

# Analytical Approach to Economic Growth of the Republic of Srpska with Special Emphasis on the Development of the Agriculture

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**Abstract:** In the economic literature, often used terms are economic growth and economic development, in the sense that these two terms are often identified with each other, or in terms of their significant categorical distinction. Economic development is complicated and contains complex categories of economic growth because it includes not only qualitative targets, but also qualitative changes. Natural resources (agricultural and forest land, mineral wealth, water potential) combined with two other production factors, can contribute to economic growth, but are necessary conditions of the growth. A key determinant of the economic growth is technology or technological changes that allow the production of the higher output with the existing investment of the productive factors. The research presented in this paper is economic growth of the Republic of Srpska in the last four years. Especially the attention was paid to agricultural production and identified relevant macroeconomic indicators have a significant impact on the inequality of the development of the agricultural production in some regions of the Republic of Srpska. Therefore, in the final part of this paper made a comparative analysis is made an emphasis on regional differences in agricultural production, and the proposed concrete measures in order to achieve greater results and more balanced regional development of the Republic of Srpska.

**Keywords:** Economic Growth, GDP, Regional Development, Agricultural Production

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## 1. Introduction

In Bosnia and Herzegovina (B&H) there are three legal and economics system: the Federation of Bosnia and Herzegovina (F B&H), the Republic of Srpska (RS) and the Brčko District of B&H (BD B&H).

Under the economic system, there is an implied interactive set of economy as an economic system in a community with institutions and mechanisms for the adoption and implementation of decisions relating to the production, exchange, distribution and consumption. Emphasis is placed on the totality of the economic fundamentals of capital, economic form and character of the prevailing attitudes of the general process of constituting the necessity and the low of economics [7].

The process of economic development of B&H and the RS, under the influence of the global economic environment changes due to international dependency of national

economies operate on the unpredictability of macroeconomic indicators. The economy of B&H is in the process of strengthening global flows (goods, services, capital and labor), dynamic political environment requires continued reform of the processes while respecting the principles of sustainability. *The principle of sustainability* implies that the development of modern society is achieved by integrating economic, social and environmental development components. *Economic sustainability* requires the growth of the innovation, which will enable equal opportunities of development with a decrease in use of natural resources. *Social and community sustainability* relates to social equality with the possibility of the participation of all social groups in political and social life. *Environmental sustainability* is a requirement for the use of natural resources to achieve extremely frugal way as to minimize the risks to human health.

## 2. Economic Situation of the Republic of Srpska

Economic growth and sustainable development can be achieved by increasing productivity (production efficiency), balancing human needs, a better allocation of resources and social equality (greater respect for all forms of life). The four

components of sustainable development in countries in transition, including B&H, are: *revenue growth, privatization, increased employment and reduction of pollution* [3]. Flows of economic development of the RS it can be seen by observing the basic indicators of economic developments in previous years in comparison to the same indicators in the F B&H and the BD B&H.

**Table 1.** Gross domestic product, current prices (in 000 BAM).

Entity	2011.	2012.	2013.	2014.	2015.
FB&H	16.489.083	16.554.140	16.913.721	17.813.292	18.667.169
	-	100.4	102.2	105.3	104.8
RS	8.682.397	8.548.972	8.761.456	8.847.121	9.152.866
	-	98.9	102.1	100.9	103.5
BD B&H	620.491	618.570	633.747	670.369	727.095
	-	99.7	102.5	105.8	108.5

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

**Table 2.** Gross domestic product per capita (in BAM).

Entity	2011.	2012.	2013.	2014.	2015.
FB & H	7.239	7.276	7.434	7.623	8.001
	-	100.5	102.2	102.5	104.9
RS	6.073	6.006	6.146	6.225	6.465
	-	98.9	102.3	101.3	103.8
BD B&H	8.135	8.120	8.380	8.447	8.735
	-	99.8	103.2	100.8	103.4

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

According to the indicators set out in Table 1 and Table 2, it is evident that in the last five years the RS shows relatively unstable growth of the gross domestic product (GDP), the highest annual growth rate of 3.5% in 2015 and

negative GDP growth rate in 2012. In relation to the RS, the F B&H had positive growth rates of GDP and GDP per capita. Most intense GDP growth was recorded in BD B&H in the period from 2012 to 2015, which followed a changeable rate of growth of GDP per capita with a negative indicator in 2012.

The gradual weakening of the trade and other economic developments in BiH have led to difficulties in financing the current account deficit. Department of Foreign Trade is currently the source of the biggest problems in B&H. Deficits in foreign trade, in a long run, undermine the foundations of stability of the economy of B&H and the RS. The fact is that exports currently covers imports with 57.40% at the state level, *while the coverage of imports by exports in the RS is at 59.8%* which is higher than the B&H average of 2.4 index points.

**Table 3.** Export and import by years (in 000 BAM).

Entity		2011.	2012.	2013.	2014.	2015.
FB&H RS	e	5.421.552	5.284.525	5.533.143	5.778.906	6.148.081
	i	10.171.941	9.972.635	9.832.197	10.354.092	10.681.387
	e/i	53.3%	52.6%	56.2%	55.8%	57.5%
BD B&H	e	2.560.808	2.374.737	2.604.090	2.692.013	2.613.924
	I	4.577.526	4.487.548	4.557.635	4.946.061	4.369.179
	e/i	55.9%	52.9%	57.1%	54.4%	59.8%
FB&H	e	222.845	216.845	222.168	188.211	220.563
	I	473.125	476.600	479.024	417.619	502.600
	e/i	47.1%	45.5%	46.4%	45.0%	43.9%

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

Table 3 compares the indicators of foreign trade indicators BiH. It can be seen that the BD B&H has the lowest rate of coverage of imports by exports in relation to both other entities. In the presented indicators, the largest export in the BD B&H was recorded in 2011 with a coverage rate of

47.10%. The percentage of coverage of imports by exports in the RS has varied from year to year, with the highest values in 2015 (59.8%) and 2013 (57.1%). These indicators oscillated a little less in the F B&H, the highest coverage was recorded in 2015 and amounted to 57.5%.

**Table 4.** Realized investments (in 000 BAM).

Entity	2011.	2012.	2013.	2014	2015.
FB&H	2.869.965	2.885.006	3.080.581	3.152.660	2.783.036
	-	100.5	106.8	102.3	88.3
RS	1.359.836	1.622.047	1.546.014	1.995.499	1.633.342
	-	119.2	95.3	129.0	81.8
BD B&H	58.048	38.621	42.136	52.635	70.114
	-	66.5	109.1	124.9	133.2

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

Investments in fixed assets in the RS (Table 4) have varied from year to year, with strong declining tendencies in 2013 and 2015. The structure of investments in fixed assets is dominated by its own resources, while the share of joint assets, financial credits and funds has varied year by year.

Investment growth was recorded in the BD B&H, from 2013 to 2015, after a large reduction of investments in 2012 compared to 2011. The F B&H has recorded a growth of investments up until 2015. where a drastic reduction was recorded, compared to the previous year.

**Table 5.** Index of industrial production.

Entity	2011/2010	2012/2011	2013/2012	2014/2013	2015/2014
F B&H	100.9	96.3	105.3	100.1	102.2
RS	104.8	96.0	104.1	100.6	103.0
BD B&H	-	-	125.59	93.0	143.70

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

Indicators in (Table 5) show that the RS and the F B&H had a drop in the annual rate of industrial production and recorded negative growth in 2012. The BD B&H recorded a mostly positive growth of industrial production, which is particularly manifested in 2015 with the achievement of 43.7%, while the negative growth is recorded in 2014.

**Table 6.** Employment (index 2012 = 100).

Entity		2011.	2012.	2013.	2014.	2015.
FB&H	e	440.747	437.331	435.113	443.587	450.121
	i	-	100.0	99.5	101.4	102.9
RS	e	238.956	238.178	238.640	241.544	245.975
	i	-	100.0	100.2	101.2	101.8
BD B&H	e	16.423	16.138	16.254	16.329	16.506
	i	-	100.0	100.7	101.2	102.2

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics Statistics Agency Brcko District

According to the indicators in (Table 6), employment had positive growth rates in all three entities. The lowest level of employment was recorded in 2013 in which the F B&H had a negative growth rate, while the BD B&H and the RS recorded a slight increase in employment.

**Table 7.** Unemployment (index 2012 = 100).

Entity		2011.	2012.	2013.	2014.	2015.
FB&H	u	367.515	377.957	388.704	392.265	389.865
	i	-	100.0	102.8	103.8	103.1
RS	u	153.535	153.458	149.284	142.675	135.585
	i	-	100.0	97.3	93.0	88.4
BD B&H	u	11.831	12.274	12.500	12.261	12.197
	i	-	100.0	101.8	99.9	99.4

Source: Federal Office of Statistics of Bosnia and Herzegovina, Republika Srpska Institute of Statistics, Statistics Agency Brcko District

Annual rates of unemployment in the RS and BD B&H (Table 7) were negative, indicating that the number of unemployed decreased from year to year. The situation in the

F B&H expressed a positive growth in the unemployment rate, which indicates that the number of unemployed in that entity grew in the period from 2012 to 2015.

### 3. Influence of Business Environment in the Economic Development Republic of Srpska

In addition to the efforts of the RS to improve its business environment and take an active part in global economic flows, B&H and the RS in its composition, are characterized by a very complex and complicated business environment. Despite the fact that certain reforms were implemented in recent years in order to reduce the administrative barriers to the creation of new companies and to simplify the registration of property, B&H still ranks low, based on most indicators of quality of business environments.

**Table 8.** The World Bank report on the ease of doing business in 2013-2015.

country \ year	2015. (189)	2014. (189)	2013. (185)
Macedonia	30	25	23
Montenegro	36	44	51
Croatia	65	89	84
Albania	68	90	85
Serbia	91	93	86
BiH	107	131	126

Source: Doing business 2013. 2014. 2015, World bankgroup

In the latest World Bank report on business conditions (Table 8), B&H was at the 107 position out of 189 countries on ease of doing business, under all countries in Southeast Europe and among the worst ranked in the whole transition region. B&H is ranked poorly on indicators of the ease of starting a new business (162), the connection of electricity (158), implementation of the contract (120), protecting investors (100) and receiving loans (70), in comparison to other Western Balkan countries. According to the same source, the other countries of Southeast Europe are much better ranked in relation to B&H (Bulgaria 38, Romania 48, Turkey 55, Greece 61, Moldova 63).

World Economic Forum (WEF), which defines competitiveness as the set of institutions, regulations and other factors that determine the level of productivity of countries, expressed the same with its Global Competitiveness Index (GCI).

This index measures the average of more microeconomic and macroeconomic components. The twelve pillars of competitiveness are grouped into three separate units, which represent the key to the different ways of managing the economy, namely: (1) *the basic factors of the economy*, (2) *the efficiency of the economy* and (3) *innovation driven economy*. The rating of the global competitiveness of the Western Balkan countries is presented in the following table:

**Table 9.** Overview of the Global Competitiveness Index of the Western Balkan.

GCI	2010.		2011.		2012.		2013.		2014.	
Country	133	I	139	I	144	I	148	I	144	I
Albania	88	3.9	78	4.1	89	3.9	95	3.8	97	3.8
Bosnia and Herzegovina	102	3.7	100	3.8	88	3.9	87	4.0	-	-
Montenegro	49	4.4	60	4.3	72	4.1	67	4.2	67	4.2
Macedonia	79	4.0	79	4.1	80	4.0	73	4.1	63	4.3
Serbia	96	3.8	95	3.9	95	3.9	101	3.7	94	3.9
Croatia	77	4.0	76	4.1	81	4.0	75	4.1	77	4.1

Izvor: WEF (2010, 2011, 2012, 2013, 2014), [www.weforum.org/reports](http://www.weforum.org/reports)

Based on the values presented in Table 9, it can be concluded that some of the Western Balkan countries recorded growth, while others a decline in its value in the reporting period. This, B&H has made a permanent growth in the competitiveness index from 2010 to 2013, in which its value was (4.0). However, *Bosnia and Herzegovina* has been omitted from the list of competitiveness of the World Economic Forum for 2014, due to a high degree of volatility of the research results that was recorded in the previous four years.

The consequences of inadequate business environment in B&H, including the RS, are reflected through: reduction in the competitiveness of the domestic economy, high rate of foreign trade deficit, the general lack of liquidity of the economy and the highest unemployment rate in Europe. The results of the business environment research and the efficiency of operating companies in B&H, which was conducted by the EBRD and the World Bank, show that the main obstacles in business are: (1) *political instability*, (2) *high tax rates*, (3) *an extensive informal sector* and (4)

*difficult access to financing*. According to reports of the Central Bank, direct foreign investment in 2015 amounted to 242 million EUR, down 34.8% compared to 2014. All these indicators point to the fact that investors do not want to invest in a country characterized by an unstable and complex political system, inefficient administration, lack of transparency in the application of rules, decreasing purchasing power and low living standards.

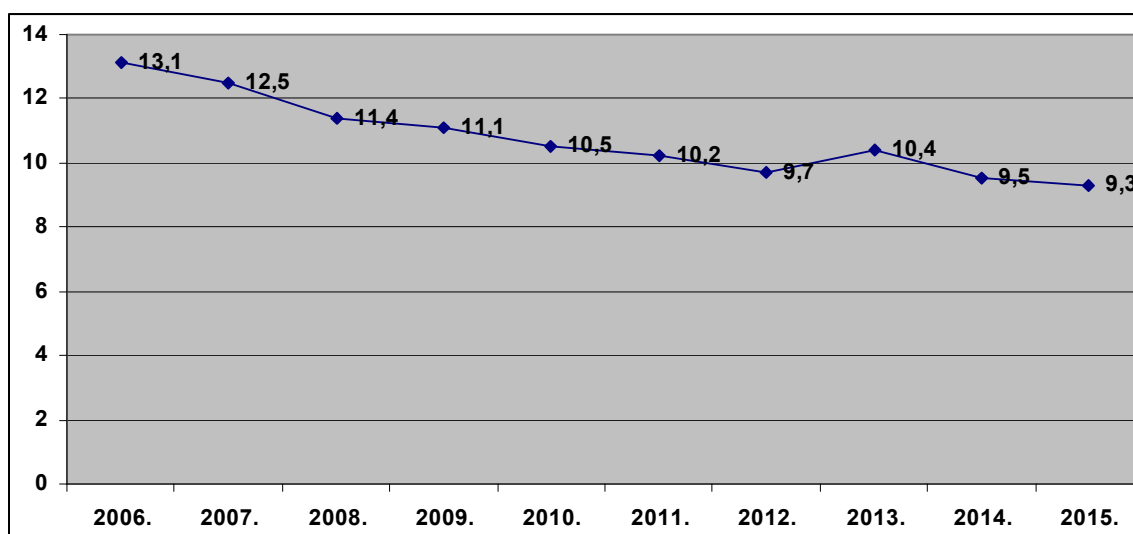
### 4. Comparative Approach to the Development of Agricultural Production of the Republic of Srpska

Agriculture in B&H and the RS, is much more than the primary economic sector with regard to the strategic importance it has in providing a safe source of food and employment rate (20.6%), especially in rural areas. In addition,

agriculture is the basis of the economy and a source of raw materials for industrial processing. The above share of agriculture in GDP in B&H has been reduced in the past decade, from 14% in 2005 to 6.9% in 2014. Same facts indicate a stagnation in agriculture 47% of idle agricultural land, low productivity production of fruits and vegetables, low average crop yields, low value subsidies and other. In addition, the effects of climate change in recent years, inflicted enormous damage BiH agriculture to the reduction of Total yield and export of agricultural and food products. [4]

The RS has 981.815 hectares (ha), or 40.57% of its territory is agricultural land. Out of the total agricultural land, arable land covers an area of 818.590, of which arable land

and gardens of 582.270, orchards 52.191, vineyards 314.000 and meadows 183.815 hectares. Pastures occupy an area 162.662, ponds 563.000 hectares. According to statistics in 2015, approximately 219.153 hectares (37.63%) is uncultivated arable land. Fields and gardens, as the agricultural land best, have a tendency to fall from the north to the south of the RS. The largest area under arable land and gardens are found in Semberija, and a minimum in Herzegovina and Romanija - East Sarajevo. Unexpectedly high participation meadow in the region of Romanija indicates that it is a natural meadows low production potential. [5]



Source: Republika Srpska Institute of Statistics, 2016.

**Figure 1.** The share of agriculture in GDP in the Republic of Srpska (%).

The share of agriculture in GDP in the RS has a decreasing trend in the period from 2006 to 2015, and as presented in Figure 1. However, the largest share of agriculture in GDP was recorded in 2006 (13.1%) and the lowest in 2015 (9.3%). It is also the lowest recorded values between the ten-year

reporting period.

Analysis of regional development of agriculture is made by comparing indicators of agricultural production in the largest regions of the RS.

**Table 10.** Production of field crops-region Banja Luka.

Region Banja Luka – Prijedor	Production, tons 2012	Yield per ha, tons	Production in tons 2013	Yield per ha, tons	Production in tons 2014	Yield per ha, tons	Production in tons 2015	Yield per ha, tons
Wheat	4396	3	5709	3	4687	3	4392	3
Maize	14899	2	13599	2	23767	4	22824	3
Barley	1616	3	2145	3	1883	3	1979	3
Potato	5358	24	7767	13	8032	15	9142	14

Source: Ministry of Agriculture RS, 2016.

**Table 11.** Production of field crops in Region Doboj.

Region Doboj–Brod – Šamac	Production, tons 2012	Yield per ha, tons	Production in tons 2013	Yield per ha, tons	Production in tons 2014	Yield per ha, tons	Production in tons 2015	Yield per ha, tons
Wheat	7364	4	8253	4	5036	3	4734	3
Maize	12460	3	17111	4	28190	7	15961	4
Barley	1305	4	1360	4	680	3	798	3
Potato	1305	13	8378	14	4660	15	2392	12

Source: Ministry of Agriculture RS, 2016.

*Table 12. Production of field crops in Region Bijeljina.*

Region Bijeljina– Zvornik	Production, tons 2012	Yield per ha, tons	Production in tons 2013	Yield per ha, tons	Production in tons 2014	Yield per ha, tons	Production in tons 2015	Yield per ha, tons
Wheat	26167	4	32299	5	14054	3	21206	4
Maize	27177	2	69876	5	58685	5	65687	5
Barley	5986	4	5636	4	2919	3	4531	4
Potato	12787	14	15078	16	7620	12	13738	14

Source: Ministry of Agriculture RS, 2016.

Available data presented in the Table 10, Table 11 and Table 12, indicate that the production of field crops in all regions had a downward - upward trend. These oscillations are in all three observed regions, while the yield per hectare was more stable with the exception of 2014, the year in which the recorded increase in yield especially in maize production. Wheat production in the Banja Luka region had less oscillation, while there was a rise in production of barley in relation to Bijeljina region where there has been a decrease

in production of cereals, particularly in 2014. Doboj region particularly characterized by decreased production of barley as compared to 2013. In the region of Banja Luka has recorded a drastic increase in potato production in the reporting period. Increasing the yield of potatoes per hectare is evident in 2015 and in the regions of Banja Luka and Bijeljina, while in the Doboj region recorded decline in yields in 2015 compared to 2014.

*Table 13. Production of fruit -Region Banja Luka.*

Region Banja Luka – Prijeđor	Production, n, tons 2012	Yield per tree, kg	Production, tons 2013	Yield per tree, kg	Production, tons 2014	Yield per tree, kg	Production, tons 2015	Yield per tree, kg
Apples	4740	14	6943	17	3913	6	6165	22
Pears	978	8	2047	12	1082	5	1565	14
Plums	3284	11	7794	18	1633	5	3541	13
Sour cherries	32	9	96	18	333	15	62	14

Source: Ministry of Agriculture RS, 2016.

*Table 14. Production of fruit -Region Doboj.*

Region Doboj–Brod- Šamac	Production, tons 2012	Yield per tree, kg	Production, tons 2013	Yield per tree, kg	Production, tons 2014	Yield per tree, kg	Production, tons 2015	Yield per tree, kg
Apples	103	12	261	18	184	14	191	15
Pears	53	16	134	17	118	11	99	21
Plums	1727	16	2853	21	2832	16	927	13
Sour cherries	27	4	47	6	61	9	31	7

Source: Ministry of Agriculture RS, 2016.

*Table 15. Production of fruit -Region Bijeljina.*

Region Bijeljina– Zvornik	Production, tons 2012	Yield per tree, kg	Production, tons 2013	Yield per tree, kg	Production, tons 2014	Yield per tree, kg	Production, tons 2015	Yield per tree, kg
Apples	345	11	767	18	345	10	439	13
Pears	168	9	373	15	153	8	304	13
Plums	1694	9	4808	25	2160	13	3353	19
Sour cherries	47	9	56	10	38	7	53	9

Source: Ministry of Agriculture RS, 2016.

Observing fruit production by region, based on the indicators from the Table 13, Table 14 and Table 15, can be concluded that in the regions of Doboj and Bijeljina most produced plums, and in the Banja Luka region apple production. In Banja Luka region is expressed pear production in relation to the other two regions. The yield per

tree is oscillated in all regions, but particularly pronounced reduction in yield in 2014 compared to other years, which were of spring flooding, and drought in the summer months. In all regions the production of cherries in the beginning, with a slight increase in production in the Banja Luka region in relation to the other two regions.

*Table 16. Sown area -Region Banja Luka.*

Region BanjaLuka – Prijeđor	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha
	2012		2013		2014		2015	
	17401	12877	14633	15228	15477	14438	15812	13889

Source: Ministry of Agriculture RS, 2016.

*Table 17. Sown area -Region Doboj.*

Region Doboj–Brod- Šamac	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha
	2012		2013		2014		2015	
	11835	5490	12099	5482	11976	5681	10110	5226

Source: Ministry of Agriculture RS, 2016.

*Table 18. Sown area -Region Bijeljina.*

Region Bijeljina– Zvornik	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha	Sown area, ha	Uncultivated arable fields, ha
	2012		2013		2014		2015	
	29983	2773	30048	2690	26679	2016	30043	2667

Source: Ministry of Agriculture RS, 2016.

Number of sown area decreased from 2012 to 2015 in the Doboj region, while in the other two regions this number less fluctuated with a slight increase in 2015 compared to 2014. Number untreated field was increasing year by year in the Banja Luka region, while the number of unprocessed field in regions of Doboj and Bijeljina less fluctuated.

*Table 19. Forested areas-Region Banja Luka.*

Region BanjaLuka – Prijeđor	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>
	2012		2013		2014		2015	
	31929	85960	31939	84679	32005	84867	32258	92288

Source: Ministry of Agriculture RS, 2016.

*Table 20. Forested areas-Region Doboj.*

Region Doboj–Brod- Šamac	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>
	2012		2013		2014		2015	
	12289	22088	12289	21245	12472	20465	12472	27909

Source: Ministry of Agriculture RS, 2016.

*Table 21. Forested areas-Region Bijeljina.*

Region Bijeljina– Zvornik	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>	Overgrown forest area- total, ha	Gross felled timber, m <sup>3</sup>
	2012		2013		2014		2015	
	12423	4889	12423	5671	12426	6025	12426	7713

Source: Ministry of Agriculture RS, 2016.

Number of overgrown forest area is not reduced in any region in the observed four-year period. On the other side there has been an increase in the average gross timber, which is especially noticeable in 2015.

Based on the presented indicators, we can conclude that

the situation in agriculture is not satisfactory, as indicated by the data that the RS has 0.7 hectares of agricultural land per capita 0.58 ha of arable (fields, gardens, orchards, vineyards, meadows) and currently handles only about 0.20 ha per capita. The degree of use of natural resources is low, with a

tendency of further reduction. Only wealth of agricultural or arable land per capita is not sufficiently used or not used at all. Current arable land area used per capita according to international standards can be considered a warning, and any further reduction would be even greater deficit in food production.

In order to improve agriculture and its competitiveness, Economic policy for 2017 year proposed by the Government of the RS refers to a series of measures in the field of agriculture, which are primarily related to the adoption and harmonization of regulations in the constitutional jurisdiction of the RS, as well as those within the jurisdiction of B&H. This would be timely to prepare for full adoption of the regulations of the European Union when B&H to become a full member.

The planned production of documents for rural development and IPARD operational structures (grants for agriculture), which is a precondition for the creation of the IPARD Program and defining the measures to be financed from European funds for rural development. Only the use of funds in the pre-accession period is very important, because it allows users in addition to increasing the competitiveness that have accredited operating structure that will serve for withdrawal of the much larger funds from the European funds for agriculture and rural development (EAFG and EAFRD), after acquiring full membership.

We will continue with the promotion. The promotion of the models of the financing the development of the agriculture and rural areas based will on three pillars will be continued: (1) a special credit line IRB RS (Investment and Development Bank RS), (2) credit line for long-term and short-term investments in agriculture and (3) the incentive funds from the current budget. In addition to these three pillars, the plan is to use the funds of the World Bank and other international sources of funding and donor funds. In cooperation with the Guarantee Fund of the RS will create a special line of credit, customized primary agricultural producers to facilitate access to credit.

Budgetary sources of financing agriculture are aimed at encouraging market-oriented primary agricultural production and processing of agricultural raw materials to ensure the growth of GDP. The funds support long-term development will be allocated to support investment in the development of intensive production in animal and crop production, and in accordance with development programs those sector. It will also be continued construction of irrigation systems in order to increase competitiveness of crop production.

## 5. Conclusion

Economy and Economic Development of the RS and B&H are seriously threatened, because the inner complexity of the political structure of the country and weak investment activity are the main barriers to foreign direct investment. The business environment of the RS and B&H is very

negative, very poor rating on all the lists that follow the business environment. Therefore, it is necessary to run a comprehensive economic reform, which for years has been prolonged and thereby deepen economic backwardness. Fundamental reforms are needed in all aspects of economic life of B & H, starting with registration and business start, administrative procedures, fiscal and para-fiscal burden, to the bankruptcy and liquidation. Below such circumstances, business, tax and legal environment, RS very difficult to achieve consistency of economic development and successfully engage in global economic flows. The share of agriculture in GDP has recorded a downward trend over the past decade. Utilization of agricultural land in RS is insufficient, while indicators of regional production point to the fact that agricultural production has an oscillating character with pronounced stable growth and development.

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