

Initial Strategy Statement

ECONOMIC DEVELOPMENT OF MOSTAR

Strategy for the future

"Economic development
holds the key to the future"

MOSTAR ECONOMIC PLAN

INITIAL STRATEGY STATEMENT

ÀEconomic activity is best left to free markets and to entrepreneurs, wherever possible. The role of the state is to encourage and to facilitate...to intervene only where there is market failure.À

This Strategy Statement is a vital first step towards the economic regeneration of our city. Mostar and its people have a fascinating history but we must demand an even more successful future. The purpose of this document is to display the signposts towards that future, to show the directions that we must follow to bring prosperity, partnership and peace.

It is both a report - of the diligent and continuing work of more than seventy people involved in the complex business of strategy formulation - and also a manifesto for the future of our city.

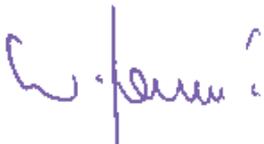
It contains a host of creative ideas and plans to enable Mostar to develop for the benefit of all its citizens and to take its place among European cities. A co-operative effort, led by the City council, it demonstrates the creativity and imagination of our people.

The Strategy makes demands of us all. It calls for hard work, for changes in the way we work, for changes in attitudes and cultures. Some of these changes will be difficult to achieve and to accept.

A prosperous and peaceful future will not come easily for there are no simple solutions to the many problems we all face.

Implementation of the economic strategy will require us to work together, to co-operate in new ways. This we can and will do because it is essential to the future of us all.

Neven Tomić



Hamdija Jahić



March 2001

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This document sets out the initial economic strategy for the City of Mostar. The strategy provides a framework for the development of a series of action plans - many of which are already in the process of construction - to develop the economy of Mostar over the next decade.

The Strategy is built upon five underlying principles:

Partnership

Transparency - and a consensual approach

Enterprise

Environmental sustainability

Equality of opportunity

Based upon these, the Strategy identifies six main Themes for the future economic development of the City and the surrounding economic region. These are:

An Enterprise culture: to make sure that Mostar is an 'business friendly' city, imbued with an enterprise culture.

Employment growth: through inward investment, support for business growth, especially among small and medium-sized enterprises and the creation of new enterprises;

An efficient labour market: to ensure that employers have the skills they require and local residents have access to the jobs they need;

Sector development: to build on Mostar's existing strengths and specialisms;

Urban renewal: to make Mostar a more attractive place for citizens, visitors and inward investors to live and work;

Continuity: the Strategy must be a continuing process, subject to regular reassessment and enhancement;

To achieve these ends, a series of actions has been proposed and many more are in development at the present time. To secure their implementation, the City Council intends to create a new institutional framework for economic development, starting with the creation of a Mostar Economic Development Agency.

The Strategy has been developed by a Steering Group, led by the City Council and the European Commission and eight Working Groups, each concerned with different but interconnected, aspects of the local and regional economy, during

the first quarter of 2001. The work of all these Groups will continue as detailed plans are devised for the implementation of the Strategy.

Chapter 1 of the Strategy Statement describes the strategy formulation process adopted by the City and its partners. Chapter 2 provides an analysis of the present situation and identifies strengths and weaknesses, opportunities and threats. Chapter 3 draws out the main themes and principles upon which the Strategy is based and Chapter 4 sets out the actions to be taken to implement the Strategy. Chapter five summarises the immediate actions to be taken.

This Strategy Statement will be followed by a detailed implementation plan and further proposals during the next three months.

1. Introduction and background

"Mostar is at a cross-roads. Ahead lies the road to jobs, prosperity and a future in Europe. This strategy statement is the first step on that road."

Hans-Jorg Kretschmer, EC Ambassador to Bosnia i Herzegovina

This Strategy Statement marks the culmination of the first stage of development of a continuing strategy for the economic regeneration of the City of Mostar. It also heralds the beginning of a substantial programme of work - of planning, consultation and implementation - that is required to turn vision into reality.

In July 2000, the City Council invited the European Commission to join it in consideration of the future of the economy of the city and the surrounding economic region. As a result of these discussions, in October 2000, the Mostar City Council and the European Commission convened a conference to discuss the future of the Mostar economy. Representatives of all sections of the City's economic community and of other interested parties were invited to attend.

At the conference, Mayor Nevin Tomic set out the Vision for Mostar's Future.

"We want more and better. Our target is Mostar a normal city, where dignity of life will be returned to people, in their work, homes and social environment.

If we are to achieve our dream we must create a recovery strategy to develop the city and the region. Our strategy must be compatible with the role of cities in the modern world and our goal is: Mostar - a normal European city."

At that conference, it was agreed that a small Steering Group should be established, under the leadership of the City Council and the EC but with representatives of the international community, to guide the creation of a new economic development strategy for the City.

Under the central guidance of the Steering Group, eight Working Groups were set up to consider the different aspects of such a strategy. The Working Groups are concerned with:

- I. Urban Development
- II. Agricultural processing
- III. Tourism
- IV. The business environment
- V. Industrial investment
- VI. Infrastructure development
- VII. Education, science & technology
- VIII. Regional development

Each working Group comprises a number of invited experts, including academic staff from universities in Mostar and Sarajevo, representatives of the business community and of city and cantonal governments and agencies, the financial sector and the international community. In total, more than seventy people gave of their time during the first three months of 2001.

In addition, the strategy development process was publicised as widely as possible and all citizens of Mostar were invited to submit their views. The Steering Group was pleased that some citizens did so, for though the number was small, the responses showed that there was movement towards a more open and participative way of working. In addition, representatives of all sections of the community gave their views in a series of meetings with the members of the Working Groups.

So far, the Working Groups have concentrated on careful analysis of the present situation in their areas of specific concern. But several have already begun to develop both long term plans and specific proposals for action including some actions which can be put in train at an early stage. The first set of proposed actions is set out in Chapters 4 and 5 of this document.

1.1 This Strategy Statement

This document draws upon those responses and on a range of reports and discussion documents provided by the various Working Groups at the beginning of March 2001. But the work of the groups is expected to continue as proposals are refined and plans for implementation are drawn up. The Mostar City Council is asked to adopt this outline strategy and to endorse the continuation of the work of the Steering Group and the Working Groups.

The objective of this Strategy Statement is to set the scene for the future economic regeneration of Mostar, to indicate the directions of future local and regional economic policies and activities and, most important of all, to give an impetus to the fundamental change in attitudes and culture which is essential if Mostar is to take its place as a dynamic and prosperous European city. Its adoption by the City council and endorsement by other key players in the Mostar economy is an opportunity for the City and its partners to demonstrate their commitment to this vision.

1.2 A framework for action

This Statement is designed to provide not only an analysis of the present situation but a vision for the future. Most important of all, it is intended to

provide a framework for action. Much needs to be done and action to regenerate Mostar's economy must start immediately, for too much time has been lost already.

Actions need to be taken by a number of key players. Although it is for the City Council to provide leadership as the elected and legitimate government of the city, not all of the actions proposed herein can or should be taken by the Council. Economic activity is best left to free markets and to entrepreneurs wherever possible. The primary role of the state at any level is to encourage and to facilitate the actions of the market, to remove obstacles to growth, to create favourable conditions for business activity and to intervene only where there is market failure. Such interventions will often be more effective if they are taken in partnership with other institutions and with representatives of the market economy.

A welcome development in the course of the activities of the Working Groups established to create this Strategy is that proposals have emerged for action by other players, especially in the private sector: new voluntary associations have been proposed (and in one case, already formed) notably in relation to agriculture, agricultural processing and tourism.

This demonstrates the beginning of an important cultural shift and a change in attitudes. A command economy is no longer present or possible or desirable in Mostar or indeed in Bosnia i Herzegovina as a whole. The concept of economic planning must be one of enabling and encouraging rather than of deciding or instructing.

The Statement describes, in Chapter 2, an analysis of the present economic situation in Mostar and in the 'Mostar Economic Region' drawing on earlier research and on the analyses carried out by certain of the Working Groups described above.

Chapter 3 draws out the key themes and principles upon which the Strategy must be based while Chapter 4 discusses the future development of the local and regional economy and the policies required to improve economic performance. Chapter 5 summarises a number of action plans, most of which have emanated from the Working Groups, identifies the leaders and key players concerned and in some cases provides some provisional time scales and indications of funding sources and systems.

2. The present situation

Any consideration of the future of Mostar's economy must start with an analysis of the present situation. Mostar is, perhaps, unique among cities: it is recovering from the effects of devastating warfare; it has been troubled with communal divisions; it has suffered from rapid and catastrophic de-population - including the loss of many of its most skilled and talented people - followed by mass immigration; it is part of a new state many of whose institutions are new and untried; it is part of a wider economy which is in the course of transition from central direction to an enterprise-led society but which has the special competitive disadvantage of making that transition a decade later than other eastern European states.

For all of these reasons but particularly owing to this unique combination of circumstances, the future development of the economy is beset with difficulties. Progress will not be easy. There are no quick or simple solutions.

Nevertheless, the City has many advantages and assets which, if they are properly managed - or, in some cases, freed from previous forms of management - can make Mostar a prosperous and pleasant place to live and work and do business. The climate is favourable and there are unrivalled water resources offering hydro-electric power and scope for extensive irrigation. The history of the city has left an endowment of interesting and attractive buildings which, when war damage is repaired, will be valuable and effective attractors of tourism. Its geographical location makes Mostar a natural regional centre for markets and for civil administration.

2.1 The statistical base

Following the disruption of the past decade, precise statistical information about the state of the Mostar economy is difficult to obtain and this has hampered the strategy development process. Some estimated data is discussed below

2.1.2 Population

The present day population of Mostar is variously estimated at 80-100,000 compared with about 126,000 in 1990. Within the overall decline, there have been significant population shifts. Perhaps half the original population left during the period 1991-95 and since then there has been an influx of population from other parts of BiH and some from further afield.

2.1.3 Employment and unemployment

Employment levels declined significantly during the past decade as much of Mostar's manufacturing base was destroyed during the war and agricultural

production was interrupted or ceased altogether where livestock and crops were destroyed. There is still some manufacturing employment, notably in aluminium production, but many other industries ceased production entirely. The service sector has shown recent signs of growth.

Nevertheless, total unemployment has been estimated at 50% of the adult population, though many of those regarded as unemployed may be at work in the grey economy.

2.1.4 Private businesses

There are no reliable statistics concerning the number and type of small and medium-sized enterprises in Mostar, in part because a good deal of activity is carried on in the informal or 'grey' economy. But there appears to have been an increase in the level of business activity during the past two years, as evidenced by fairly brisk business at those banks which have specialised in helping new and small businesses. One has estimated that there are as many as 1,200 small firms operating in a wide range of sectors.

It must be appreciated that these data are estimates and may be subject to wide margins of error. For example, there has not been a census of population in Mostar for twenty years and official statistical research was severely disrupted or discontinued during the wars of the early nineteen nineties.

2.1.5 A Regional Economic Observatory

A unified Cantonal Statistics office for the Canton of Herzegovina Neretva was successfully established in the year 2000 and this now regularly collects statistical data and publishes it in the Federation Statistics Bulletin. But there is a need to create an economic survey facility that can help to improve the way in which social, economic and environmental data is collected and analysed and which is concerned with bringing together data about the wider Mostar Economic Region.

To meet this need, the Working Group VIII, on Regional Development has proposed the creation of a 'Regional Economic Observatory' whose task would be to gather together information about the economy of Mostar and the surrounding region on a regular and continuing basis and has defined an initial work programme for such an organisation.

Such an Observatory for the Mostar Economic Region would be of benefit to policy makers at all levels and in all sectors and would be able to provide the baseline data required for continuing strategy formulation. More details of this proposal are set out in Chapter 4, below.

2.2 SWOT analysis

From the available data and from the analyses carried out by the Working Groups and the Steering Group, the following SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) emerges.

2.2.1 Mostar's Strengths

Mostar's primary strength is its location, in a broad beautiful valley, served by six rivers at the centre of the southern region of Bosnia i Herzegovina. With good road and rail connections, an airport and proximity to the sea, it is a natural regional centre. This has been recognised by the government of the Federation, which has based four federal ministries in the city. The city is also the seat of government of the Canton of Herzegovina Neretva. It has also become the location of choice within the broader region for a variety of international agencies concerned in post-war reconstruction. It is a significant seat of learning with two universities which have a total of 9,000 students and over 300 full and part time staff, making the education sector one of the key economic actors in the city. The presence of these various governmental, educational and international organisations help to give Mostar its identity as a city, its metropolitan feel and an increasingly cosmopolitan atmosphere. The city is blessed with a felicitous climate, with mild winters and warm summers. This, together with the proximity of attractive mountainous countryside and a stock of historic buildings make it well placed to attract tourists. Mostar's history and cultural heritage, derived from its role as a major city of the Ottoman Empire and later of the Austro-Hungarian Empire, are important assets. They can be vital tourism generators but also add to the attractiveness of the city as a place to live and work.

It is endowed with good natural resources, being surrounded by fertile arable land and possessed of abundant water supplies (71,000 cubic meters per person per year) which in turn provide hydro-electric power and scope for irrigation to support a well-established agricultural sector. There is strong potential for the development of wind and solar power generation systems.

In addition to its agricultural hinterland, the city has strong manufacturing traditions and as a result, its population has a body of skills in such diverse fields as engineering and metalworking, vehicle building, aviation components, textiles and clothing manufacture. Although these industries have suffered from disruption brought about by war and by political and economic transition, there is a surviving tradition of craftsmanship which provides a skills base for future development. Wage levels in the area are competitive when compared with the general levels

in the Republic of Bosnia i Herzegovina and particularly so when compared to the rest of Europe, though labour costs are adversely distorted by heavy employment oncosts, notably employers' social insurance and taxes.

In spite of the political turmoil of the recent past, the City also has a civil administration which is unanimous in its commitment to economic reform, which seeks to encourage the formation and growth of local business enterprises and which extends a welcome to new inward investors.

2.2.2. Weaknesses

It is self-evident that Mostar faces some enormous difficulties, many of which impact on the City's competitiveness as a location for economic activity. Radical population changes and high unemployment are indications of social dislocation, inadequate new investment and economic instability. Much of the city's industrial base was destroyed during the 1990's as a result of hostilities, of the break-up of the former republic of Yugoslavia and consequent disaggregation of state industries or of the transition to a market economy. At the same time, emigration led to the loss of many of the city's skilled and talented people. Furthermore, the local economy still bears the burden of some inefficient state enterprises that have yet to be privatised.

The need for urban renewal

Dereliction and damage in the urban area makes the City unattractive to potential investors. Much of the inner area still looks like a war zone. Apart from the general unpleasantness of such an environment, it reflects poorly upon the people and the city authorities. Eight years after the end of the war, walking some of the streets of Mostar is still hazardous because of broken footways and dangerous structures.

While much of the real estate of the city lies empty and unusable, there is a shortage of business premises - of offices, workshops, studios - which inhibits new business formation and deters inward investors.

Business and the law

The business environment in Mostar, in common with BiH as a whole, is restrictive, and bureaucratic. To register a new enterprise - even where such registration has no apparent purpose - involves considerable trouble and cost. The regulatory and tax systems are a disincentive to enterprise and to inward investment. For those who do seek to create new enterprises, there is a lack of support services and sound advice.

In such circumstances it is no surprise that some entrepreneurs choose to act in the informal, extra-legal or grey economy. While grey economy activity may be better than none it has numerous disadvantages. Extra -legal businesses are prevented from growing because they cannot usually access funds from banks, cannot easily move goods in bulk, cannot enhance sales by offering legally binding guarantees of quality, cannot recruit and retain good staff, cannot enforce legal contracts. The community at large suffers from a loss of tax revenue and inadequate consumer protection.

The grey economy also gives the country a reputation for illegality which is not wholly fair. In spite of social dislocation, many types of crime are comparatively rare in Mostar. It is normally safe to walk the streets at night and cars left parked are not usually stolen or damaged. Levels of burglary are below those in many western European cities. Mostar is a safe environment for the business visitor or tourist.

Evidence from banks lending to small businesses in Mostar report that the level of default on loans is below average and that over 99% of business loans are categorised as performing.

Evidence from many developing societies shows that many people who act in the extra-legal economy do so unwillingly and as a result of frustration with unnecessary and unhelpful laws and regulations. Many would prefer to act within the legal, formal economy if they were helped to do so. The City Council is committed to change in the legal and regulatory structures but this will require action at Cantonal and Federation levels.

There is not yet a widespread entrepreneurial culture and there is a lack of mechanisms to support and encourage entrepreneurial activity and management skills are inadequate. This is coupled with a lack of the professional economic development capacity required to support new businesses or to deal with potential inward investors

Transport systems

While Mostar has good transport links with the coast, with Sarajevo and other cities in the wider region, the transport infrastructure is in need of upgrading. The road from Sarajevo to the sea in particular, is mostly a narrow single carriageway unsuitable for large-scale freight movement. Rail links are limited by single-track working and by inadequate marshalling and loading facilities.

2.2.3 Opportunities

Nevertheless, the city is presented with a number of significant economic opportunities.

Urban renewal offers the creation of new jobs in the construction industry whose output can include the creation of much needed new business space and the restoration of buildings to regain the unique character of Mostar and so enhance its attractiveness to tourists and inward investors alike. The city has an abundant supply of land available for redevelopment.

The European Union has announced plans for ÅCorridor VÅ a road/rail transport route to link the Baltic Sea with the Mediterranean. Provided that planning begins at an early stage, Mostar has the opportunity to ensure that the route passes close to the city and creating a vital junction and interchange point.

Mostar's rivers, especially the Neretva, are an under-utilised asset which can be exploited to generate additional power and to increase irrigation to expand agricultural output. It is possible that the river could be developed below the city to provide a navigable waterway for business and leisure uses.

Because of Mostar's location and growing role as a regional centre, it has already attracted interest from some potential investors. Such interest, together with the presence of a substantial international community gives Mostar the opportunity to extend its contacts with the wider world and to take advantage of the opening of European and global markets for its goods and services.

Given careful planning and city centre redevelopment, Mostar can retain and enhance its attractiveness to such investors but also to central government agencies, which are already significant employers in the City.

2.2.4 Threats

If action is not taken to develop the economy of Mostar, the city appears likely to fall victim to a number of serious threats to its future prosperity. If the city cannot offer the required infrastructure, or is a slow-growing and unattractive economy, it will lose the opportunity to benefit from Corridor V.

Unless a capacity to encourage and support inward investment is developed quickly, investment opportunities will be lost to other locations. Unless there is an adequate supply of business space, allied to essential support mechanisms and a reduction of the regulatory and tax burdens on business Mostar will not

be a favourable or competitive location for new business creation or the retention and growth of existing businesses. Far from attracting inward investment, there is a risk of an outflow of businesses and capital to more favourable locations.

If action is not taken to encourage the legitimisation of extra-legal enterprise and to address problems of corruption, Mostar's image will suffer and inward investors and tourists will look elsewhere.

So, also, will Mostar's most able and well educated citizens, who will see better opportunities in other towns and cities or even in other countries.

There is also a risk that the support that Mostar currently enjoys from the international community will be dissipated if essential actions are not taken and the city does not demonstrate its ability to plan and work with others for the future of the economy. If the City is not seen to be taking responsibility for its economic development there is a severe risk of 'donor fatigue' and the consequent loss of financial support.

2.2.5 Summary

These issues, taken together, show the scale of the problems facing Mostar but set against this, identify the ways in which such problems may be dealt with. The SWOT analysis enables us to draw a balance between strengths and weaknesses, between threats and opportunities and thus to map a way ahead.

This SWOT analysis is summarised in the chart below.

Summary SWOT Analysis

Strengths

Climate

Water (Power generation, irrigation, tourism development, navigation)

Presence of tertiary education sector

Textile working skills

Urban and cultural heritage - tourism attractions

Strategic location - regional centre

Established agricultural skills/infrastructure

Metalworking and manufacturing skills

Substantial international presence

New commitment to economic reform

Weaknesses

Regulatory and taxation systems
Absence of business support mechanisms
Extra-legal economy
Loss of industrial base as a result of warfare and disinvestment
Dereliction - mainly as a result of war damage
Social dislocation
Loss of talent through emigration
Continuing political instability
Unemployment
Image
ED expertise/capacity/procedures/institutional support
Lack of entrepreneurial culture and managerial expertise
Outdated state industries yet to be privatised
Entrenched attitudes and outmoded cultural norms
Water pollution

Opportunities

Land - development opportunities
Corridor V
Multi-functional use of the Neretva river
Globalisation/Europeanisation of markets
Potential to maintain international support
Improvements in agriculture and food processing
Interest from inward investors
An expanding SME sector

Threats

Corridor V - bypassing
Further emigration
Extra-legal and criminal behaviour
Competition from other cities
Limited local/regional markets
Donor fatigue

2.2.6 Issues arising from the SWOT analysis

It is apparent that at the present time, the weaknesses of the Mostar economy outweigh its strengths and that immediate action is needed to rectify the situation. Furthermore, it is important to note that many of the deficiencies - of infrastructure, of economic management, of under-investment - are not only interconnected but interdependent. Action in any one field, taken in isolation, is unlikely to succeed without parallel actions in related areas

Most of the weaknesses which have been identified stem from the wars of the early 1990's. Action to restore the economy has been stalled by the necessity to address basic needs such as housing and social infrastructure and the attention of the city and of foreign aid donors has been directed to these ends rather than to economic renewal over the past five years. But other problems relate to the transition from a centrally directed to a market economy which began a decade ago but was delayed by the wars and by the social priorities of postwar reconstruction.

Thus issues that might otherwise have been dealt with sequentially now need to be addressed at the same time and in a co-ordinated manner. Business is inhibited by cumbersome regulatory systems and complex and onerous taxation which have been addressed by Working Group IV (Business Environment). The regulatory burden may be a significant cause of the high level of extra-legal business activity in that people are impatient of the system and find it easier to operate outside the formal, legal business structures.

The City Council is committed to seeking reform and the easing of the regulatory and tax burdens on business. But reforming the regulatory system will take time and most actions in this direction will need to be taken at cantonal and Federation levels. In the meantime, there is a need for business advice services to provide assistance to small businesses and would-be entrepreneurs to navigate the system. But business advice is also needed to help the small and medium-sized (SME) business sector with such matters as marketing, modern production methods and the application of new technology. Thus action to establish a comprehensive business advice service will help to address several of the identified weaknesses in the local economy.

Businesses need premises from which to operate. Dealing with the provision of business space complements the need to deal with dereliction in the urban area, which is being considered by the Working Group I on Urban Development. Plans to regenerate the centre area will not only provide scope for the development of office and retail space but will help to improve the appearance of the city, making it more attractive to both tourists and to potential inward

investors from abroad and from other parts of Bosnia i Herzegovina, will protect the environment and will enable the provision of improved amenities for residents.

Taken together, these actions will generate additional employment and contribute to a more stable society.

Therefore, the proposals for action set out in the following chapters have been selected and prioritised on the basis of multiple impacts: each proposed action is designed to address several of the issues identified in the SWOT analysis and to complement other actions. These actions are designed not only to deal with the identified weaknesses but also to take advantage of and build on the strengths of Mostar and to capitalise on the opportunities available to the city.

3. Themes and principles

Six key themes emerge from this analysis and from the work of the various working groups. These themes have informed and guided the programme of proposed actions set out in Chapters 4 and 5, below. The six themes are closely interconnected and in many cases, interdependent.

3.1 Theme 1 - changing the culture

To attract investors, to encourage local enterprise, to ensure that partnerships for peace and prosperity can work in Mostar, the city must offer a business - friendly, inclusive environment in which all citizens and companies have equal access to the support and protection of the law and of the authorities and freedom from oppression of all kinds.

3.2 Theme 2 - Employment Growth

Mostar's most urgent need is for the creation of new employment. The ways in which this can be brought about are

- (a) Indigenous business growth - helping local firms to expand and so employ more people. Actions need to be targeted at the growing SME sector.
- (b) Encouraging and assisting new business start-ups.
- (c) Attracting inward investment, especially Foreign Direct Investment (FDI) but not forgetting the government sector.
- (d) Labour market action to enable local people to access new jobs.

3.3. Theme 3 - A sound labour market

An efficient labour market is essential to the efficiency of the economy in a number of ways. Investors and entrepreneurs need skilled, well educated labour if they are to succeed. So far as FDI is concerned, it has been established by extensive research that the availability of suitably educated and flexible labour is a key factor in company location decisions.

Conversely, new jobs are of little value to the existing residents of Mostar if they are unable to gain access to such jobs. Action is needed to ensure that Mostar people are 'fit to work' in the new industries that the economic strategy seeks to attract to the area. Such education and training needs to include the skills required by modern industries, such as the use of information and communications technologies and language skills.

The labour market must function on the basis of inclusion and equality of opportunity. Where employment opportunities are limited on the basis of such

irrelevant factors as gender or ethnic origin, the result is the skills and talents of large sections of the population are wasted and those who are excluded fail to make their contribution to the prosperity of society as a whole. Mostar cannot afford to waste talent.

3.4 Theme 4 - Sectoral Development

The Steering Group and Working Groups have begun the task of identifying the key sectors of the local economy which are likely to offer employment and output growth opportunities in the coming decade and where interventions arising from the strategy could accelerate growth and modernisation. Those sectors initially under consideration are

- Agricultural processing
- Cultural industries, especially tourism
- Metal working industries
- Textiles and clothing
- Water engineering related activities
- Service sectors, including banking and insurance

Some steps towards the development of strategies for taking advantage of the opportunities offered in these sectors are set out in Chapter 4, below.

3.5 Theme 5 - Urban renewal

The first objective of urban regeneration is to make Mostar a place where people are proud to live and can enjoy living and working. This is essential to maintain confidence in the city, to retain the skilled workforce and maintain the existing business community. If the city is left in its present condition, people are likely to seek to move elsewhere and take their businesses with them.

The redevelopment of the city centre in particular can have a number of other benefits. It can provide new business premises for new and expanding local firms. It can improve the quality of Mostar's offer to inward investors. It provides direct employment in the construction industry. It can make the city more attractive to tourists and increase income and employment in tourism related industrial sectors such as hotels and catering, transport and the cultural industries.

3.6 Theme 6- A continuing strategy

This statement is an important first step but much more needs to be done. An economic strategy is not a 'one-off' exercise but a continuing process. The

strategy must be regularly revisited and revised to take account of achievement and of changing needs and circumstances.

More research is required to inform the strategy and the information base is currently inadequate. Furthermore, there is a need to establish an institutional framework to carry forward the implementation of the proposals set out herein and the plans which will be developed in the immediate future.

To address the first of these needs, it is proposed to establish a regional economic observatory. To meet the second, the Steering Group has expressed strong support for the proposal, first mooted by the City Administration at the October 200 conference, and echoed by Working Group V (Business and Industrial Investment) of a new Mostar Economic Development Agency to be established by the City Council but involving other, appropriate partners.

The City must build the capacity to assist and encourage enterprise, partly through the development of appropriate new institutions but also through extensive training of existing city and other officials. This will entail action to deal with crime and corruption and the rigorous enforcement of equal opportunities policies. It will also require that systems and procedures be put in place to encourage enterprise and to extend an appropriate welcome to potential inward investors. A first priority for the city is to work to change attitudes and to remove obstacles and constraints which inhibit enterprise or prevent citizens from making their contribution to the economic growth of the City and of the wider economic region.

The City 's internal capacity to act as an administration must also be enhanced to ensure that it is able to facilitate implementation of the Strategy.

3.7 Underlying principles

These central themes are underpinned by certain underlying principles which the Steering Group believes are vital to the success of the strategy.

3.7.1 The first is that work to develop and implement this strategy must be carried out in **Partnership**. Though the City Council has a clear responsibility for leadership and guidance, it cannot act alone in most cases. It must work in partnership with all of the key players in the local economy.

3.7.2 Secondly, the Strategy must be **inclusive and transparent**. Steps must be taken to ensure that all the citizens of Mostar are kept informed about the progress of the strategy and the state of the local economy and have regular opportunities to make their opinions and ideas known to the Council through structured consultation.

3.7.3 Thirdly, wherever possible, actions should be **enterprise led**. Where profitable business can be created, opportunities should be taken by business. There is no justification for expending scarce public funds on activities that are better undertaken by private citizens or business people who are prepared to shoulder the risks. The role of the City Council and other public institutions should be to enable, not to direct or unnecessarily inhibit.

3.7.4 Fourthly, all of the actions proposed or encouraged by the Strategy should take full account of the need to protect **the natural environment**, which is Mostar's greatest asset and is the heritage of its people. Care must be taken that enterprises or projects should not result in pollution or loss of amenity, or the loss of agricultural land where previously occupied land is available for development. All proposed new developments should be the subject of an environmental assessment, the results of which should be publicly available.

3.7.5 The fifth principle is that of **unity and equality**. The Strategy is for the benefit of all citizens of Mostar regardless of their age, status, gender, origin, ethnicity or religion. Projects developed as a result of the strategy should not be supported if they discriminate unfairly between citizens or benefit one group to the detriment of another.

3.8 These six themes and five principles are the foundation of the actions considered in the following chapters.

4. The future economic development of Mostar

Within the six Themes previously described, and with regard to the five underlying principles identified, the Steering Group and the eight Working Groups have begun the work of developing firm proposals for action to meet the needs of Mostar's future economic development.

4.1. Theme 1 - changing the culture

The City Council is committed to the development of an open 'enterprise culture' in Mostar in which the official organisations support the private sector in the wealth creation process. Citizens must be freed and encouraged to establish new enterprises and to expand existing firms and businesses must be helped to obtain the capital and human resources they require for expansion.

4.1.1. The key steps

towards an enterprise culture required of the City and its partners are

- Capacity building - in business management and economic development
- Deregulation - Removal of constraints to enterprise
- Changes to the tax regime to encourage enterprise
- Changes to employment law to promote flexibility
- Action against crime and corruption
- Action to promote and implement equal opportunities policies
- Public consultation and involvement at all stages of the strategy building process.

4.2 Theme 2 - employment

Mostar's first need is for increased employment. But it is also important to consider the quality of the jobs obtained. In the short term, total wealth creation will increase along with growth in the number of jobs. More people at work produces more output in the local economy. But in the longer term, economic growth depends upon increased productivity, the value of the work generated by each worker. Productivity gains will only come through a switch towards high value added industry and employment and through the use of technology.

The task, therefore, is not only to encourage enterprise, but to improve the quality of enterprise, to help businesses to take advantage of technological change, to achieve greater efficiency through access to capital and to a well trained, well educated workforce in a supportive business environment.

Mostar needs to generate or attract at least 20,000 new jobs as rapidly as possible. Employment opportunities will come from

- *Inward investment*
- *Local business growth - with special emphasis on the needs of small and medium-sized enterprises*
- *Increasing new business formation*

In the longer term, there are certain advantages to the development of indigenous businesses rather than inward investment in that decision-making and control is retained in the locality. Where inward investors dominate a local economy, there is a risk of a 'branch plant economy' one in which all key investment decisions are taken outside the area and where local employment is vulnerable to such decisions, which do not relate to local circumstances.

However, indigenous business growth takes time, especially in an area which lacks an established enterprise culture. Inward investors can help to develop such a culture by importing new ideas and attitudes and can provide employment in the shorter term. To encourage business growth, either through inward investment or through indigenous expansion, several measures are required but these are, in turn dependent upon a range of other factors. These are summarised below

<i>Measures required</i>	<i>Underpinning factors</i>
Consistent policy	New Institutional framework Sound knowledge base
Deregulation	Analysis of changes needed Cultural change Political commitment
Premises	Urban renewal Redevelopment Incubator
Business services - advice, financial support	New Institutional framework
Infrastructural development	Urban renewal Regional policy decisions
Improving the skills base	Investment in education Identifying employer needs
Improving Mostar's image	Urban renewal Action on crime and corruption Tourism development Deregulation
Sectoral work	Participation by businesses New institutional framework
Privatisation	Political commitment Speed decision-making Deregulation

Based upon this analysis, a number of specific immediate actions is proposed.

4.2.1 Establish a new Mostar Economic Development Agency (MEDA) to take measures to support and encourage enterprise

See Theme 1 above

4.2.2. City Council to review bureaucratic system of regulation

In common with the rest of BiH, Mostar fails to offer a business friendly environment. The attitude of officialdom and the behaviour of officials are widely perceived to be inhibitive rather than supportive to enterprise and this both deters the formation of new enterprises and inhibits the growth of existing firms. It is a major disincentive to inward investors.

The central problem is one of over-regulation and intrusion. To start a business in BiH it is necessary to register and to seek permission from the court and to prove possession of certain amounts of capital. Lengthy procedures involved in registration use up time and money and interrupt business. Most of these procedures are irrelevant and serve no purpose other than to maintain the employment of officials who do nothing to create wealth or add value. It is arguable that for a free citizen to seek permission from anyone before doing business is an affront to dignity and an abrogation of freedom.

The City Council will, therefore, as a matter of urgency, carry out a detailed review of the procedures required to establish a business in Mostar with a view to simplifying procedures or, where this is not possible, abolishing them. The Council will initiate discussions with the Cantonal and Federal governments with a view to securing parallel action at these levels, by such legislation as may be necessary.

Such legislation may take some time. In the meantime, therefore, city officials will be instructed to work with the proposed MEDA to establish a 'one-stop-shop' at which businesses will be able to have all regulatory matters dealt with in one place and at one time.

4.2.3 Creating an enterprise zone

For new businesses and inward investors, Mostar has designated two small 'free zones'. But experience of such zones in BiH has not been entirely satisfactory. It is proposed to review the working of those in Mostar with a view to the development of a more structured enterprise zone. Some of the relevant issues are discussed below.

The temptation is clearly to "just do it" and to make a "bonfire of regulations". But some key decisions need to be taken about the size of an enterprise zone, the type of business for which it would cater, the way in which it would be administered, the facilities it provided, its lifetime and the likely costs.

What the Enterprise Zone should offer

To succeed, an enterprise zone requires some additional facilities over and above freedom from certain levels of taxation and regulation. The most likely needs are:

An "after care" system: businesses that move in to enterprise zones are sometimes mobile and volatile. Experience in a number of countries during the 1980s and 1990s showed that some firms move from Enterprise Zone to Enterprise Zone around the world to take advantage of the tax breaks. An "after care" system would help firms to settle into the zone and increase their chances of trading profitably and remaining in the area in the longer term (after the life of the Enterprise Zone).

Enterprise development support: the object of an enterprise zone in Mostar should be not only to attract inward investors but also to facilitate the establishment or growth of endogenous SMEs. The zone should have specialist staff who could provide advice, consultancy services, contacts with officialdom, access to technological resources, etc. The zone might include an 'incubator' area for new small firms.

Available land and buildings serviced and in good repair. Investors would not be attracted to an Enterprise Zone in which there is not adequate land and, indeed, adequately serviced land. Consideration needs to be given to the physical infrastructure including roads, rail connections, air and sea access, services such as electricity, gas, water, waste disposal.

Tax Concessions. There are three kinds of tax breaks, which might be offered. These are (i) relief from employment taxes; (ii) relief from taxes on profits; and (iii) relief from tariffs/duties on components imported for the assembly of products for subsequent export. The question is how significant the tax breaks should be, for how long they should be in operation, and whether or not they should be "tapered". It would be a waste of public funds to give companies tax breaks to do what they would do in any case. Rules will have to be developed to determine which types of company (age, type of product, size, whether exporting or not) would be allowed to benefit from the reduced tax regime. There would need to be a monitoring system to guard against false accounting and evasion of such taxes and duties as were payable.

Easier regulation. Care needs to be taken about how the regulatory regimes would apply within the Enterprise Zone and a set of rules needs to be developed. The regime should not be so lax that it encourages evasion of essential, e.g. safety, regulation, or illegal activity.

It is proposed that the new MEDA be charged with reviewing the free zones and drawing up plans for an enterprise zone during the first year of its operations and presenting these to the City Council with recommendations for immediate action.

4. 2.4 Infrastructural change

Along with the changes in the *ÅsoftÅ* infrastructure discussed above, there are deficiencies in the built infrastructure that must be addressed, though some of these are beyond the remit of the City Council and will require submissions to be made to the Cantonal and Federal authorities.

First, of these is the road system which serves the City and the wider economic region. Urgent action is needed to bring the main road from Sarajevo to the coast up to European motorway standards. But it is also necessary to plan the interchange between road and rail to endorse Mostar's case to become a major interchange point when Corridor V comes into full operation. This means identifying land for marshalling yards, container facilities, service stations, road/rail interchange and access to industrial areas and to the airport.

4.2.5 Attracting Inward Investment - Co-operation with FIPA

The attraction of inward investment is a prime objective of the Strategy. But Mostar is a comparatively small city, with limited resources and a major promotional campaign among potential investors, many of which will come from not only other countries but other continents, is beyond the resources available.

Inward investment to Bosnia i Hercegovina as a whole is to be managed by the new Foreign Investment Promotion Agency (FIPA) which, though at present based in Sarajevo, is shortly to open a branch office in Mostar.

The best way of ensuring that Mostar receives the full benefit of the work of FIPA and has at least its fair share of inward investment inquiries is not to seek to compete internationally with other regions of the country but to do so at the local level by improving the *ÅofferÅ* that Mostar makes to potential inward investors to the degree that it becomes a favoured location.

In the longer term, BiH in general and Mostar itself will not succeed in attracting large scale FDI until the business climate has improved and the

regulatory and tax systems have been reformed to favour business. But Mostar's offer will be improved if Mostar can provide an attractive location, characterised by urban renewal and the improvement in tourist facilities which are discussed elsewhere in this document. A further inducement would be the advantages of an enterprise zone as described above.

However, business decisions are often based upon personal impressions. It is vital that Mostar develops the ability to show a welcome to potential investors and gives an assurance of a helpful and business-friendly local environment. As a first step in this direction it is planned to organise a training programme for all officials and civic leaders who may be involved in meeting the needs of potential inward investors so that inquirers are dealt with efficiently and professionally.

It is anticipated that dealing with investors will mainly be the responsibility of staff of MEDA but they will need support from various departments of the city council. It is therefore necessary to ensure that staff of a number of City Council departments are aware of the need for inward investment and equipped with the knowledge and skills to play their part.

4.2.6 Privatisation

The fastest route to inward investment is through the process of privatisation of socially owned businesses, preferably by tender offers from international businesses that can provide the new investment such industries require.

The City is therefore committed to increasing the rate of privatisation as rapidly as possible. Some privatisations will involve transfer of ownership of enterprises to foreign buyers but others may be based upon joint enterprises. In both cases it should be recognised that the short-term gains are likely to be improvements in productivity, which can bring higher earnings and more secure employment, rather than in increases in employment. Indeed, new managements may find it necessary to shed labour in the initial phase, to bring enterprises up to competitive western European standards of productivity

4.3. Theme 3 labour markets

The objectives of an efficient local labour market policy are

- (a) To ensure that there is work available for all residents who are able to work;
- (b) To ensure that residents possess or can acquire the skills required to gain access to employment;
- (c) To ensure that business has a ready supply of appropriately educated and skilled labour.

Creation of employment for local residents should result from the range of actions set out in relation to Themes 2 (Employment) and 4 (Sectoral development) and in part from Theme 3 (Urban development).

But employment growth must be complemented by action to ensure that local residents can acquire the skills to access new jobs. The Working Group on Education and Technology is currently developing proposals for improving the education and skills of Mostar's labour force and the new MEDA will be tasked to develop a skills strategy based upon assessments of the needs of existing and potential employers which may include the development of sector-specific training and re-training schemes.

The City Council, MEDA, the Universities and other partners will work to promote the concept of **Alifelong learning** in Mostar - the constant adaptation of skills to meet changing market needs and individual aspirations for improvement.

Efficient functioning of the labour market also requires action to ensure equality of opportunity - improving access to employment and ensuring that talent is not wasted as a result of inappropriate discrimination. The City Council is mindful of BiH's commitment to the UN Charter on Human Rights and will work with employers and workers' representatives to explore ways of ensuring that citizens of Mostar do not suffer from unfair discrimination on the grounds of age, ethnic origin, religion, physical disability, gender or sexuality.

4.4 Theme 4 Sectoral Development

4.4.1. Agricultural processing

The Agricultural Processing Working Group has carried out an initial analysis of the growth opportunities in the sector and has thus far identified some nineteen possible projects, which, if implemented, could yield about 3,000 additional jobs. These outline proposals require further work in selecting the most viable and analysing financial feasibility. It is proposed to develop a separate but related Agricultural Processing strategy document within the next three months.

4.4.2. Cultural Industries

This term relates to the arts, entertainment, sport and tourism, all of which can be significant generators of wealth in advanced societies. Thus far, the focus of the strategy development has been on those activities directly related to tourism. Mostar has a considerable tourism potential but needs to improve the quality of

the tourist offer. City centre regeneration will play a part but there is also a need to improve existing tourist facilities, enhance the training and effectiveness of those who work or seek to work in tourist related industries.

There is scope to improve the marketing of Mostar to tourists, especially in association with other attractions such as nearby religious shrines and other tourism destinations in the wider region such as Split and Dubrovnik. The Tourism Working Group has drawn up a set of draft proposals defining some fifteen different types of tourist markets which the city can address. The Group has also identified a range of development needs and measures to create new employment in the tourism sector.

These include the training of staff in tourist-related industries - possibly through a new private sector training company - sensitive redevelopment and restoration of tourist facilities and attractors, co-operation with related areas and attractions to bring together a more comprehensive tourist offer, the development of a distinctive identity in the tourist markets and the promotion of Mostar as both a primary and secondary tourist destination

These proposals will be set out in a separate tourism strategy document to be published within the next three months.

4.4.3. Metal working industries

Mostar has a long tradition of metal working industries, based in such sectors as aerospace components, generators, passenger transport vehicles, heating and air-conditioning plant and toolmaking.

Much of the productive capacity was destroyed during the war and companies closed down or moved away. Recovering the position will be difficult and is a long-term aspiration as contacts with markets has been lost and previous customers of these industries have long since found alternative sources of supply.

But some productive capacity remains and the City has retained a body of skills and knowledge which could be a source of regeneration. The Business and Industrial Investment Group (Working Group V) has carried out a preliminary analysis and has begun the process of developing a medium term strategy for renewal.

4.4.4. Textiles and clothing

Pre-war employment in the textile and clothing sector was over 6,000 but production was severely disrupted or terminated during the hostilities. However,

there has been a degree of physical reconstruction and re-equipment and six enterprises, two of which are privately owned, now employ about 400 people. The four public sector firms are due to be privatised in the near future. There are also about fifteen to twenty very small firms, most of which appear to be under-capitalised and lacking in design and marketing skills.

While there is no apparent shortage of lending capacity in Mostar - a number of banks and NGO's direct loan finance toward SME's - many small firms do not have sufficient collateral or repayment capacity to take full advantage of such facilities. In these cases, the shortfall is in equity.

Most small firms in this sector rely on personal savings and family sources for equity. The market could be widened by the establishment of a local venture capital fund or by an equity partners introduction scheme or by the provision of loan guarantees and the proposed MEDA will be asked to explore the possibilities for such operations for this and other sectors.

4.4.5. The service sectors

Service sector employment typically accounts for c70% of all jobs in developed economies and there is scope for increased service sector employment in Mostar. Certain key service sectors are already well established in the City and show signs of growth. The first is the financial service sector (banking, insurance and finance), the second is public administration and the third is the education sector.

All three of these have a common requirement which is high levels of education and vocational skills, particularly management and office skills, computer literacy and ICT skills.

As Mostar's position as a regional centre is consolidated, demand for these skills is likely to grow. Furthermore, if such skills are seen to be widely available in Mostar, the City will become more attractive as a location for such activities.

The Working Group on Education and Technology has identified the need to raise educational attainment levels in Mostar and is currently developing a set of proposals for action.

4.5. Theme 5 - urban regeneration and renewal

There must be a new plan to encourage the development of new business space, to make our city attractive to inward investors and tourists, to give confidence to local businesses and to improve the built environment for the benefit of

residents. This must start with the central area, which still has the appearance of a war zone, characterised by broken buildings and damaged footways.

4. 5.1 A new plan for central Mostar

A new centre area plan will be drawn up within one year in which each and every building or site will have a planned use so that there is an automatic assumption in favour of development within the scope of such uses for every unused site. The plan will take account of the need for additional business space of various kinds and allow for maximum feasible flexibility of use. The plan will be published in draft form so that all citizens can make comments and raise objections. Where such comments or objections are not accepted by the Council, an independent arbiter may be called in to determine the issue.

The City Council is currently examining an offer of assistance from the city of Graz, in Austria, for the conduct of an architectural competition for the 'Boulevard area' in the centre of the City.

4. 5.2 Encouraging redevelopment and restoration

At the present time, many buildings in the city centre lie derelict and unused. In many cases, the ownership of such buildings is uncertain. Where ownership is uncertain or property is otherwise left unused and in a derelict condition for three years, and where development is necessary in the public interest, the City will assume ownership and control of the building by compulsory purchase, draw up a development brief for bringing the building into beneficial use, and offer the building for sale on the open market, subject to the condition of development within reasonable time and in accordance with planned use of the site. (Subject to sealed tender to an independent party so that the highest bidder secures the sale.)

Such powers to act rest with municipalities under existing BiH law but the City Council will seek approval for the assumption of such powers from the appropriate authorities.

In this way, it is expected that redevelopment of buildings and sites in the centre area can be accelerated to the benefit of the city and its inhabitants.

4. 5.3 The 'Pride in Mostar' Campaign

But these procedures will take time to take effect. Much can be done in the short term and at low cost to improve the appearance of the city centre and to

restore confidence. Many buildings show superficial war damage such as broken plasterwork and bullet holes, while continuing in use. Such appearances bring shame upon the City, seven years after the cessation of hostilities.

It is therefore proposed that a new campaign should be launched to make these simple improvements. The 'Pride in Mostar' campaign will be run by a new independent organisation tasked with raising money and ensuring that the faces of such buildings are repaired or replastered and repainted. The campaign will seek donations from the private sector, from public agencies and by appeal to the general public. It will seek the support of local voluntary organisations and community associations and individuals.

To set an example, the City Council will make provision in its next budget to ensure that all public buildings under its control are suitably treated and will press state and cantonal authorities to do likewise. The Council will also pass legislation requiring the owners of private property to do likewise within a certain period. Where property owners lack the funds, the 'Pride in Mostar' organisation may endeavour to provide loans to meet the cost, or may carry out the work itself, by training and employing unemployed persons and young people for the purpose.

The campaign will use similar procedures to improve the appearance of the city by planting trees along the streets, removing rubbish scattered by the river banks and upon vacant sites and planting flower gardens on unused land in the centre area.

The object of the campaign will be to make Mostar a city of which every resident can be proud and to help to restore a sense of community spirit. It will be an important generator of new confidence in the life of the City and a demonstration to all residents that 'things are beginning to happen' in Mostar.

4.6. Theme 6 - A continuing strategy

(a) The institutional framework

It is a basic principle that the City Council needs to work in partnership with others to ensure the continuation of the Strategy. It is therefore appropriate to consider what institutional framework is required to make such a partnership productive and effective. The Council, like other local authorities, has a broad range of responsibilities of which economic development, though of prime importance, is only one. Development of the economy requires the concentration of a dedicated organisation which is not distracted by other priorities. Such an organisation is also able to engage the skills and resources of other persons and agencies which lie outside the formal structures of the city administration.

The Steering group therefore proposes the establishment of a new 'development agency' which is separate from the Council itself, whose tasks will be to act as the custodian of the Strategy, to act as the main implementation organisation. The Agency would be created and led by the City but would include on its governing board, representatives of other key players in the local economy. It would thus be a partnership of the main actors in the economy.

The precise terms of reference of the Mostar Economic Development Agency will need to be carefully considered but its role might include responsibility for, inter alia,

- Providing support services to new and small enterprises (including business advice, formation of joint marketing ventures, etc)
- Establishing and managing 'new business incubator' schemes involving after-use of suitable premises in different parts of the City
- Dealing with potential inward investors and providing an 'aftercare' and business retention service
- Advising the council on future economic development policies and projects
- Initiating and managing vocational training schemes
- Encouraging new redevelopment schemes (e.g. by helping to form consortia)
- Promoting Mostar as a regional centre

(b) The information base

There is a clear need for more and better information to help the development of the Strategy and associated plans. It is therefore proposed that a 'regional economic observatory' be established to address this need. The Observatory would be a small association of relevant university staff, supported by appropriate officials of the city, canton and federal governments and by representatives of the business sector.

The Working Group on Regional Development has proposed a number of initial projects for the Observatory, starting with

- (I) The economic mapping of the 'Mostar Economic Region'
- (II) Identification of functional-gravitational links between Mostar and its surrounding area;
- (III) Production of a guide to investment in the MRE;
- (IV) Examining the transport links to the region and identifying potential improvements.

The new Regional Economic Observatory and MEDA will work together to identify employers training needs and the training objectives of employees. The MEDA will work with the universities to develop schemes to improve the managerial, entrepreneurial and economic development capacity of the population.

5. Agenda for Action

5.1. Chapter 4 set out some of the steps that need to be taken to move from vision to reality. But it is essential, if this is to be achieved, to identify specific actions which can be taken, or at least started, in the immediate future. Precise plans must be prepared.

It is equally essential that for each such action that a lead organisation should be identified which can take responsibility for devising a plan, identifying funding sources where necessary, managing implementation of the plan, ensuring other actors are kept informed.

For each of the actions below and those which will be developed by the working Groups during the coming months, the following procedure is required of each such lead organisation:

1. Accept responsibility, commit to the project;
2. Draw up a detailed implementation plan - timescale, specific actions, costings;
3. Appoint/identify key staff;
4. Consultation;
5. Implementation;
6. Reporting back:

5.2 Summary of actions by key players

5.2.1.

Actions by Mostar City Council	Partners
Create Mostar Economic Development Agency	EC/CARE International
Set up Regional Economic Observatory	EC/CI, Working Group 8, Universities, Canton 7
Review of regulatory system Identify changes to be made Draft legislative proposals Negotiate with CNH & Federal ministries	Canton 7, WG 4, OHR, FIPA
Identify enterprise zone location negotiate legal framework transfer management to MEDA	

Urban renewal Draft new legislation New urban plan	Canton, Municipalities, OHR, WG 1
Pride in Mostar Campaign	Chamber of Commerce and Businesses
Plan for infrastructural development Assessment of needs Prepare plan and case (including plan for corridor V) Negotiate with CHN and Federal ministries	Canton 7, WG6, Utilities Companies
Capacity - building - training of staff	EC/CI, Universities

5.2.2. Actions of the Regional economic observatory

Actions by REO

- Economic map of MER
- Identification of functional/gravitational links
- Investment guide
- Examine transport links

5.2.3. Mostar Economic Development Agency

Actions by MEDA

- Business advice service - one stop shop
- Incubator
- Inward Investment procedures
- Vocational training schemes
- Explore equity partnerships, venture capital, loan guarantee schemes for SME's.

5.2.4 Actions by Steering Group/Working Groups

- Tourism Action Plan
- Agro-Processing Action Plan
- Manufacturing Industries Action Plan (Metalworking, Textiles and Clothing)

5.3 Analysis of actions by theme

Actions to improve the knowledge base (Theme 6)

- Creation of Regional Economic Observatory
- Action by: MCC, SG, WGVIII with universities, CHN

Actions to ensure implementation of the Strategy (Theme 6)

Creation of a Mostar Economic Development Agency
Action by MCC and SG

Actions to assist indigenous business growth (Theme 2)

Actions to assist identified high growth potential SME's
Deregulation
One stop shop - MEDA
Sector Growth Strategies
Actions by MEDA (see above)
Infrastructure development (eg improve transport, logistical systems)

Actions to encourage new business creation (Theme 2)

Registration - regulation - MCC
One stop shop MEDA
Business incubators MEDA
Advice services - consultancy - MEDA

Actions to encourage inward investment (Theme 2)

Capacity building - training of staff and stakeholders
Co-ordination with FIPA
Urban plan
Regional infrastructure roads, rail,
Plan for Corridor V

Actions to regenerate the urban area (Theme 5)

Identify sites for development - ownership, best use, enforcement
ÀPride in MostarÀ campaign
Identify land for new housing development

Actions to improve the skills base (Theme 3)

Identify employer needs - MEDA, REO, Universities
Identify skills Base and worker aspirations
Establish or expand vocational training facilities
Review education provision

6. Monitoring and Reporting

This strategy development process began on 18 October 2000, at a conference at which all of the organisations concerned in the local and regional economy were present.

We propose that this conference should be reconvened at yearly intervals, as the 'Mostar Economic Forum' starting in October 2001, to hear from the City Council and from the MEDA what action has been taken and what results have been achieved in each intervening period. The conference should be open to the public so that all the stakeholders in our economy can be kept fully informed and so that those whose task it is to develop and implement this strategy can be properly and publicly called to account.

Meanwhile, we look to the proposed Regional Economic Observatory to monitor the progress of the economy on a continuing basis and to report from time to time so that the decisions of all of the institutions concerned can be properly informed. The Observatory will also be asked to consider arrangements for 'benchmarking' economic progress in Mostar against that in some other city regions.

The City Council will also take steps, in the course of reporting its activities to taxpayers and electors, to ensure that information about economic development is made available.

Neven Tomić

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