

# CONFLICT OF STRATEGIES – BOSNIA AND HERZEGOVINA DEVELOPMENT STRATEGY AND SUPPORT STRATEGIES OF INTERNATIONAL FINANCIAL INSTITUTIONS

1 Mirosljub Krunic, Ministry of Finance and Treasury of BiH, Sarajevo, Bosnia and Herzegovina

\*Corresponding author E-mail: [mkrunic@mft.gov.ba](mailto:mkrunic@mft.gov.ba)

1 ORCID ID: [0000-0003-3801-8348](https://orcid.org/0000-0003-3801-8348)

---

## ARTICLE INFO

Review scientific paper

Received: 14.02.2021

Revised: 04.04.2021

Accepted: 26.04.2021

doi 10.7251/ACE2134187K

UDC

339.7+336.71]:339.727.22

(497.6)

---

Keywords: *development management, public debt, business environment, fiscal sustainability, competitive ability, economic development strategy, balance of payments deficit, currency board*

JEL Classification: C54, H05, F02, F34, G18, B22

---

## ABSTRACT

Over the past twenty five years, Bosnia and Herzegovina has been experiencing, with more or less oscillations, low and stagnant economic growth. Planning and economic policy documents shaped the vision of rapid transition and successful economic growth, which was supposed to enable the sustainability of the economic system and its elements. The strategic commitment to integrate into the European Union system has not changed. It was confirmed by signing the Stabilization and Association Agreement in 2008. International financial institutions have even provided financial support to the economic programs in BiH and its entities to an extent greater than their capacity to use, but below the economic needs of the country as a whole.

In these circumstances, the issue of a possible conflict between the economic development goals of Bosnia and Herzegovina and the objectives of financial support provided by the international community has been raised. Circumstances such as a long period of time, modest economic performance, lost opportunities and dangerous negative trends indicate the need to reconcile the conflicting strategies and interests of two parties - Bosnia and Herzegovina and the international community.

© 2021 ACE. All rights reserved

---

## 1. INTRODUCTION

After the end of the civil war in Bosnia and Herzegovina, intensive cooperation with international financial institutions began. It was necessary to rebuild the country as soon as possible, repair the consequences of the war and open the processes of development and systematic transition in the direction of an efficient market economy. Bosnia and Herzegovina received help from representa-

tive and long-known financial institutions around the world. Of course, it was done on the basis of invitations and agreements with domestic entity and state authorities. The transition process was supposed to be fast and, of course, efficient. But, contrary to wishes and expectations of everyone and to the general surprise, that process was difficult, painful and without the necessary liveliness and dynamics. The long-term maintenance of negative economic trends has not only created the characteristic and long the so-called transitional tail in Bosnia and Herzegovina and accumulated more problems on that transitional path, but also made the overall recovery difficult and extremely complex. The appearance and long retention of negative economic trends in turn open the question of harmony and synchrony of strategic goals of the country's development, i.e. Bosnia and Herzegovina on the one hand and the international community on the other.

This paper deals with the analysis of the connection, interdependence of the mentioned two strategies and the degree of their inconsistency, i.e. conflict. The current economic situation and the fact that the international community, which came to rescue, is still looking for an effective mechanism of financial cooperation, which makes this topic both current and controversial at the same time. The main goal of the paper is to present the essential elements that create a discrepancy between the results of implemented strategies and the financial potential available for their realization and to draw the attention of decision makers in this domain, as well as the professional public, to the problem of conflict of development goals between stakeholders.

The paper starts from the hypothetical research thesis that there is a conflict between the goals of economic development of Bosnia and Herzegovina and the goals of support of the international community and international financial institutions. The research focuses on the content of the objectives from the strategic documents, economic results and support programs during the long transition period. The second part "Previous research" emphasizes the importance of the pace and sustainability of growth, and gives positive examples of research that highlighted the role of governments in individual communities in achieving sustainable growth and the use of economic change in the environment, as good economic opportunities. The given examples, visible in a number of other countries speak of the primacy of the influence of knowledge and innovation in shaping development and the need for planned design development flows. The third part "Methods and data" presents an insight into the methods and data sources used. The fourth part "Results" provides a framework for the content of strategies, and points to their interconnectedness and interdependence of program components and projects with structural economic change, keeping the focus on targets. Furthermore, the key areas of conflict of strategies and the consequences of their manifestation are presented. The final part "Discussion with a conclu-

sion” presents the conclusions reached in this research, which, at the same time, prove, i.e. confirm the previously set scientific hypothesis in the paper.

## 2. PREVIOUS RESEARCH AND WORK METHODS

### 2.1. Previous research

Economic development contributes to the development of society and its social status. In the period of globalization and very strong competition, all countries are focused on maintaining continuous growth and sustainable economic development. This issue is particularly important for transition and developing countries that want to alleviate economic disparities compared to countries with developed economies. The question of an economic development model that can be adequate in that area is openly stated in the professional and scientific public ([Burda, 2016](#)). The advantage of developed countries in terms of capital levels, technological achievements and human capital performance is such that it multiplies and constantly increases economic disparities. Modern theories and models of economic development point to the need of taking into account the specific economic conditions of an individual country and applying a suitable model of development. The access to economic development for some countries is becoming more complex than ever. The specificity of such an approach makes the process of integration of countries more demanding in the context of access to a larger market. Experience suggests the need to maintain an open market economy, high savings and investment rates, capable and efficient governments, and macroeconomic stability as a starting point in building a potential model. Thus, Professor Sakda Siriphatrasophon in his article entitled “The ASEAN Economic Community: How SMEs Could Exploit Local Value to Compete?” speaks about the advantages and possibilities to use the system of local values in circumstances of growing competitiveness for companies during establishment of Asian Economic Community and continues: “This will strengthen the competitiveness of the region and create new business opportunities for members. Consumers will have a wider choice of goods and services and will benefit from easing immigration regulations.” He further concludes that “SMEs will also face new challenges due to free trade and investment within the Association of Southeast Asian Nations (ASEAN) as this will create a highly competitive situation”. The paper especially emphasizes the importance of the role of governments that should provide adequate support to companies, which must be placed in a dynamic mechanism in order to truly support the growth of companies. The paper lists the areas of exploitation of local values in building competitiveness. ([Sakda, 2018](#)). In addition, innovation is becoming a factor of competitiveness and implies a significant role of the government in the field of education, re-

search and development functions, and the design of individual development programs based on previous analysis of the context of needs and circumstances. In his paper “The opportunity matrices for chain innovative transformation of economy: the cite concept” Taras and Obermok point to the possibility of using technological knowledge from complex natural systems in shaping economic processes in the inter-sectoral matrix of domestic gross product (Taras, 2017). The authors cite an example from Singapore (p. 25): “Despite the fact that there are no natural resources in Singapore, the country is a world leader in the production of platforms for offshore oil exploitation. The government should try to determine which industries can be representative in the future and invest heavily in them.” On the page 21, they further state: “With the progressive growth of the global economy and the accompanying economic crises, there is an urgent need to forecast and model the process of forming of strategies for sustainable development, balanced government regulations and economic liberalism.” A group of authors from the University of Sarajevo ([Domljan, 2017](#)) emphasize as a precondition for BiH to find itself on the path to become a highly developed country “... to activate the knowledge production chain...” (p.161). Timely recognition of comparative advantages, perspective chains of business and formed purposeful development strategy and its application can bring a significant competitive advantage.

## 2.2. Working methods and data

For the needs of the subject research, data on the content of strategic planning documents were previously collected and their comparison was performed. The arrangements of the International Monetary Fund and the strategy for BiH of the World Bank and the European Bank for Reconstruction and Development are primarily covered. The selection of institutions was made according to the importance in the portfolio of projects financed in Bosnia and Herzegovina. For the area of structural reforms, the reports of the European Commission were reviewed as relevant reports and documentation, especially due to the retained commitment to membership in the European Union. At the same time, the results of the implementation of individual programs were inspected and economic trends were analyzed, particularly the growth trend of domestic gross product and the trend of negative foreign trade balance based on statistical reports of the Central Bank of BiH. United Nations population statistics were used to analyze the trend of the country’s temporal loss of labor resources.

When it comes to scientific methods used in this paper, we emphasize that the methods of comparison, analysis, synthesis, induction and deduction and the method of statistical analysis, tabular and other methods of text illustration, historical method, method of generalization and specialization, etc. were used.

### 3. RESULTS

#### 3.1. Interdependence of Bosnia and Herzegovina Strategy and Support Strategies

The BiH Economic Reform Program for the period 2019-2021 from January 2019 was submitted to the European Commission as a part of the regular reporting procedure (BHRP, 2019). The key reform priorities during the three-year period are: identification of key barriers to competitiveness and inclusive growth with a focus on eighteen measures, and special priorities related to nine areas. In the area of reforms in the energy and transport sectors, it is envisaged to improve the legal framework regarding the establishment of the energy community and sustainable financing of railway infrastructure. In the domain of sectoral development, a special emphasis is placed on the intensification of agricultural production. In the area of business environment, the intention was expressed to improve the infrastructure system in accordance with the European Union model, reform of the health sector and the register of incentives for the economy, reduce the share of current spending in public administration and intensify the development of entrepreneurial infrastructure. In the field of research, development, innovation and digital economy, it is planned to improve the regulatory framework in accordance with European Union standards, improve the communications and information society sector, reform the research sector in BiH and establish a more efficient management system in the field of scientific research in BiH, and establish more efficient system of management in the area of scientific research of potentials for innovations in Republika Srpska. In the area of education and skills, it is planned to improve cooperation between education and the labor market. For the field of employment and the labor market, a commitment was expressed to strengthen the efficiency of the labor market. In terms of social inclusion and poverty reduction, the establishment of an efficient system of health expenditures and the improvement of the social protection system are envisaged. The entire program of economic reforms in BiH is designed in such a way that it unites the programs of the entities without the necessary logic and economy of the whole.

The evaluation of the BiH economic program for the period 2019-2021 by the European Commission is given in a document dated April 11, 2019 and contains a list of shortcomings of government policy that do not allow it to raise economic growth potential through strong public and private investments (BHRP, 2019). In particular, it was emphasized that the risk of things improving is stronger and higher than expected of the proposed program due to continued delays in the implementation of reform measures, and the growth policy associated with

reforms related to the accession process. The European Commission recognizes only six reform measures in the proposed program that may be relevant to the country as a whole and recognizes that 15-20 measures concerning barriers to competitiveness have been underestimated. Regarding the improvement of agricultural production and the establishment of an efficient food safety and quality system, it is assessed that this measure is too ambitious due to the lack of agreement on competencies regarding the paying agency at the level of Bosnia and Herzegovina and insufficient cooperation between the two entities. In doing so, it insists on better institutional arrangements for the country as a whole, in order to avoid overlapping competencies and to strengthen control and coordination chains. The promotion of “start-up” jobs was assessed as relevant with a critical review that there is an excessive insistence on protectionism in this sector due to the contradiction of competitiveness. Insufficient information regarding timelines and budgeting was noted. The measure of improving the quality of the infrastructure system in accordance with the model of the European Union was assessed as relevant because, if implemented, it would contribute to the creation of a single economic space and facilitate trade, and in the long run increase competitiveness and potential for economic growth. The assessment focuses on the previously observed lack of real progress and readiness to achieve concrete results. Also, budget allocations and sources of funding are not induced. In the part on the measure of improving the communication and information society in accordance with the standards of the European Union, there is an assessment of the relevance for economic growth and increasing productivity. However, the very allegation that there is a lack of progress in the implementation of this measure, unclear budget preconditions and the absence of key performance indicators leaves a trace of optimism of the measure. In the area of research and innovation reform, the evaluation points to its importance for the country as a whole, but also to the lack of clear implementation plans, budget commitments and performance indicators, suggesting a state-level framework for the digital economy. With regard to measures for improvement of the efficiency of the labor market, the relevance of the goal of labor legislation reform was assessed. The lack of a plan of concrete steps, the lack of indicators or their inadequacy, and delays in the past indicate a possible risk. Also, the costs of implementation of this measure, according to the assessment, are not listed with the highlighted fact that the current situation in the two entities indicates insufficiently developed activities that create the necessary preconditions. The measure of improving the social protection system was assessed as relevant with the necessary focus on better targeting of social benefits, better coverage of the poorest through mapping and creating a register of social benefit beneficiaries. In addition, the finding is that this measure is ambitious and implies the interdependence of a number of other

activities. Summarizing the findings, the main problems that still accompany us are pointed out: fiscal policy does not pay enough attention to the quality of public spending, the quality of short- and medium-term fiscal planning is accompanied by weaknesses in statistical support and short-term policies, Bosnia and Herzegovina's competitiveness remains stigmatized by over-administration and fragmented economic space, and large, inefficient and non-transparent state-owned enterprises remain a ballast in payments. Furthermore, it is assessed that Bosnia and Herzegovina has a problem with low female labor force participation and high unemployment, and that previous implementation of relevant policies was limited, linking it to the lack of progress in fiscal planning and analysis focused on the medium term, and lack of reliable statistics. There was also a comment on the lack of review of enrollment policy in the secondary and higher education, as well as insufficient coordination and lack of progress between employment measures and social benefit schemes. (Krunić, 2019)

With the latest program of economic reforms for the period 2020-2022, Republika Srpska has opted for the implementation of structural reforms in these eight areas: markets, energy and transport; agriculture industry and services; business environment and the reduction of the informal economy; research, development, innovation and the digital economy; trade-related reforms; education and skills; employment and the labor market; and social protection and inclusion (Ministry of Finance of the Government of Republika Srpska, 2020).

Such a commitment was also stated in the program for the period 2019-2021. The previous program 2018-2020 emphasized nine reforms: public financial management; energy and transport market reform; sectoral development - agriculture, forestry, water management - reconstruction of state-owned companies - restructuring of banks and introduction of stricter prudential requirements for banks - introduction of mandatory restructuring of closed-end investment funds; business environment and reduction of the informal economy; research development and innovation; trade-related reforms; education and skills; employment and the labor market; social inclusion and poverty reduction. The 2017-2019 program focuses on the public financial management, the energy, transport and communications market, sectoral development, the business environment and the reduction of the informal economy, research and innovation, foreign trade and investment facilitation, education and skills, employment and the labor market, social inclusion and poverty reduction (a total of nine areas). The Program 2016-2018 envisages 10 reform priorities. In the sector for public financial management, the reform of the health care system, the suppression of the gray economy, the increase of fiscal responsibility, and the reduction of the tax burden on labor were envisaged including the infrastructure sector with the restructuring

of the Republika Srpska Railways, the industry sector with reindustrialization in all areas of the processing industry, and the services sector where the legal framework of the banking sector should be modernized and the preconditions for bank restructuring should be created, the business environment sector with the elimination of parafiscal levies as a barrier to business operations and the removal of barriers to investment. In the employment sector, new labor legislation and employment support in the real sector are envisaged (Ministry of Finance of the Government of Republika Srpska, 2020). A comparative overview of the accents of economic reforms in BiH is given in Figure 1.

Based on individual country strategies, key international institutions have proposed a number of individual arrangements and financing agreements that support the implementation of promised reforms. Their schedule in relation to the most frequently present requests is given in Table 1. It is noticeable that most frequently repeated requests for reforms come from the International Monetary Fund. Overall, these requirements have been partially implemented, often in a way that the tranches conditioned by structural reforms were abandoned. The World Bank and the European Bank for Reconstruction and Development have sporadically monitored requests for reforms from the Monetary Fund arrangement. Special coordination is noticeable in the period that started in 2016. These medium-term programs have been partially implemented, with the absence of promised reforms. It is evident that there have been frequent repetitions of requests for the same reforms that were persistently delayed. Thus, the request for privatization was current during 2002, but was renewed in 2012 and 2016. The same can be concluded when it comes to the requirement to improve the business environment or the requirement to maintain a pegged currency.

**Table 1.** Overview of International Financial Institutions' Country Arrangements and Support Strategies on Key Reform Programs in Bosnia and Herzegovina by years

Descript.	1998	2002	2004	2008	2009	2012	2014	2016	2017	2020
IMF	4,3,2	9,8,7,4, 3,2,1			9,8,4,3,2	8,6,5,4, 3,2,1		8,5,4,3,2,1		6
WBANK			4,2	3,2		6,3,2		6,4,3,2,1		
EBRD							6,1	2		9,6,2,1

Source: Author's calculation on the basis of the Support arrangements for these MFIs;

Legend: 1=Private sector development, employment incentives, privatization; 2=Improving the business environment, stimulating investment, improving the labor market; 3=Sustainability of public finances; 4=Sustainability of the financial system; 5=National policy, cooperation and coordination, Strengthening the economic space; 6=Crisis resilience, resource protection, toughness of the economy, transport and energy infrastructure; 7=Rule of law, 8=Maintenance of pegged currency; 9=Privatization





**Figure 1.** Accents of economic reforms in BH 2019-2021 according to the EC report with ref. to RS programs. Source: Descriptions taken from the official documents and adapted by the author

The World Bank has proposed cooperation in the field of three main goals: unlocking the potential of the private sector for faster growth and creating greater volume and better jobs, investing in human capital with labor market regulation and environmental management in the function of sustainable growth with channeling socio-economic impact, which represents an extended approach from the previous period (WB, 2016). From the document, one can see the possibility for Bosnia and Herzegovina to leave the poverty zone and achieve economic prosperity through one to two generations, but with the condition of the transition from import-oriented economy to export economy and to release the potential of the private sector. According to the same view, this means reducing the public sector and raising the quality of services it provides, solving the situation and problems of state-owned enterprises, solving the investment climate and business barriers, maintaining a favorable macro-financial situation, building resilience to natural disasters and good resource management, and other accompanying conditions.

The European Bank for Reconstruction and Development in its strategy for the period 2017-2022 proposes three basic goals: First, capacity building and improvement of the private sector while promoting the commercialization of public utilities, and privatization of state-owned enterprises in order to strengthen competitiveness. Second, the support for the development of key transport and energy cross-border lines in order to strengthen integration within the region and strengthen the resilience of the country's economy. Third, support for the construction of energy efficiency and renewable energy sources with the support of municipalities to improve the quality of services in order to promote an environmentally sustainable economy (EBRD, 2017).

In listing the challenges for implementation, the country's weak regulatory framework for foreign direct investment and deterrent political risk, the need for support through the reform agenda, the International Monetary Fund's incentive arrangements and the prospect of EU membership were highlighted. Furthermore, low resilience to external shocks, delays in the reform of the road sector due to the suspension of "three P" projects (public, private and partnership projects), the presence of liquidity in the banking sector with the risk of high arrears, weak corporate sector and governance in underdeveloped, delayed privatization process in the Federation of BiH. However, the primary challenges remain: unfavorable business climate, poorly developed rule of law and insufficient readiness for reform.

The International Monetary Fund maintained its presence in Bosnia and Herzegovina during the previous period through a number of individual arrangements,

the last of which was approved in April 2020 in the amount of 361 million US dollars for emergency support in connection with the “COVID-19” pandemic in circumstances of open EFF arrangement. Such needs, according to the signed document, include increased costs related to health care, social benefits associated with rising unemployment, and assistance to companies in order to maintain employment. All this goes along with the obligation to maintain the system of pegged currency and raise the resilience of the banking system, the adoption of the law on deposit insurance and the extension of cooperation with other financial institutions in terms of securing the necessary financial resources. From the previous arrangement, there are still obligations to raise the growth of the private sector and employment, reforms that enable the improvement of the business climate and investment climate, improvement of the quality of public spending and reduction of public debt, maintenance of financial stability and other reforms in the financial sector. Also, the construction of a single economic space and the improvement of coordination and cooperation within Bosnia and Herzegovina are further emphasized and actualized.

### **3.2. Key conflicts**

Understanding the mission. The multi-year period of drafting the reform program in cooperation with international financial institutions and the unsatisfactory results of their implementation raise the question of the essential reasons and possible areas of conflict. In this regard, several key zones of inconsistency (conflict) can be identified. First, different understanding of the mission of the economic organization of Bosnia and Herzegovina as a whole and its entities individually. The constitutional content points to the need to improve the general welfare and economic growth by protecting private property and improving the market economy, and to ensure human rights and freedoms of the highest level of internationally recognized rights, as well as fundamental freedoms. The existing programs on the BiH side reflect the declarative commitment to the mission concept set in this way. The implementation of the program in a way of permanent delay indicates a possible approach in understanding the mission of the economic organization as the one that should work for the needs of a particular interest group of society and not for the society as a whole. Second, a different approach to quantifying goals and conceiving the indicators of achieved results contributed to the maintenance of the conflict. In setting the quantitative elements of the goals of the country’s strategies, international financial institutions respected the country’s sovereign rights and its responsibilities for its own development. On that basis, the goals of individual strategies remained insufficiently related to the responsibility for their fulfillment, which led to an inadequate cor-

relation between the indicators of achieved results and the goals for individual programs. Third, the strategies operated with different and uncoordinated levels of transparency of the mandate and the vision of the organization. From the point of view of international financial institutions, the responsibility for meeting the strategic goals was primarily addressed to Bosnia and Herzegovina. There is no room left to consider the internal context of the mandate and responsibilities for fulfilling the assigned competencies. This was, as a rule, treated as an internal matter of the country and could not have been adequately discussed. Frequent internal contradictions, unwillingness to pursue a policy of clear mandates and the extension of responsibility for their fulfillment led to the neglect of essential obligations. Even in cases where there were undisputed competencies regarding the law, the adoption of bylaws was delayed for many years (Krunić, 2018). Fourth, inconsistencies in the area of value principles have led to a multiplication of contradictions in the content of documents. Thus, the principle of the rule of law was often emphasized on the one hand, and on the other it was insufficiently emphasized. The principle of market economy and private property had a similar fate, which can be said for the area of value principles related to human rights and freedoms. This area was specifically addressed by the Stabilization and Association Agreement that Bosnia and Herzegovina had signed with the European Commission (Stabilization and Association Agreement, 2015).

Last, fifth, inadequately formulated costs of individual programs and their connection with the budget system, and inadequate treatment of the development planning function contributed to the lack of mutual harmonization of strategic programs. The programs did not maintain strong correlations with the budget in terms of co-financing and supporting the self-sustainability of projects and system units. Development planning was neglected, so some programs “lost” the effects expected from them, the results often faded, and the transparency of their implementation remained low and marginalized. An abbreviated scheme of the conflict relationship is given in Table 2.

**Table 2.** Key areas of strategy conflict

Areas of conflict	External support strategies	BiH strategy
Understanding the mission	Mission as an effective transition	Mission as a delayed and slowed transition
Objectives and results	Open access to quantification	Quantification neglected
Internal contradictions	Weakened by internal regulatory mechanisms	Contradictions expressed, regulatory mechanisms weaken
Consistency of values	Value principles supported	Values declaratively supported
Cost design	There is an interest in co-financing	Interest in co-financing decreased

Source: Comparison by the author

### 3.3. Consequences of adequately unresolved conflict

**Prolonged implementation of reform programs and the absence of positive results.** Current conflicts have existed for a long time and are manifested in the constant delay in the implementation of initiated reform programs. The visibility of delays in the implementation of reforms over time took on clearer contours and became pronounced only after 2016 by the failure to implement the obligations under the Reform Letter and the Stabilization and Association Agreement. The European Commission's critical review of the proposed economic reform programs did not significantly change the attitude of the authorities in Bosnia and Herzegovina, so the rhetoric of declarative readiness for reforms continued, ignoring the obligation to implement them in the expected time. At the same time, unfavorable preconditions for improving the competitiveness of economic entities in Bosnia and Herzegovina, sustained growth and substantially unchanged foreign trade imbalance strengthened.

**Inertness of the administrative system, delay in acquiring the conditions for the effectiveness of international financial agreements and their prolonged implementation.** In the circumstances of the lack of real readiness for the accelerated implementation of purposeful economic reforms, the public sector retained the outlines of inertia and the economic system lost its desirable resilience. Bosnia and Herzegovina and its entities had extended administration in the previous period in gaining the effectiveness of international financial agreements. These were not only agreements that were supposed to encourage directly economic reforms, but also agreements that were oriented towards various investment projects. This was due to the pronounced multiplication of holders of obligations from such international agreements and a number of signatories from the side of Bosnia and Herzegovina. The relevant time period for gaining the effectiveness of financial contracts prescribed by the general conditions of international financial institutions is mainly related to a period of 60 days. This deadline is used as a reference period for calculating the cost of maintaining a financial source. Bosnia and Herzegovina achieves contract effectiveness well above this desirable time frame and pays high costs for maintaining financial resources, whether it is an extended efficiency or a slow implementation. Thus, during 2019, BAM 7.28 million were paid for this purpose (BiH, 2020). It is noticeable that this amount is above double compared to 2015, when it amounted to BAM 3.39 million. During 2010, BAM 3.88 million were paid for these purposes. This proves that persistence in postponing reforms was followed by the increased costs of maintaining financial resources and delayed implementation.

**Slowed evolution in the domain of declaratively adopted values.** The previous declarative commitment to a market economy, the rule of law, the develop-

ment of democracy, and the protection of private property were not adequately and timely implemented and it has remained an area pointed out by the international community on several occasions. Thus, the European Commission, with its Opinion on the Application for Bosnia and Herzegovina's membership in the European Union in May 2019, gave 14 recommendations which show that in terms of key values, not much has been advanced since the beginning ([European Commission, 2019](#)). Areas of democracy, the rule of law, the application of fundamental rights and the public administration reform remain key priorities today.

**Slow economic growth.** The demand for building a functioning market economy remained marginalized, and the achieved economic growth was slow and insufficient. The development of the growth rate of the gross domestic product during the five-year periods, which is shown in Table 3, indicates a slow and stagnant trend. Such economic growth cannot absorb the high unemployment rate and generate catching up with European Union countries in terms of living standards. On the contrary, the manifested growth trend can only strengthen the constant, continued and deeper lag in development and produce new economic problems, which, in addition to the existing ones, can lead to the complication and collapse of the economic system. The negative balance in the world trade is maintained at the level of over four billion BAM and practically indicates the absence of economic growth and the retention of the raw material and import-oriented economy.

**Table 3.** Key indicators of economic changes in Bosnia and Herzegovina according to CBBH statistics

Indicators by years	2000	2005	2010	2015	2019
GDP in BiH - growth rate	4,4	4,2	0,8	3,1	2,8
Balance of trade in mil USD		-4,900.8	-4,865.7	-4,071.1	-4,576.6
Population in BiH in 000	3751	3765	3705	3429	3301

Source: Statistics of the Central Bank of BiH ([Statistics, 2019](#)) and UN statistics according to world population prospects for 2019

**Loss of natural and labor resources.** The loss of population in the period after 2005 indicates high risks of losing the best quality workforce. Such a situation will directly affect the labor market in Bosnia and Herzegovina as well as labor costs, which will further worsen the state of competitiveness of economic entities and consequently jeopardize the economic position of society as a whole. The absence of an active approach in establishing an efficient market mechanism in general, along with the fact that the rule of law principle has not been built, retains the risk of uncontrolled loss of natural resources, which may jeopardize the survival of future generations in this area.

#### 4. DISCUSSIONS WITH CONCLUSION

The hypothetical thesis that there is a conflict of previously discussed strategies has been proven. Conflicts exist on several levels and show a connection with three basic economic trends. Clear understanding of conflict and its impact on the level of growth of domestic gross product, negative trade balance and labor resources enables understanding of the harmfulness of delaying economic reforms, and enables understanding of the need for a mechanism of purposeful adjustment and targeted management of society, along with necessary connections with the surrounding market. This also indicates the circumstances of missed opportunities (and missed benefits) for the sake of purchase of time, due to goals that remain completely questionable from the point of the population of two entities and Bosnia and Herzegovina as a whole. Maintaining the existing conflict does not allow for positive economic changes that would lead to the development of an export-oriented economy, a healthy growing economy and the preservation of natural and labor resources.

By summarizing all of the above, the following can be concluded:

1. The Development Strategy of Bosnia and Herzegovina and its entities is in conflict with the support strategies of international financial institutions. Development planning is not adequately established in Bosnia and Herzegovina and its entities and does not reflect a link with the objectives of supporting international institutions.
2. Conflict relationships are manifested in the direction of constant deterioration of the chances for intensive economic growth, preservation of natural and labor resources, and strong impact on the budget expenditures of the competent institutions. Prolonged time to achieve efficiency and implementation of investment projects and reform support projects raise the question of responsibility for negative consequences that can be proven and quantified.
3. Possibilities for removing the considered conflicts of strategies are primarily a matter of domestic decision-makers, but also of additional influence of international institutions. This remains primarily a matter for the country and its institutions because of its primary responsibility for its own development and the natural relationship of adapting a smaller market to the larger. At the same time, the passage of time is not a good factor and ally on the side of domestic institutions and entities of Bosnia and Herzegovina in relation to the undertaken obligations.
4. The consequences of the conflict in any case concern the relations between the generations. The future generations are left with reduced opportunities to correct the failures of the generation that established and maintained complex conflict

positions. The transfer of intergenerational responsibility to new generations carries moral consequences in addition to the economic ones.

5. Changes in the economic situation of domestic entities during the conflict of development interests are still related to the general and individual issue of responsibility. Establishing the rule of law can make such a connection relevant. Nevertheless, the level of democratic awareness of our society will determine the direction and pace of progress in this regard.

## REFERENCES

- Attenborough, D. (2020). *Život na našem planetu*. Zagreb, Hrvatska: Školska knjiga.
- BHRP. (2019). *Reform program of Bosnia and Herzegovina*. Retrieved from: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bih\\_erp\\_2019-2021.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bih_erp_2019-2021.pdf)
- Blewitt, J. (2012). *Understanding Sustainable Development*. London, UK: Earthscan.
- Bower, U. (2017). *State-Owned Enterprises in Emerging Europe: The Good, the Bad, and the Ugly*. IMF Working Paper 17/221. Washington, DC, USA: International Monetary Fund.
- Burda, M. & Viplos, C. (2016). *Makroekonomija*. Beograd, Srbija: Ekonomski fakultet.
- Đerić, B. (2019). Vratiti ekonomiju na stazu moralne nauke. *Jahorina Business Forum 2019*. Dostupno na: <http://jbf.ekofis.ues.rs.ba/>
- Domljan, V., Mirašić, G., Ridić, G. & Ridić O. (2017). Od defektne do efektne razvojne politike BiH. *Acta Economica* 15(27), 137-162.
- Doing business report. (2020). *Doing Business 2020*. World Bank Report. Retrieved from: <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>
- EBRD reports. (2020). Retrieved from: <http://www.ebrd.com>
- European Commission. (2019a). *Communication from the commission to the European parliament and the Council. Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union*. European Commission, EU. Retrieved from: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion_en.pdf)
- European Commission (2019b). *Key findings of the Opinion on Bosnia and Herzegovina's EU membership application and analytical report*. Retrieved from: [https://ec.europa.eu/commission/presscorner/detail/en/COUNTRY\\_19\\_2778](https://ec.europa.eu/commission/presscorner/detail/en/COUNTRY_19_2778)
- Housel, M. (2020). *Psihologija novca*. Beograd, Srbija: Publik praktikum.
- Informacije o javnom dugu. (2020). *Javni dug BiH*. Dostupno na: <http://www.mft.gov.ba/srg/indeks.php>
- Janeway, W. H. (2012). *Doing capitalism in the innovation economy*. Cambridge, UK: Cambridge U.P.
- Krunić, M. (2018). Pravna regulativa javnog duga, njegova implementaciona rješenja i Evropske vrijednosti. *Godišnjak Pravnog fakulteta u Istočnom Sarajevu*, 1/2018.



- Krunic, M. (2019). Razvoj i ekonomska politika BiH u kontekstu moralne održivosti za ishode tranzicije. *Zbornik radova, Jahorina Business Forum 2019*. Dostupno na: <http://jbf.ekofis.ues.rs.ba/index.php/archive>.
- Montek, S. A. et al. (2008). *Commission on Growth and Development. The Growth Report – Strategies for Sustained Growth and Inclusive Development*. Washington, D.C., USA: World Bank.
- Ministarstvo finansija Vlade Republike Srpske. (2021). Program ekonomskih reformi RS. Dostupno na: <https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Program-ekonomskih-reformi-2016-2018-godina.aspx>
- Mehmet, O. S. (2012). An investigation of violence against teachers in Turkey. *Journal of Instructional Psychology*, 39(1), 51-62.
- Reform Agenda. (2015). *Reform Agenda for Bosnia and Herzegovina 2015-2018*. Retrieved from: <https://europa.ba/wp-content/uploads/2015/09/Reform-Agenda-BiH.pdf>
- Reports of the World Bank. (2020). World Bank. Retrieved from: <http://www.worldbank.org/>
- Rozenberg, J. & Fay, M. (2019). *Beyond the Gap: How Countries Can Afford the Infrastructure They Need While Protecting the Planet*. Washington, DC, USA: World Bank.
- Sakada, S. (2018). The Asean economic community: How SMEs could exploit local value to compete? *ABAC Journal*, 38(1), 1-17.
- Solow, R. M. (1978). *Resources and Economic Growth*. USA: The American Economist.
- Svjetska banka. (2016). Srednjoročni program, 2016-2020. Dostupno na: <http://documents.worldbank.org/curated/en/752481468194999174/Bosnia-and-Herzegovina-Country-partnership-framework-for-the-period-FY2016-20>
- Stabilization and association agreement. (2015). L 164/2. *Official Journal of the European Union*
- Statistika Centralne banke BiH. (2020). Dostupno na: <http://www.cbbh.ba/indeks.php>
- Stern, N. (2002). *A Strategy for Development*. Washington, DC, USA: the World Bank.
- EBRD (2012). *Strategy for Bosnia and Herzegovina 2012-2015*. Retrieved from: <http://www.ebrd.com/pages/countries/Bosnia and Herzegovina>
- Swinkels R., & Turk, C. (2003). *Strategic Planning for Poverty Reduction in Vietnam*. Washington, DC, USA: The World Bank.
- Taras, V. & Obermok, V. (2020). The opportunity matrices for chain inovative transformation of economy: the cite concept. *ABAC Journal* 40(1), 20-32.
- Thaler, R. (2020). *Nerazumno ponašanje*. Zagreb, Hrvatska: Školska knjiga.
- Thirlwall, T. (2011). *Economics of development*. London, UK: Palgrave, Mcmillan.
- Tirole, J. (2016). *Economie du bien commun*. Paris, France: Presses Universitaires de France.
- Trias de Bes, F., & Kotler, P. (2016). *Inovacijom do pobjede*. Zagreb, Hrvatska: Školska knjiga.
- Wheelen, L. T. & Hunger, J. D. (1998). *Strategic Management and Business Policy*. Boston, Massachusetts, USA: Addison – Wesley.

---

## СУКОБ СТРАТЕГИЈА - РАЗВОЈНА СТРАТЕГИЈА БОСНЕ И ХЕРЦЕГОВИНЕ И СТРАТЕГИЈЕ ПОДРШКЕ МЕЂУНАРОДНИХ ФИНАНСИЈСКИХ ИНСТИТУЦИЈА

---

<sup>1</sup> Миролjub Крунић, Министарство финансија и трезора Босне и Херцеговине, Сарајево, Босна и Херцеговина

### САЖЕТАК

Током претходних 25 година Босна и Херцеговина је остваривала, уз мање или веће осцилације, низак и стагнирајући економски раст. Планско-развојним документима и документима економске политике обликована је визија брзе транзиције и успјешног привредног раста који је требало да омогући одрживост економског система и његових структура. Стратешка одређеност за интегрисање у систем Европске уније није мијењана и потврђена је потписивањем Споразума о стабилизацији и придруживању 2008. године. Међународне финансијске институције су чак омогућиле финансијску подршку економским програмима БиХ и њеним ентитетима у већем обиму од њихових апсорпционих капацитета, али испод економских потреба земље у цјелини.

У таквим околностима отворило се питање могућег конфликта циљева економског развоја Босне и Херцеговине и циљева финансијске подршке коју је пружала међународна заједница. Околности као што су проток дугог временског периода, скромни економски резултати, изгубљене прилике и опасни негативни трендови, упућују на потребу усклађивања конфликтних стратегија и интереса двије поменуте стране – Босне и Херцеговине и међународне заједнице.

**Кључне ријечи:** *управљање развојем, јавни дуг, пословни амбијент, фискална одрживост, конкурентска способност, стратегија економског развоја, дефицит платног биланса, валутни одбор.*