Cross border cooperation plays an important role in EU integration process. The paper outlines the potentials of the tourism sector, anticipated impacts on local development as well as requirements to the local self government in order to materialize the generally high expectations of many municipalities on this topic. It is also shown the needs of integrated planning and resource allocation on all tiers of governance – central, regional and local.

Cross border cooperation in tourism sector as a chance for local development

Keywords: tourism, cross border cooperation, project management, local development, European Union, Bosnia and Herzegovina.

Cuvinte cheie: turism, cooperare transfrontalieră, managementul proiectelor, dezvoltare locală Uniunea Europeană, Bosnia şi Herțegovina.

1. INTRODUCION

Throughout history, Bosnia and Herzegovina has always been a peripheral area between Ottoman Empire and Austrian-Hungarian monarchy. This resulted in a lack of development to neighbor countries, as well as high regional development disparities within the country itself. With the border changes, it didn’t manage to take advantage of its new central position due to turbulent environment on Balkans. Bosnia and Herzegovina had dynamic changes of governance in 20th century. In a period of less than a hundred years, Bosnia and Herzegovina changed 10 forms of state unions (Ottoman Empire, Austrian-Hungarian Monarchy, State of Serbs, Croats and Slovenians, Kingdom of Serbs, Croats and Slovenians, Kingdom of Yugoslavia, Nazi puppet state “Independent State of Croatia”, Democratic Federal Yugoslavia, Federal People’s Republic of Yugoslavia, Socialist Federal Republic of Yugoslavia, Bosnia and Herzegovina) with surrounding states, with an infamous war in the nineties. At the beginning of the 21st century, Bosnia and Herzegovina is guaranteed a future in the EU, together with other Western Balkan countries (The Thessaloniki agenda, 2003). However, there are still some regional asynchronisms. Bosnia and Herzegovina is together with Serbia and Montenegro a potential candidate country (with different stages of integration), while Croatia on the other hand is an EU candidate country. As component II of the European Union’s new financial Instrument for Pre-accession Assistance 2007-2013 (IPA), this first cross-border program for the period 2007-2013 is now available for Bosnia and Herzegovina and its neighbor countries (Lazovic et al., 2007). Cross border cooperation in tourism sector can be a successful tool for local development.

2. CROSS BORDER COOPERATION- ELIGIBLE AREAS AND CHANCES FOR DEVELOPMENT

IPA (Integrated Pre-Accession Instrument) to assist EU candidate and potential candidate countries replaces PHARE, ISPA, SAPARD and Turkey Pre-Accession Instrument. It is programmed in a period 2007-2013 with a financial allocation of 10.213 billion euro. The structure of IPA is divided in five components:
1. Transition Assistance and Institution Building
2. Cross Border Cooperation
3. Regional Development
4. Human Resources Development
5. Rural development

Since Bosnia and Herzegovina is still a potential candidate country, only first two components are available at the moment (Lazovic et al., 2007). Due to a huge variety of eligible projects, a special emphasis is places on second component, Cross Border
Cooperation. The EU-integration determined new changes in the status of borders, inducing a constant reduction of their political-administrative significance. These are no longer being perceived as barriers and the border areas shift from being solely spaces of flows to becoming spaces of dynamics from economical, entrepreneurial, political and social point of view. Map 1. shows eligible areas in programming for cross border cooperation with Serbia.

Main geographical feature of this programming area is the Drina River. Its mouth is in Sava River, which is a natural border between Bosnia and Herzegovina and Croatia. Sava, once the longest Yugoslavian river is now an international river with huge, yet
unused potential. It is also important for DKMT Euroregion on its southern border, Srem district in Vojvodina, Serbia. Map 2. shows eligible areas of cross border cooperation with Croatia.

Fig. 2: Eligible areas in Croatia- Bosnia and Herzegovina Cross Border Cooperation Programme
Source: IPA CBC Bosnia and Herzegovina- Croatia

Due to specific shape of Croatia and its position with Bosnia and Herzegovina, almost whole of the country is eligible for cross border cooperation. In relations to DKMT Euroregion, the most interesting is the cross border cooperation possibility in north of Bosnia in Sava river basin.

The eligible area is characterized by a static or declining population, aging in rural areas, with a lack of employment opportunities. Despite being close to high quality raw material resources and energy, the existing industrial and agricultural base is largely obsolete, or in need of repair and modernization, marginalized from expanding markets due to inadequate transport infrastructure. Although, the basic education of most of the population is adequate and opportunities exist for higher and vocational education, the skills required to operate a modern economy are lacking. The environment of the eligible area remains in good shape, despite some pollution hot spots and the existing overburdened waste disposal services, which cannot cope with significant or uncontrolled
growth in population or industrial activity. Mountains and forests, an important environmental asset of the area, are particularly vulnerable to increases in air and water pollution. The main challenge for the eligible area is to revitalize its economy through more effective use of its assets and resources. The objective of realizing significant regional cooperation is helped by the absence of language barriers and a common heritage. Economic and social co-operation between the communities is an effective means of coming to terms with the turbulent past and the existence of new state borders. This is the thrust of the 2007-2013 cross-border programs’ strategic approach.

SME development is taking place, but at a slow pace and is largely confined to microenterprises. The area has many opportunities for tourism development, which will attract larger and more diverse enterprises as the sector modernizes and increases its offer to a wider market.

3. TOURISM SECTOR AS A DRIVING FORCE OF LOCAL DEVELOPMENT

Although Bosnia and Herzegovina has a great amount of tourist attractions, tourism is still undeveloped. Accommodation facilities are obsolete, restructuring and privatization process is going slow and there is a lack of significant foreign direct investments. According to the statistics, impact of tourism on key macroeconomic indicators in Bosnia and Herzegovina is the same or higher than the regional average. Two only exceptions are Croatia and Montenegro, which have recognized tourism as a key axis of national economy. Tourism has a more significant impact on GDP than on employment. For a country struggling the unemployment rate of 42,2% (Labour and Employment Agency, Bosnia and Herzegovina), development of tourism just might be one of the solutions to many development problems.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>10.3%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>7.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>EU</td>
<td>9.9%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Croatia</td>
<td>23.6%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Hungary</td>
<td>6.3%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>20.8%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Romania</td>
<td>5.7%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Serbia</td>
<td>4.2%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: World Travel and Tourism Council

The contribution of the tourist sector is beneficial for a municipality’s economy due to its potential positive influences:

- Employment, with the direct consequence of restraining the propensity to immigrate and keeping the population in its place. The development of tourism leads to increased income for the economically active part of the population that is employed in tourist enterprises, as well as for that part of the population, which is not employed in
tourist enterprises directly but in those that depends on tourism (Stefanovic, 2003). The tourist income seems to be distributed throughout a wider population stratum, enhancing the income of residents of less developed areas. This contributes to decreasing high disparities between municipalities.

**Fig. 3: Dynamic interaction between tourism development, cross border cooperation and local development**

- **Expansion of the industrial and agricultural production** so as to meet the increasing tourist wave and the activities of various service-related industries like transportation, telecommunications, banking, travel agencies, craftsmen, local suppliers of agricultural products, caterers, etc. In developed countries SME make over 80% of tourist service providers. They are significant in the economic structure of a destination because their income flows through local community, provides revenues to municipality through taxes and stimulates local economy (Vukicevic, 1992) Agricultural and industrial products sold to tourists in the destinations can bring more profit to producers, because the price does not include the cost of transport and international distribution.

- With improvement of the living standards of populations in areas with increased tourism, there is also **significant improvement in their cultural standards**; Sense of belonging to local community will be enhanced if local culture is promoted as a cultural resource. Addition to this, it will help minority groups to preserve their culture (Hadzic, 2005)
• Environment protection, as preserved nature is often the main resource of tourism development. **Tourism development is supporting nature protection,** unlike other “non ecological” activities (industry, mining, forestry) (Stojanović, 2006). These resources are not a subject of exchange, so by their valorization through tourism they can be sold numerous times.

Global changes in tourism demand (new destinations on the market, decline of demand for Sun-Sea-Sand destinations, development of new tourism products such as Ecotourism, Wellness, City Break, Cruising, MICE, Touring, Active Holliday, Culture Tourism, Tourism of Special Interests…) (Commission of the European Communities, 2001) create a chance for Bosnia and Herzegovina to be competitive on tourism market. The biggest tourism resources in the cross border eligible areas are Sava and Drina River. With a low development of tourism activities in these areas, any form of tourism development can be considered a green field investment. The lack of tourism development can also be seen as a chance to implement best practice models for tourism development in creation of river tourism resorts. The best practice is certainly the Danube River. The end of a successful Danube Cycling Path project was marked by a follow up project Danube Competitiveness Centre which has recently started. Sharing the experience of tourism development on Danube, Sava River can also run similar projects adjusted to the local specifics. Drina River, being a mountain river and having a different terrain can use Vrbas Adventure Resort project as a benchmark for its future development. It is expected that in future municipalities covering these territories will benefit from tourism development (Vasiljevic, Kronja, 2007).

4. CONCLUSION

IPA Funds are the most significant instrument of local development in border areas. There is still a lack of know-how among the local stakeholders in designing high quality project proposals. In addition to this, tourism potential is still not being recognized as a driving force for local development. Authorities of local self government units need to raise their awareness of benefits that tourism brings and to have a more active role in decision making and tourism development planning. Local self government units may adopt Tourism Development Programme, manage Tourism areas proclaimed by the Government on their territory, establish local and regional tourism organizations and charge tourism taxes. Revenues can be used for further tourism development, investment in the development of productive industries or infrastructure. Municipalities should tend to create a tourist offer based on local products and labor force to achieve complete economic effects.

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