

# FINANCING TANGIBLE CULTURAL HERITAGE PRESERVATION: AN ANALYSIS OF RESOURCE ALLOCATION MODELS WITH OVERVIEW OF THE EXPENDITURES FOR TANGIBLE CULTURAL HERITAGE IN SARAJEVO CANTON 2020-2024

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**Abstract:** Due to the complex state organization in Bosnia and Herzegovina, a competence in the field of culture in the Federation of Bosnia and Herzegovina is decentralized to ten cantonal authorities, in the Republika Srpska it is regulated at the entity level, and at the district level for Brčko District in Bosnia and Herzegovina. The requirements and principles of local self-government additionally affect the complexity and make it more difficult to analyze public expenditures for the protection of cultural and historical heritage.

Besides the Development Strategy of the FBiH 2021 – 2027, and the Tourism Development Strategy of the Federation of BH 2022-2027, as fundamentally important documents and framework for the development of tourism in the FBH, at the level of the Sarajevo Canton, a Tourism Development Strategy until 2030 was adopted and the Culture Development Strategy 2021-2027 is currently in the draft procedure.

Along to the adopted strategic documents, there is a certain lack of coordination of activities and measures of cultural policies in the FBiH, as well as lack of awareness of priorities in expenditures allocation in order to achieve strategic goals in the field of culture. This especially refers to the lack of clear criteria and systematization of the type of culture or the subfields in the context of applications selection to be funded. A wider offer of cultural programs and events attracts a greater number of tourists to visit such a destination. If more tourists visit a recognized destination that will lead to higher personal consumption in the market, which affects the growth of income and increase in public revenues. The synergy of public policies measures and activities in the fields of tourism and culture would contribute to a more levelled, uniform allocation of public funds and the more realistic range of strategic goals achievement.

**Key words:** cultural tangible heritage, public expenditures for culture, resource allocation model for culture, direct and indirect financing of culture heritage, revenue funding and capital grants

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## **CULTURAL AND HISTORICAL HERITAGE: NORMATIVE FRAMEWORK**

The normative framework for regulating the field of culture in Bosnia and Herzegovina (BiH) is entirely determined by the vertical and horizontal complexity of the political and legal system in BiH. The main characteristic of the normative regulation in the field of culture is a highly decentralized system. According to Article 4, paragraph 1, point c) of the Constitution of the Federation of Bosnia and Herzegovina (FBiH), the establishment and implementation of cultural policy is the exclusive competence of the cantons. On the contrary, centralized system is present in the Republika Srpska (RS), where same competence is given to the entity. Cantons are authorized to create and implement cultural policies: based on this constitutional provision, the Sarajevo Canton Assembly adopted the Law on the Protection of Cultural Heritage (“Official Gazette of the Sarajevo Canton”, No. 2/00 and 37/08) (Ajanović, 2020).

The important role in implementing policies in the field of protecting cultural and historical heritage belongs to the Cantonal Institut(ion)e for the Protection of Cultural, Historical and Nature Heritage Sarajevo, with certain public powers entrusted by law.

As a sheer consequence of the complexity of normative framework, there are twelve different cultural policies (10 cantons, Brčko District, and RS) in BiH, which complicates the analysis of public expenditures and financing models for the protection of cultural and historical heritage at the national level. Furthermore, FBiH has its own Federal Ministry of Culture and Sports which predominantly retains a coordination role. Since the normative regulation of the cultural sector is entrusted to a total of 12 legislative bodies, and the implementation of cultural policy is in the responsibility of 12 executive bodies, a high-quality coordination system is needed to ensure a consistent and adequate incorporation of strategic goals and principles of cultural policy in the asymmetric and decentralized political and legal system of BiH. A comprehensive analysis of public expenditures for the cultural and historical heritage at a broader level (BiH level, or even the FBiH level) would require the analysis of dozens of budgets from different levels of government, due to the requirements and principles of the local self-government. Considering previous observations, in order to provide adequate attention to the funding model for culture/the protection of cultural and historical heritage, the focus of this paper is dedicated to the Sarajevo Canton, with certain considerations related to the budget of FBiH and chosen municipalities. Since cultural and historical heritage is affected by tourism policy, and at the same time represents a significant determinant of tourism, it is noteworthy to emphasize that constitutional provision determines tourism as a joint competence of the FBiH and the cantons.

Article 16 of the Law on Development Planning in the FBiH ("Official Gazette of FBiH", No. 32/2017) foresees the adoption of the Federation Development Strategy as a fundamental document that establishes the goals and priorities for the development of the FBiH, as well as the financial framework for implementation, monitoring, evaluation and reporting. The Development Strategy is listed as the primary document based on which sectoral strategies, the Medium-Term Expenditure Framework, the budget, public investment programs and other strategic documents are developed. Articles 18 and 19 of the Law anticipate the adoption of cantonal development strategies and cantonal sectoral strategies.

In December 2020, the Government of the Federation of Bosnia and Herzegovina adopted the FBiH's Development Strategy for 2021–2027 which serves as a basis for sector strategies adoption: Strategy for Tourism Development in the Federation of Bosnia and Herzegovina for 2022-2027 from April 2022, Sarajevo Canton Development Strategy 2021-2027 from December 2020, Sarajevo Canton Culture Development Strategy 2021-2027 (in draft procedure), and Sarajevo Canton Tourism Development Strategy until 2030<sup>31</sup> from October 2024.

These strategic documents, for the first time, are linking different economic and social policies with public financing, thus *de facto* and *de jure* creating legal commitment to coordination in public expenditure management and strategic goals. Strategic priorities, measures and activities are included in the budget planning enabling necessary public expenditures for the sector of tourism and capital investments. Therefore, public financing of cultural and historical heritage would not be carried out *ad hoc*, in an unsystematic and uncoordinated manner. Considering the necessary scope of implementing cultural and historical heritage protection policies, financial planning requires multiannual planning for public expenditures, especially for the reconstruction and revitalization of cultural assets. The following analysis of public expenditures seeks to establish the connection between budget allocation and achievement of strategic goals, as well as the reciprocal goals of European Union reform policies in the context of the Sofia Declaration on the Green Plan for the Western Balkans, whose central outcome in the field of cultural and historical heritage is determined by the concept of sustainability.

There are various strategic goals defined in strategic documents for sectors of culture and tourism, which are directly affecting the domain of cultural heritage. For SWOT analysis of the existing resource allocation model in Sarajevo Canton, the focus is on human capital,

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<sup>31</sup> Within strategic goals, development of the "tourist destination" as well as improving of competitiveness and sustainability level of tourism in Sarajevo Canton are emphasized together with financial framework of 15.000.000 BAM for goals realization through different funding sources: budget, international projects, sojourn tax, ticket revenues, etc.

protection of the heritage, public expenditures efficiency, coordination and cooperation of stakeholders, international funding (EU programs) and competitiveness and sustainability in general.

### **Culture, Tourism and Sustainability**

The European Green Deal establishes a set of policies aimed at guiding the further development of the European Union, considering the need to protect the environment, promote a green transition in industry and the economy, and ultimately achieve climate neutrality goals. Within the Green Deal framework, as well as in the broader discourse on green transition, the concept of sustainability holds a prominent place in current EU policies. Managing and preserving cultural and historical heritage is multidimensional: cultural and historical heritage is simultaneously a relevant factor in culture and arts, tourism, religion, spatial planning, employment policy and the economy in general. Within each of these areas, given the horizontal and vertical connections between various forms of societal activities, prioritization is placed on coordination. Development programming in FBiH aligns with current EU policies and discourse, primarily centered around the concept of sustainability.

While none of the 17 UN Sustainable Development Goals<sup>32</sup> directly address cultural heritage, within Goal 11, it is possible to, without extensive interpretation, establish a clear link between sustainability and cultural heritage in its conceptualization within international frameworks. However, achieving consistency in integrating culture into sustainability is more challenging (Petti, Trillo and Makore, 2020).

Considering the nature of cultural heritage and its relationship with the sustainability concept, it is essential to expand this relationship to include the economic dimension. Cultural and historical heritage must be understood on a broader societal basis: as a product/resource and as a competitive factor for the overall tourism offering. Conversely, cultural and historical heritage holds social significance difficult to economically quantify due to the "values inherent to heritage" (Tišma et al., 2021).

In such conditions, it is necessary to settle value systems within the realms of culture and economy, intertwining economic logic with the principles of cultural preservation and protection (Klamer, Mignosa and Petrova, 2013). The Council of Europe's Faro Convention of 2005<sup>33</sup> emphasizes the direct connection between cultural heritage as a resource for achieving sustainable development and quality of life. The Convention envisions the conservation and sustainable use of cultural heritage as a means for human development and

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<sup>32</sup> The 2030 Agenda for Sustainable Development. More information available at: <https://sdgs.un.org/2030agenda>

<sup>33</sup> Convention on the Value of Cultural Heritage for Society, Faro, 27 October 2005.

enhancing quality of life. It obliges states to raise awareness and capitalize on the economic potential of cultural heritage within economic policies (Ajanović, 2020). A third group of provisions within the Faro Convention ties up cultural heritage with economic activities. While not exclusively focused on this aspect, it is evident that tourism serves as the most significant intersection where economic logic and culture as phenomena converge. Here, cultural assets are simultaneously viewed as commercial goods that form the foundation of tourism offerings.

Such a standpoint is crucial when allocating public funds: investments in the preservation of cultural and historical heritage must account for the economic value and utility of individual projects. While the cultural and general significance of individual assets should not be diminished, selecting projects for implementation requires appropriate ex-ante and ex-post analyses, such as cost-benefit analysis. The results of these analyses should not necessarily dictate project selection automatically; factors like regional/local representation or the unique importance of a particular asset might justify a complex selection criterion. Nevertheless, conducting such analyses is a *conditio sine qua non*, and their findings must not be ignored or entirely overlooked.

Despite the challenges, it is undeniable that cultural and historical assets influence destination choices to varying degrees. According to the World Tourism Organization, four out of ten tourists choose a destination based on its cultural offerings. Distinguishing between leisure tourism and cultural tourism is challenging, and it is even harder to empirically determine whether cultural elements are a primary motivator or a secondary activity during a visit. At the same time, excessive tourism brings notable negative externalities (Panzera, de Graff and de Groot, 2021). These include overburdened infrastructure, increased living costs and reduced quality of life for residents. Other externalities, such as congestion in historical areas and the depopulation of old city centers, are difficult to quantify but significantly affect the local social fabric.

The Sarajevo Canton Tourism Development Strategy recognizes this issue and addresses it within the framework of protecting, sustaining and efficiently managing natural and cultural and historical heritage. At the strategic level, it proposes „*the creation of tourism zones and defining the carrying capacity of Canton's natural and cultural resources. The importance of this measure is also reflected in achieving balanced and polycentric tourism development throughout the Canton, easing the burden on primary tourist resources, such as the historic city center and the Baščaršija*” (Sarajevo Canton, 2024).

## **FINANCING CULTURAL HERITAGE**

The analysis of cultural heritage financing in comparative frameworks is limited by data availability. It is possible to establish a consensus in comparative frameworks regarding the understanding of culture and its place in budgetary financing. The share of public expenditure allocated to culture financing varies. The multidimensional nature and the overall social importance of cultural heritage, and thus of culture itself, lead to a universal stance on the necessity of public financing due to the inability of all cultural elements to obtain sufficient funds for self-renewal, preservation and protection through commercial means.

When it comes to public financing of cultural heritage, it is important to consider not only individual cultural-historical assets but also the financing of institutions responsible for preserving cultural heritage. This includes funding for human resources, as well as equipment and various means necessary for carrying out tasks and fulfilling their assigned duties. After the major financial crisis in 2008, trends in European countries indicate a reduction in the role of the public sector, followed by an increase in decentralization of decision-making that shapes cultural heritage preservation policies. Furthermore, the growing importance of the private sector in shaping and financing these policies is present (Klamer, Mignosa and Petrova, 2013). Fiscal incentives play a significant role in financing cultural heritage in numerous countries; they include different forms of tax reliefs and/or exemptions (deductions from the tax base, tax credits, exemption of NPOs from corporate income tax, deductions related to value-added tax, etc.). Taxes, generally, have a dual role in the protection of cultural and historical heritage; on the one hand, tax regulations create an incentive for greater private sector involvement in preserving cultural and historical heritage, and on the other hand, certain tourist taxes aim to protect cultural assets from the harmful effects of mass tourism (Anton, 2020). However, collecting and estimating data on indirect funding through the usage of fiscal incentives often leads to an empirical dead-end, thus the focus is given to the public budget as an instrument for direct funding of cultural heritage.

### **Public Budget – Direct and Indirect Financing Culture**

When it comes to the models of allocation of budget funds intended to support the work of various cultural institutions, organizations and associations, there are several important considerations to keep in mind. Individually determined cultural heritage projects, both due to the scope of the required funds and the social significance of the asset, can be financed directly from the budget. This is done by including the specific project in the expenditure part of the budget, thereby directly allocating funds for that project. Projects for the reconstruction/revitalization of certain assets, which represent significant

financial/construction ventures in both financial and technical terms, are often included in the capital section of the budget.

Considering the financial dimension and cultural-economic significance, such projects truly represent capital investments due to the benefits they bring. This type of financing is in line with democratic principles, as these forms of public fund allocation are an integral part of the budget, adopted by directly elected representatives (parliament). In the context of the reduced role of parliamentarism in modern democracies, particularly during the adoption of budget drafts, where the government (the highest executive body) plays a major role without adoption of amendments from parliamentary representatives, the democratic nature of such public fund allocation is somewhat diminished.

Certain government ministries, departments and sectors are included in the expenditure budget as budget users. Within the cultural sector, in addition to the Ministry of Culture and Sports of Sarajevo Canton, several cantonal cultural institutions are also included, which are founded by Sarajevo Canton and are part of the Ministry of Culture and Sports.

When considering the expenditures allocation models regarding expenditures in sector of culture, the primary focus is on revenue funding and capital grants funded by a relevant administrative authority. In comparative law, there are two models: the first solution involves the allocation of funds by the administrative authority itself (in this case, the Ministry of Culture and Sports) based on a decision made by the government, which determines government spending programs (Government of SC). Alternatively, in the second model, which exists in numerous countries, the funds are allocated to a separate body entrusted with certain public powers, most commonly foundations.

In the legal system of BiH (also FBiH), both models coexist. Latter model is used by the Film Foundation of FBiH, established by the Decision on the Establishment of the Foundation for cinematography by the Government of the Federation of Bosnia and Herzegovina ("Official Gazette of FBiH", No. 95/2007). The Foundation for Cinematography was established as a technically and financially independent body with entrusted public powers. Financial independence means autonomy in managing funds; however, the Foundation receives funds for its work from the budget of the FBiH. At the same time, the governing body is appointed by the Government of the FBiH as the founder, thus subjecting the Foundation to government control. This control has characteristics of both legal and political oversight of the Foundation's activities and operations. There are other examples of such foundations, like the Library Activity Foundation, which was established by the Decision on the Establishment of the Library Foundation ("Official Gazette of the Federation of Bosnia and Herzegovina", No. 95/2007). In administrative, technical, and legal aspects, the legal status, working methods, and sources of financing for

the Library Activity Foundation are aligned with those of the Foundation for cinematography.

The distinction between the mentioned models has numerous implications for decision-making process regarding the allocation of funds intended for the protection and preservation of cultural and historical heritage. Both models have certain advantages and disadvantages. Direct management of funds by the government or the relevant ministry is typically characterized by bureaucracy and the presence of a political element in decision-making, which often leads to the prioritization of preservation of "their" heritage in practice. Alternatively, when bodies are established to manage the funds, government influence can be filtered. Various models of these bodies can be distinguished, such as the British system where funds are allocated to non-governmental bodies, which then distribute them to applicants and different projects. These bodies can also have a mere advisory role, with the final decision on fund allocation made by the government or the relevant ministry. The latter model allows the government (via final decision) to shape heritage policy without entering the evaluation of the artistic quality of specific projects, while at the same time preventing allocation of the funds by experts solely to the „high culture of a narrow elite“ (Klamer, Mignosa and Petrova, 2013).

When considering international frameworks, both models of funding are frequently present on national (regional) levels in different countries (regions) with two different approaches in terms of sourcing the funds: either through state budgets or off-budgets. Sometimes even both models co-exist, and allocation of funds is partially conducted directly by relevant ministries, while separate public bodies at the same time usually allocate funds for specific heritage preservation. In certain instances, separate bodies secure their funding from the state budget, elsewhere, separate bodies have their own designated financial sources (off-budgets). There are numerous off-budget funds that allocate grants or loans for the preservation of cultural-historical heritage. The founders of these funds could be both individuals, legal entities, and various state bodies. An example of a state fund is the National Restoration Fund<sup>34</sup> of the Netherlands, offering individuals and legal entities more favorable loan terms than market provides, especially for the restoration of a designated protected heritage. At the same time, Cultural Heritage Agency of the Netherlands<sup>35</sup> funds heritage projects for buildings which are not used as residential homes. It is important to emphasize that the diversity of objectives and areas of cultural-historical heritage protection usually

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<sup>34</sup> Nationaal Restauratiefonds. More information on cultural funding in the Netherlands available at: <https://english.cultureelerfgoed.nl/topics/national-heritage-sites/grants>

<sup>35</sup> Rijksdienst voor het Cultureel Erfgoed. More information on Cultural Heritage Agency of the Netherlands available at: <https://english.cultureelerfgoed.nl/topics/national-heritage-sites>



determines the sources of funding. Other examples of state-controlled funds are the National Lottery Heritage Fund<sup>36</sup> in United Kingdom and The German Federal Cultural Foundation<sup>37</sup>.

### **Federation of Bosnia and Herzegovina: Cultural Heritage Financing**

Despite the constitutional division of responsibilities in the FBiH, where cultural policy falls under the jurisdiction of the cantons, an analysis of public financing for the field of cultural and historical heritage necessitates consideration of certain activities carried out by federal administrative bodies, particularly the budget of FBiH as a financial instrument of a higher administrative level. The Federal Ministry of Culture and Sports (FMCS) operates within the FBiH government and includes the Department for Cultural and Historical Heritage and Culture, as well as the Institute for the Protection of Monuments. FMCS primarily retains a coordinating role in the implementation of cultural policy, in accordance with the constitutional allocation of responsibilities. Meanwhile, the Institute for the Protection of Monuments serves as a professional body responsible for a range of activities in the field of cultural heritage protection.

As significant funds for the financing of cultural and historical heritage are allocated from the budget of FBiH, it is essential to analyze the structure of those public expenditures to obtain a more comprehensive view of public financing of cultural heritage. During this period, the budget of FBiH has shown a consistent upward trend together with FMCS budget, particularly in 2023 and 2024. In 2024, the FMCS budget is more than four times larger than 2021, which has positively impacted the structure of FMCS transfers: both quantitatively and qualitatively. The table below presents the budget data of the FBiH and the FMCS during the observed period.

**Table 1.** Budgets of FBiH and FMCS in BAM, 2020-2024.

<b>Item</b>	<b>2020.</b>	<b>2021.</b>	<b>2022.</b>	<b>2023.</b>	<b>2024.</b>
FBiH Budget	4.954.392.401	5.481.251.699	5.597.618.777	6.725.847.563	7.474.800.209
FMCS Budget	13.728.230	10.181.556	28.702.012	46.094.294	54.441.610

The following table presents public expenditures within the budgets of the FMCS, Federal Ministry for War Veterans and Disabled Veterans of the Defense-Liberation War and the

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<sup>36</sup> Money raised by National Lottery players is a main funding source of Heritage fund. More information available at: <https://www.heritagefund.org.uk/about>

<sup>37</sup> Die Kulturstiftung des Bundes. More information on The German Federal Cultural Foundation available at: [https://www.kulturstiftung-des-bundes.de/en/about\\_the\\_foundation.html](https://www.kulturstiftung-des-bundes.de/en/about_the_foundation.html)

Federal Ministry of Development, Entrepreneurship and Crafts that are directly related to cultural and historical heritage. These include revenue funding and capital transfers, as well as subsidies to public enterprises and private sector (traditional crafts).

**Table 2.** Budgets of FBiH and FMCS in BAM, 2020-2024.

<b>Expenditure type (BAM)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Revenue funding: other levels of government	1.860.000	1.810.000	2.080.000	2.080.000	2.230.000
Subsidies to public companies	200.000	0	200.000	270.100	200.000
Revenue funding – NPOs	3.580.000	2.675.000	3.420.000	3.920.000	4.400.000
Capital grants	100.000	100.000	1.540.000	2.000.000	15.500.000
Capital investments	0	0	0	2.500.000/ 5.000.000	0
Revenue funding – private sector	0	0	0	100.000	0
<b>Total (BAM)</b>	<b>5.740.000</b>	<b>4.585.000</b>	<b>7.240.000</b>	<b>10.870.000</b>	<b>22.330.000</b>

Several conclusions could be made based on the analysis of public funding. First, there is a *traditional* segmentation in the allocation of transfers and incentives. Certain transfers, directly linked to cultural and historical heritage, have been consistently present throughout the observed period, with minor exceptions. These transfers do not necessarily grow on a linear basis with the increase in budgetary resources, rather than tend to maintain their amounts over several budget cycles.

Second, there is a noticeable lack of capital transfers and investments among public expenditures in cultural and historical heritage, besides 2024 as an exception. Considering the scale of the Federal budget and the budgets of other cantons (excluding Sarajevo Canton), capital transfers could be increased to support significant capital projects. Considering the overlap of certain expenditures on cultural heritage in cantonal budgets and budgets of FBiH, it would be pragmatic to differentiate roles in cultural heritage financing. During the observed period, only one multiannual capital project in terms of cultural heritage, was included in the capital budget: the restoration of the Lothar Berk's Castle within the national monument "Old Town Ostrožac" in the Una-Sana Canton. This capital project is 5.000.000 BAM worth, of which 2.500.000 BAM was allocated in the 2023 budget, with no funds allocated in 2024 budget even though Capital budget 2023-2025 anticipated this expenditure in 2024.

When considering the overall budgets of the FBiH during the observed period, there is a clear predominance of capital transfers in the field of sports at the expense of culture. In 2023, the ratio of capital transfers for sports compared to those for culture was almost 5:1 in favor of sports. Although this gap has narrowed in the 2024 budget, sports remain significantly prioritized.

### **Sarajevo Canton: Cultural Heritage Financing**

Analyzing the budget data in Sarajevo Canton from 2020 to 2024 reveals a consistent trend of budget growth. However, this increase in overall budgetary resources does not necessarily imply real growth. Three key factors must be considered: inflation rate, increase of salary basis and amendments on *Law on Public Revenues Allocation in FBiH* ("Official Gazette of FBiH," No. 22/2006, 43/2008, 74/2008 - Constitutional Court decision, 22/2009, 35/2014, 94/2015, and 17/2022). A crucial consideration in any analysis of public expenditure is the annual inflation rate. The observed period was characterized by significant inflation and an increase in consumer price index (CPI)<sup>38</sup>. This macroeconomic trend impacts both public revenues and expenditures; while public budgets at all levels have increased, costs increased as well, particularly for energy, goods and services contained in public expenditures. Furthermore, the basis of a salary (that is multiplied with certain coefficient) has increased from 330 KM to 385 KM for employees in the public sector who receive salaries from Sarajevo Canton Budget. Lastly, amendments on *Law on the Allocation of Public Revenues in FBiH* changed the coefficient for distributing public revenues among the cantons in FBiH, effectively revoking Sarajevo Canton's "privileged" status in revenue distribution, resulting in significant political, social and financial implications.

The data presented in the table below reveals a consistent trend of budget growth for the Canton of Sarajevo, as well as of the budget of the Ministry of Culture and Sports (MCS), except for 2021. Examining the expenditures in the budget, specifically the total expenditures allocated to cultural sector, there is a consistent upward trend in spending on culture, where 2021 Budget was an exemption. Furthermore, the number of employees in the public cultural sector also showed a steady increase during the observed period (from 611 to 649), with the number of employees being nearly 6% higher in 2024 compared to 2020. The share of cultural services in the overall budget ranged from 1.88% (in 2023) to 4.23% (in 2024). For comparison, in 2022, cultural services accounted for slightly less than 1% of total expenditure across the European Union, with only five member states<sup>39</sup> allocating more than 2% (Eurostat, 2022). Since the Sarajevo Canton budget is essentially a regional

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<sup>38</sup> According to the Annual Report for 2023 of the Central Bank of Bosnia and Herzegovina, inflation (Inflation indicator: Consumer price index) was recorded at 6.1% in 2023, which is 7.9% lower than the 2022 inflation rate (14.0%).

<sup>39</sup> Lithuania, Malta, Latvia, Hungary, and Estonia.

budget and does not include expenditures tied to national competencies like foreign affairs and defense, it can be said that allocations for culture are adequate.

**Table 3.** Budgets of Canton Sarajevo, MCS, Culture expenditures in BAM, 2020-2024.

Item	2020	2021	2022	2023	2024
Canton Sarajevo Budget	1.135.335.82 5	1.143.627.97 2	1.220.787.84 0	1.438.896.53 8	1.530.602.00 0
MCS Budget	13.916.976	11.689.937	13.389.211	18.820.000	35.326.082
Sports and Culture services – MCS	S: 9.201.253 C: 4.715.723	S: 7.026.814 C: 4.663.123	S: 7.791.040 C: 5.598.171	S:12.119.800 C: 6.700.200	S: 18.325.882 C: 17.000.200
Ratio of Sports to Culture services	3 : 1.54	3 : 1.99	3 : 2.15	3 : 1.65	3 : 2.78
Culture services in MCS Budget	22.217.647	23.310.904	23.938.623	27.070.689	32.048.135
Culture services in Canton Sarajevo Budget	32.621.057	32.447.729	35.274.143	42.456.519	64.773.368
Culture services: percentage of entire Budget	2.87%	2.83%	2.89%	2.95%	4.23%
Employees <sup>40</sup>	611	605	619	627	649

Moreover, given the various public needs and priorities, the justification for further increasing funds for cultural services at the expense of other public expenditures is questionable and could be opposed in a rational manner. Since culture and sports fall under

<sup>40</sup> Total number of employees in cultural sector receiving salary from the Budget (i.e. public cultural institutions such as museums, galleries, theatres, etc.).

the same ministry, comparing the two sub-sectors is important; sports have traditionally been favored, but in the latest 2024 budget, the gap between expenditures on sports and culture has narrowed to a ratio of 3:2.78.

### **Revenue Funding and Capital Grants**

The key components of cultural and historical heritage financing are revenue funding and capital grants transferred by the MCS to various recipients in public and private sectors (including NGOs). These funds are forming the very core of cultural sector financing. In the context of revenue funding and capital grants, several methodological clarifications are needed due to the specific nature and functional placement of cultural and historical heritage within the cultural sector. The analyzed revenue funding in some instances represents public expenditures for culture, where Sarajevo Canton Government ensures the representation of various segments of culture when adopting annual expenditure programs. However, there is no methodological framework to determine the exact allocation of funds in certain instances, as the budget and expenditure programs do not explicitly specify cultural and historical heritage in public calls for projects, rather use broader syntagm of „cultural projects“. The same applies to capital grants; each expense for cultural and historical heritage is included in the overall public expenditure recap under the function of culture, however, it is not entirely possible to determine whether and to what extent each cultural expenditure is related to cultural and historical heritage. However, unlike certain expenditures in terms of revenue funding, it is still possible to track if capital grants fall under the category of financing cultural heritage.

To achieve clearer and more comprehensive data analysis, any transfer of funds to an institution or recipient directly or indirectly related to cultural and historical heritage, whether for institution (recipient) funding, specific cultural heritage projects or capital infrastructure investments, is treated as a public expenditure for cultural and historical heritage. There are challenges in making distinctions in public funds allocation (revenue funding) to various associations that potentially cover forms of intangible cultural heritage.

The Sarajevo Canton Government annually adopts decisions approving expenditure programs for revenue funding and capital grants. MCS then allocates most of the revenue funding to applicants meeting the requirements of public calls. A large amount of revenue funding is accessed through public calls for funding; applicants that meet the criteria can apply with projects. A smaller portion of revenue funding is transferred (without public call for application) to public cultural institutions (including seven state-level public cultural institutions<sup>41</sup>) or other levels of government (City of Sarajevo and municipalities).

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<sup>41</sup> National Museum of Bosnia and Herzegovina, Library for the blind and visually impaired of Bosnia and Herzegovina, Historical Museum of Bosnia and Herzegovina, Museum of Literature and Theater Art of Bosnia and Herzegovina, Film Archive of Bosnia and Herzegovina, National Gallery of Bosnia

The central part of financing cultural and historical heritage consists of revenue funding and capital grants from the Ministry of Culture and Sports (MCS) to various recipients. These funds form the core of financing for different cultural projects and cultural heritage initiatives. For methodological reasons, revenue funding and capital grants of MCS are separated from revenue funding and capital grants (as well as other expenditures like subsidies) of other departments, despite the nature of these expenditures<sup>42</sup>. Public expenditures from other departments mainly refer to the expenditures of the Ministry of Veterans' Affairs of Sarajevo Canton, which manages the Public Institution "Memorial Center Sarajevo" and the Ministry of Economy of Sarajevo Canton.

During the observed period, except for 2021, there has been a consistent increase in MCS' revenue funding and capital grants. These transfers encompass both cultural and sports sectors. Generally, slightly less than half of the total revenue funding is allocated to culture, except in 2024, when culture had a slight dominance in the structure of revenue funding compared to sports. These transfers are crucial for financing culture, because they include transfers to individuals, nonprofit organizations and public cultural institutions for various cultural projects.

MCS follows a traditional logic when allocating funds to various cultural sub-sectors and recipients. This includes support (revenue funding) for cultural programs aimed at individuals, artistic associations, permanent cultural-artistic events, cultural-artistic amateurism, projects promoting *sevdalinka*, pension and health insurance for independent artists and international and regional cultural cooperation. Additionally, significant funds are allocated for co-financing the production of different types of films: 2.500.000 BAM in 2024 (Sarajevo Canton Government, 2023) and 1.500.000 KM in 2023 (Sarajevo Canton Government, 2024). However, these allocations often blend multiple cultural forms within single public calls, making that methodologically difficult to determine their direct relevance to cultural and historical heritage. There is no normative framework to ensure the proportional representation (nor spatial distribution, artistic value or historical value, missing age of existence as a criterion, what is especially a lack considering ancient traditions, traditional crafts, etc.) of different cultural sub-sectors in public calls. For example, while cultural and historical heritage projects could be submitted under general cultural program public calls, there is no guarantee of proportional representation among different cultural forms. Lastly, MCS publishes decisions on fund allocations from public calls, although the

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and Herzegovina and National and University Library of Bosnia and Herzegovina. In the observed period, these institutions received following amounts from the Budget of Sarajevo Canton (in BAM) 714.900 in 2020, 543.600 in 2021, 953.000 in 2022, 850.000 in 2023 and 800.000 in 2024.

<sup>42</sup> These expenditures fall under the cultural function of the budget and are directly linked to cultural and historical heritage.

provided information typically includes only the recipient, project title and allocated amount of funds. From this data, it is not possible to determine with complete certainty whether, and to what extent, allocated funds relate to cultural and historical heritage.

**Table 4.** Revenue funding for culture in BAM, 2020-2024.

<b>Item</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Revenue funding MCS (Sports and Culture)	8.880.546	8.625.546	10.615.442	13.730.200	17.430.200
Revenue funding to individuals (Culture)	200.000	150.000	200.000	200.000	200.000
Revenue funding to other levels of government (Culture)	100	100	120.100	100	100
Revenue funding (Culture) to Non-profit organizations	3.695.523	3.458.023	4.877.971	6.000.000	9.900.000
Percentage of revenue funding (Culture)	57.94%	45.15%	48.97%	41.83%	43.87%

The broad definition "*support for programs in the field of culture*" ensures the possibility of submitting a variety of differently oriented projects within the domain of cultural and historical heritage. This method of fund allocation has certain advantages and disadvantages. The main advantage lies in the broad definition of the phrase, which serves as the legal basis for fund allocation. This approach minimizes the likelihood that a portion of the funds will remain unallocated due to a lack of applications submitted through public calls. Additionally, this approach effectively rewards active members of the civil sector and cultural institutions, as the funds foster cultural life in Sarajevo Canton. The primary disadvantage of this allocation method is the inability to ensure balanced representation of different aspects of culture. This issue should be carefully considered during the implementation of cultural policy measures. For instance, similar to differentiation and dedicated funding provided for cinematography, earmarking funds specifically for projects that fall under cultural and historical heritage could lead to strengthening of the cultural heritage policy.

**Table 5.** Capital grants for cultural heritage in BAM, 2020-2024.

Item	2020	2021	2022	2023	2024
Capital grants (Sports and Culture)	4.520.300	2.466.486	2.015.400	4.315.400	16.100.200
Capital grants to City of Sarajevo and municipalities (Culture)	650.000	955.000	300.100	400.100	6.000.100
Capital grants to non-profit organizations (Culture)	170.100	100.000	100.000	100.000	100.000
Percentage of capital grants (Culture)	18.14%	42.78%	19.85%	11.59%	37.89%

The Sarajevo Canton Government is annually adopting decisions to approve capital grants spending program. Regarding MCS' capital grants during the observed period, the funds usually originate both from the budget and from domestic borrowing. Fluctuations in the ratio of capital grants allocated for sports versus culture are evident, where transfers for sports were significantly favored in the observed period. At the same time, variations are also evident in the total amount of capital grants, where 2024 budget represents a precedent in terms of the amount allocated for capital grants in the field of culture. These funds are crucial for the protection and preservation of cultural and historical heritage. For instance, the City of Sarajevo was allocated 1.200.000.00 BAM as a capital transfer for the *Project of Facade Renovation and Restoration of the National Theatre Building*. The Municipality of Vogošća received 500.000.00 BAM for the *Superstructure of the Public Institution KSC Vogošća "Jasmin Isanović-Žuti"* for cultural purposes. The Municipality of Stari Grad was allocated 600.000.00 BAM for the *Reconstruction and Establishment of the "Berber Gallery" Project*. Additionally, the Municipality of Novo Sarajevo was granted 1.700.000.00 BAM for the *Restoration of the "Historical Museum of BiH" Building Project* (Canton Sarajevo Government, 2024). It remains unclear how decision-making processes work, since there are no publicly available explanations on criterion how individual projects are selected. Furthermore, there are no publicly available ex-ante analysis which were used to advocate for individual projects, nor ex-post analysis which would support decisions on project selection which were made in the past.

In 2021, the Municipality of Centar was awarded 500.000.00 BAM to co-finance the construction of the European House of Culture. The Municipality of Vogošća received a capital transfer of 255.000.00 BAM for the extension of the KSC Vogošća. Furthermore, the Municipality of Novo Sarajevo received capital grant of 200.000.00 BAM for the *Facade Renovation of the Historical Museum of BiH*. The Alija Izetbegović Museum was granted



80.000.00 BAM for the *Renovation and Reconstruction Project*, while the Municipality of Centar was given 20.000.00 BAM for the *Co-Financing of the Construction of the Mirza Delibašić Monument at Skenderija* (Canton Sarajevo Government, 2021).

Apart from the existence of certain expenditures throughout entire observed period, which tend to keep status of “traditional” expenditures due to their cyclical recurrence, there is no evidence that multiannual planning is conducted in the decision process. The link between individual expenditures throughout the observed period shows no traces or clear signs of financial planning. The impression is that funds are spent *ad hoc* based on the total amount of funds available and more efficient results could be achieved if more expensive projects were divided into phases with precise financial plan for its completion. While projects implementation is usually divided into phases, there is no guaranty that funds for the next phase of the project (next budget cycle) will be secured.

In the context of certain expenditures, which span on a multiannual basis, there is no uniform conclusion that could be drawn. For certain expenditures, due to the growth of the Sarajevo Canton budget, there is a linear increase in spending over the observed period, while simultaneously, there are certain expenditures for which the same funding is allocated across multiple budget cycles. Significant expenditures, shown in the table below, fall under the abovementioned category. These expenditures are present within the budget of the Public Institution “Memorial Center Sarajevo”.

**Table 6.** Memorial Center Sarajevo - expenditures for cultural heritage in BAM, 2020-2024

<b>Memorial Center Sarajevo - Expenditures</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Maintenance of fallen defenders' cemeteries	70.000	54.000	80.000	60.0000	65.000
Rehabilitation of gravestones	7.000	5.135	4.000	4.000	4.000
Marking remembrance dates from the Defensive War of Liberation 92-95	28.000	30.000	30.000	30.000	138.000
Traditional manifestation “Defense of BiH-Igman”	55.300	56.000	130.000	105.000	105.000
Funds for fallen defenders' cemeteries	860.600	872.000	650.000	1.002.000	2.900.000
Rehabilitation and reconstruction of memorials	390.000	130.000	485.000	2.074.500	3.700.000

Certain funds in budgets 2022-2024 were allocated towards the support of traditional crafts by Sarajevo Canton Ministry of Economy.

**Table 7.** Ministry of Economy - expenditures for cultural heritage in BAM, 2020-2024.

<b>Expenditures</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Preservation of traditional crafts	500.000	50.000	500.000

### **Budgets of Public Cultural Institutions**

For thorough funding analysis, budgets of certain cultural institutions were analyzed, mainly of institutions whose activity is primarily focused on tangible cultural heritage. With certain exceptions, there has been a consistent increase in budget allocations for the selected budget beneficiaries. This budget growth is partly constrained by the increase in the number of employees. The dominant portion of the budget is allocated to running costs, including salaries, salary allowances, equipment purchases, minor inventory, contracted services and utility costs. Only a small portion of the budget for the selected public cultural institutions is effectively operable and unrestricted.

**Table 8.** Public cultural institutions, Budgets (BAM) and number of employees, 2020-2024.

<b>Public institution/ No. of employees</b>	<b>Budget 2024</b>	<b>Budget 2023</b>	<b>Budget 2022</b>	<b>Budget 2021</b>	<b>Budget 2020</b>
Cantonal Institution for the Protection of Cultural, Historical and Nature Heritage Sarajevo	1.107.524	916.497	754.119	1.251.788	1.629.833
	23	23	23	23	23
Museum of Sarajevo	1.450.146	1.107.690	918.883	917.732	860.712
	29	29	22	22	22
Sarajevo Historical Archives	1.217.934	1.107.678	1.011.502	916.887	916.337
	27	26	31	26	26
Sarajevo Libraries	2.589.765	2.256.359	1.921.915	1.908.357	1.806.503
	60	60	60	60	60
Alija Izetbegović Museum	407,158	357,632	319,318	445.836	406.769
	7	5	5	5	5

Memorial Center Sarajevo	12.425.033	6.570.630	4.352.340	3.899.257	4.175.587
	90	85	80	80	80

### Funding Sources for Public Cultural Institutions

An important aspect of financing public cultural institutions within the MCS department is the data on revenues made by public cultural institutions. The table below presents the amounts of revenue generated by selected cantonal cultural institutions. These revenues represent the income of the Sarajevo Canton budget, although they are separately reported within the budgets of cultural institutions as Sarajevo Canton budget beneficiaries. The selected cultural institutions generate income primarily through performing their core activities and providing services. The empirical data is unequivocal: cultural institutions fail to generate their own revenues and are entirely dependent on budget funding. While this may be acceptable and justified for certain institutions (such as Sarajevo Historical Archives), in the case of cultural institutions such as museums, the data is a cause for concern. Investigating the reasons for such results requires a separate study, but it is evident that there is an absolute deficit in demand for the services provided, even though Sarajevo Canton has recorded an increase in the number of tourists during the observed period. At the same time, the observed cultural institutions have seen an increase in the number of employees and their annual budgets. Analysis of budgets of individual public cultural institutions shows that only a small percentage of the budgets were used for professional training and development of the employees in the public cultural sector. These institutions are obliged to report to the Government of the Canton on an annual basis. Every annual report includes information on employment structure of subject cultural institution and HR needs of the institution; however, this data should be only an input for analysis on a macro-level perspective. Existing praxis shows that reports are somewhat automatically adopted by the Sarajevo Cantonal Assembly without a qualitative and quantitative assessment of completed projects based on human resources available.

**Table 9.** Revenues of public cultural institutions, 2020-2024.

Chosen public institutions <sup>43</sup>	2020	2021	2022	2023	2024
Cantonal institution for the protection of cultural, historical and nature heritage Sarajevo	0,76%	0	0.80%	2.65%	2.71%
Museum of Sarajevo	1.74%	1.63%	1.63%	1.35%	6.89%

<sup>43</sup> It wasn't possible to calculate percentages for two public institutions due to inconsistency in budget data (Sarajevo Historical Archives and Sarajevo Libraries).

Museum of Alija Izetbegović	12%	7.06%	9.86%	8.80%	7.61%
Memorial Center Sarajevo	25.74%	15.39%	6.89%	16.74%	8.85%

## RESOURCE ALLOCATION MODEL FOR CULTURE: SWOT ANALYSIS

SWOT analysis is conducted based on the findings and data obtained by quantitative and qualitative analysis of the public expenditures for cultural heritage in the observed time frame, while taking goals from relevant strategic documents into consideration. Most strategic documents were adopted/drafted during the observed time and therefore, it is possible to compare funding practices in the period before and after the adoption of the relevant strategic documents. Since the measures and instruments for achieving strategic goals need funding, it is possible to draw several conclusions from the patterns (allocation model) used to allocate funds during the observed period.

### Strengths

1. Existing model of resource allocation used by MCS ensures that policy measures are directly implemented by the Sarajevo Canton Government. This is the very main characteristic of the existing model itself. The basic principle for reducing responsibility lies in the establishment of an independent body with certain public power. Therefore, the existing model ensures that MCS is held responsible for implementation of the cultural policy, preventing shifts of responsibility towards relatively anonymous *independent body of experts*.

2. Considering findings and empirical data on a qualitative basis, Sarajevo Canton Government provided significant efforts to prevent state-level cultural public institutions from closing, providing required funds. Since these state-level institutions are located in Canton Sarajevo, providing funds for its operation and *survival* equals strengthening capital by increasing supply in terms of tourist arrivals. If these public cultural institutions were closed, Canton Sarajevo's tourist offer would be diminished.

3. Establishing an independent entity – body of expert with a task of allocating funds through applications selection process is less cost effective, since certain costs for operation of this body is incurred. If creating and implementing cultural policies belonged to FBiH, it would be wise to consider this option, however, even in that scenario, weaknesses of such model of allocation could lead to preservation of the existing model.

### Weaknesses

1. The lack of distinction in public calls for projects in the cultural sphere can lead to lower/higher presence of cultural heritage in selected applications (projects). If public calls

were structured in a manner that certain funds were available only to the projects which fall under the category of cultural heritage, cultural heritage policy would benefit leading to better preservation of cultural and historical heritage. Another issue with public calls is a lack of consideration for various criteria that serve as basis in projects selection procedure, such as artistic or historical value, age of existence, appreciation of ancient traditions, traditional crafts, etc. There is an urgent need to establish firm and clear criteria defined by experts in the field.

2. The lack of ex-post and ex-ante analysis of the allocated funds leads to poor efficiency in public spending. There is no available information from MCS regarding the process of justifying the funds allocated to applicants, nor is there information on the implementation of projects by the recipients of the allocated budget funds. It is impossible to ignore the impression that, given that these are considerable amounts from the budget, an ex-post analysis is necessary. The results of this analysis could potentially influence the sustainability of the traditional segmentation of revenue funding for culture but also lead to alternative *pro futuro* solutions in the allocation of funds. Furthermore, no publication on conducted CBA is available, meaning that the decision-making process on capital investments is based on unknown criteria. This means that capital investments in certain cultural heritage assets are conducted without taking into consideration the benefit gained in terms of tourism supply. In terms of equal representation of different parts of the Canton, it is advisable to consider equal spatial (territorial) representation as a criterion for resource allocation to secure the sustainability of Sarajevo's Old Town, since the biggest burden in regard to the number of tourists visiting is present in the Old Town. Conducting analysis is a key prerequisite for ensuring efficiency of public funding. In order to obtain data required for decision making process, project analyses should be a priority in the next steps over the coming years.

3. The lack of long-term financial planning is evident after the qualitative and quantitative analysis. Multiannual planning is absent, resulting in *ad hoc* decisions on what to fund based on the available funds in that budget cycle. Without long-term financial planning, a meaningful part of funding becomes fragmented and allocated towards smaller, less significant projects instead of focusing on more expensive capital investments through multiple budget cycles. This issue refers to numerous areas of social life in Canton Sarajevo. There is a huge space for improvement of cooperation between the Ministry of Finance and MCIS, as well as other ministries and municipalities of Canton Sarajevo.

4. One of the biggest issues of the existing model of financing cultural heritage is neglecting human capital as a valuable resource. This affects innovations, motivation and creativity in the public cultural sector resulting in poor demand and low level of own revenues for public cultural institutions. This should be a top priority in future research, since the salaries of those employees have increased recently, meaning that the reasons for poor motivation have

deeper reasons and more complex determinants. In many cases, the total amount of transfers depends on the ability of applicants to apply to the public call with an appropriate project. There is a necessity for conducting research on employment policy in the cultural sector, as well as qualitative and quantitative analysis of employment structure to ensure coherent, adequate and efficient plan for employment and professional training and development of public sector employees in the cultural sector.

5. Even though strategic documents were adopted/drafted during the observed period (2020-2024), spending programs changed mostly quantitatively. With the increase in the budget, the present expenditure on cultural heritage has only linearly increased, without paying attention to a qualitative dimension of budget expenditure

## **Opportunities**

1. Innovation in the process of structuring public funding calls could lead to an increase in the total number of cultural heritage projects.

2. Certain EU programs make cultural projects from BiH eligible for application, however there is an absolute absence of these projects in BiH. Establishing some sort of Joint Office for Project drafting and application support for EU grants could overcome issues in human capital and lack of know-how. In the EU budget cycle for the period 2014-2020, Bosnia and Herzegovina increased its participation in programs as well as its absorption of funds from these programs: Horizon 2020, Creative Europe, Erasmus+ (partial participation), Europe for Citizens, the Third Health Program, FISCALIS, Customs, and COSME. During the seven-year period, Bosnia and Herzegovina participated in about 1500 projects, drawing over 30 million euros in funding. In the current cycle (2021-2027), Bosnia and Herzegovina participate in the programs Horizon Europe, Creative Europe, the Single Market Program – Competitiveness and Sustainability of Small and Medium Enterprises (continuation of the COSME program), and Erasmus+. The EU's Civil Protection Mechanism is a program to which Bosnia and Herzegovina has been associated since 2023 (Directorate for European Integration, European Union Programs 2021-2027, 2023). From a cultural heritage point of view, the most important programs are Horizon Europe and Creative Europe. One of the more recent examples is the STECCI project<sup>44</sup> – Stone monument ensembles and the climate change impact under the Horizon program (Call from 2022), with the University of Sarajevo as the project coordinator and numerous other partners involved in the project. The process of writing projects and applying for participation in these projects requires professional knowledge and skills. Over time, the European Union has established a functional and partially formalized system for evaluating project applications, as large number of experts engaged in the evaluation process based on their expertise and professional field. This results

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<sup>44</sup> More information about STECCI project is available at: <https://steccihorizoneu.com/about/>

in the existence of „a recipe” to increase the likelihood of a positive outcome in the application process. There are numerous trainings, workshops, and educational opportunities, both in Bosnia and Herzegovina and in the region, which focus on project writing for the purpose of applying for EU grants. It is unrealistic to expect that every cultural institution within the group should have an individual that would participate in such training and workshops due to the lack of available funds. For the reasons of efficiency, it is more suitable to educate employees in public cultural institutions within their area of expertise and to establish a support/joint office at the Cantonal level. This Office would provide support to numerous institutions, departments and organizations in project writing and the application process. Considering EU Programs allow individuals, companies, public institutions and private organizations to apply for funding, support office would benefit a wide range of users on a horizontal and vertical level. Such office should not only benefit the cultural sector, but various industries and the public sector as well, including universities and institutes. Potential financial gains significantly exceed operational costs of support office. Such a solution would be effective, economical and would positively encourage public institutions to come up with ideas for project proposals. The establishment of such Office could easily be subjected to an analysis in terms of the costs of establishment and operation, together with potential benefits regarding funds which could be received from EU programs. Anticorruption and Quality Control Office of the Sarajevo Canton could be used as a role model for establishment, organization and task regulation of the Office.

3. Another opportunity lies in establishment of Joint Fund for Capital Investments in area of Cultural Heritage. Considering that there are nine municipalities in Sarajevo Canton, together with the Cantonal budget and budget of City of Sarajevo, creating such a Joint Fund for Capital Investments would improve not only coordination and cooperation, but financial opportunities for expensive capital investments as well. Tourist tax (sojourn tax) could partly become the revenue of the Fund. Since cultural heritage can be viewed as an intersection of interests of both tourist and citizens, using sojourn tax for the purpose of protection of cultural heritage can be justified. It is possible to observe overlaps in certain transfers made by the MCS and the City of Sarajevo as well as certain municipalities. Even though coordination is not legally required, indeed, the independence of local government units in managing budget funds is constitutionally guaranteed, it would be pragmatic to consider the representation of certain fund recipients. Specifically, it is evident that some entities simultaneously benefit from transfers provided by MCS and those from the City of Sarajevo. Since part of the funds for the City's transfers originates from MCS transfers to the City of Sarajevo, a higher degree of coordination in implementing cultural policy could yield better and more efficient results. There are two comparable funds which already exist in Federation of Bosnia and Herzegovina, Film Foundation of FBiH and Library Activity Foundation, which could be used as a basis for reforming existing model of financing of cultural heritage.

4. Spending programs could be structured in a manner to foster cooperation with the private sector, namely for funding protection (reconstruction, rehabilitation) of cultural heritage assets in private ownership.

### **Threats**

1. Due to formalism in the process of application on MCS' public calls for funding, high quality projects might fail to fulfill formal requirements.

2. Poor competitiveness of public cultural institutions leads to poor revenues from the tickets sales so high maintenance costs are exclusively funded by the public budget. Without new sources for financing the preservation of cultural heritage, such as public-private partnerships, the existing model of financing is threatened because of the fact that the biggest portion of the funds is used for maintenance, leaving little to no room for capital investing. At the same time, around two thirds to three quarters of the public cultural institutions' budgets are spent on salaries and material costs; that unfortunately leads to an inability to improve work motivation and human capital investments.

3. Without equal spatial (territorial) distribution during the selection procedure of new projects, there is a threat of high tourist concentration in Sarajevo's Old Town Municipality that is affecting sustainability.

4. Neglect of traditional crafts is evident, and that could lead to the disappearance of traditional crafts. This would affect both: the uniqueness of Sarajevo as a tourist destination, as well as tourist experience related to the facts of economic history, in general.

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