

## ASSESSMENT OF LOCAL ECONOMIC DEVELOPMENT CAPACITIES ACCORDING TO BUSINESS-FRIENDLY SCHEME IN CASE OF TEŠANJ'S MUNICIPALITY

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### ABSTRACT

*The main objective of this article is to increase capacity of local government in local economic development. This article outlines results of assessment local economic capacities in Municipality of Tešanj, carried out in January 2013. In January 2013, the Author conducted a special assessment of Tešanj's municipality business performance according to business-friendly scheme. In order to evaluate business performance of Tešanj's Municipality, the Author used a questionnaire developed in cooperation of GIZ consultant and analyzed the resulting data. That questionnaire was focused on the following six areas of interest: Development Strategy and Action plan; Municipal capacity for local economic development; Service and information; Partnership; Project management and; Regulation and legal framework stressed gender equality. Also, this report is intended to provide a detailed information about business zones and rural development in case of above mentioned local community. Proceeding from this, in the article are given systematical analysis and practical considerations cast light on "Assessment of business-friendly performance of Tešanj's Municipality".*

**Key words:** business friendly, Municipality of Tešanj, performance, assessment, local economic development.

### 1. INTRODUCTION

This report outlines results of evaluation assessment local economic development capacities according to Business Friendly Certification scheme (BFC) in South East Europe area, carried out in January 2013. In January 2013, the Consultant in cooperation with DCG representatives conducted a special survey of local economic development capacities in Municipality of Tešanj which expressed its interest for participation in GIZ Prolocalis programme. The survey was commissioned by and for the use of the the Prolocalis Programme which is carried out by GIZ.

During development of the methodology for this research, the author and DCG have tried to fulfill the following requirements:

- The municipal capacity is observed from the perspective of entrepreneurs;
- To develop activity indicators which often go beyond the legal minimum of competencies and responsibilities of local governments, but they can be achieved without significant financial investment and it has been proved in practice that it facilitate the work of businessmen and affect the positive image of the municipality as a good place for investment;
- Criteria that do not discriminate smaller and poorer municipalities;
- To analyze the areas that have the potential to become, or are already the subject of cooperation between Municipalities and GIZ;

- To identify examples of practices that can serve as models for future solutions to other administrations;
- To develop a methodology that can be applied in a short period of time and whose cost is not too high;
- Criteria that enable monitoring of municipal capacity over the time.

## **2. RESULTS OF SURVEY**

In order to evaluate business performance of Tešanj's Municipality, the Author used a questionnaire developed in cooperation of GIZ consultant and analyzed the resulting data. That questionnaire was focused on the following six areas of interest: Development Strategy and Action plan; Municipal capacity for local economic development; Service and information; Partnership; Project management and; Regulation and legal framework stressed gender equality.

Development directions of the municipality of Tešanj are defined through four strategic documents (development strategy, achieving ecological vision, social inclusion and support to youth). The most important element of strategic way of thinking is still a connection between the control and monitoring of strategies process execution. This is achieved by the dedication of mayor of the municipality, systems of responsibilities set for goals, monthly and annual reporting and analysis on a quarterly basis. Approach to strategic planning and execution in the Municipality Tešanj is an example of good practice. The municipality of Tešanj has a development agency TRA, with three highly educated employees. It is financed entirely from the municipal budget. In addition, there is a development team of eminent professionals, people with experience in different areas of management in the public and private sectors. The development team at the Municipality Tešanj was originally formed for the development and implementation of strategic development documents, which after the establishment of Development Agency devoted entirely to the preparation and management of projects. It was unclear how often this body meets and this can be supplemented later.

Recommendation - connecting with surrounding municipalities on projects of common interest (such as landfill in Doboj) which can bring benefits to all, and Tešanj can emphasize their mentoring capacity, which would promote municipality as the leader in the region.

Similar to the strategic planning process, it can not be said that the existence of an advisory body is of crucial importance for businesses. However, this indicator has its role because it indirectly shows the commitment degree of the municipal management that all processes of local economic development should be transparently organized and with the participation of business representatives and other stakeholders. Therefore, it can be expected that the key decisions are to be made carefully and with full respect for all stakeholders of the local community.

There is main data posted on the web site about businesses. Data base of the registered companies is on the CD.

Recommendation: Reconsider the possibility of preparation of new profile of the community for the investors (existing profile in the Development strategy is too extensive. It is recommended to choose less number of key information for investors). Further development of data base will contribute to even better use of data in making decision.

In service centre can be collected all necessary information about private person business activity registration. Information is available on web site as well. Advices regarding to registration of business entity can be given in agency or in the municipality administration. When we consider this area of business registration, very often we ignore importance of fast and simple procedure for registration of business entities. While most of the municipal management will say that their jurisdiction is ending with registration private persons, municipality of Tešanj goes one step further. With its focus that every aspect of management work is put in function of making better business environment, representatives of TRA and municipality of Tešanj will offer interested investors already registered business where in case of takeover and re-registration of the business entity, whole process of starting the business is shortened to few days.

There is a bilingual brochure prepared by the TRA agencies, with the aim of promoting Business Zone "Vila". Opportunity for better promotion is certainly execution of Marketing Plan that was developed for Business Zone Vila.

Although cooperation with the FIPA agency is two-way process, it can be said that the Municipal management of Tešanj manages to maintain cooperation and to present information on investment opportunities, primarily related to Vila business zone, where it promotes incentives for larger employers and clean technologies. Through internet search it was found the news about visit of representatives of U.S. corporations World Investment News, but further steps are not yet registered. There is a Marketing Plan Business Zone "Villa".

Statistical data on the number and structure of unemployed are adequately represented. In addition it should be noted that there was organized research on professional qualifications in some sectors, but it is still unclear what were the final results and recommendations of the research. Retraining programs are done in cooperation with the Employment Bureau and FIRMA program. It is planned to form the Center for Lifelong Learning. Investment in scholarships for students is for compliment (537 scholarships awarded till now), as well as posting the information on scholarships on the website.

Spatial Plan until 2020, Regulatory plans for both business zones. The plan is to introduce the concept "One-stop shop." Some data on input costs can be found in the marketing plan and if they are updated, they can be used as the information on the website. Recommendation: It is recommended to improve data management skills and their publication on the internet web site of municipality/agency for LED. Some data on input costs can be found in the marketing plan and if they are updated they can be used as information on the website.

From the budget will be allocated funds to support business entities, craft shops and farmers (about 300 000-350.000 BAM). The plan is to form a business incubator.

Tourism in Tešanj cannot be considered as a priority in economic sectors or as major strategic goal. However, in relation to the management on this issue, it can be concluded that the tourism is placed as economic development in recent period, enriching touristic offer for businessmen who occasionally stay in Tešanj, but as well as an activity that will improve the quality of life of citizens. Improvement of infrastructure of Old town, restoration of Emin bey house and Dizdar Tower represents activities that go to the above mentioned direction.

Incentives dedicated to businessmen are very clearly defined and easy available. Primarily they can be reflected in land offer to investors which is free of charge and under certain conditions which promote employment, develop certain priority sectors, and environmental acceptable technologies. It was earlier noted that the municipality of Tešanj is first in BiH to issue municipal bonds and offered them to Sarajevo stock market. With the resources enquired by municipal bonds will be equipped business zone Gliniste with needed infrastructure.

At this moment it is hard to expect any significant forms of public-private partnership between local governments and private enterprises. Although the law on public-private partnerships is recently adopted, the impression is that the conditions are not created so far, and it seems that the political risks and lack of understanding of all benefits of such partnerships are still high. Far more important for this study was the communication between the municipality and the private sector, positive attitude towards resolving the issue of which can all have direct or indirect benefits with aim to promote economic development. The research showed that only four municipalities somewhat trying to find out about the views and concerns of the private sector in their communities in an organized way. On the other hand, support to the development of entrepreneurship is far more important.

Cooperation with other municipalities is another form of cooperation that can create benefits to the economic development. Some of the opportunities for such cooperation are exchange of experiences, connection of professionals, joint management of natural resource, fulfillment of utility and environmental needs, working together on marketing location, investment in infrastructure, and so on. The conclusions are as follows:

- Inter-municipal cooperation is rare and usually is initiated by donor programs
- The motivation for cooperation mostly is the possibility in obtaining resources from EU funds

- There is high interest of employees to share their experiences with colleagues from other municipalities, but they don't have many opportunities to do so.
- Almost all agreed about the role and importance, but opinions are divided about influence of the Association of Municipalities and Cities.

Gender equality questions are included in municipal economic and demographic statistics. Tešanj is an agricultural area, but to agricultural development is allocated about 300.000 BAM a year from the budget (production of mushrooms, etc.). There is a formal decision about industrial zones. Data is available about infrastructure. Tešanj has two business zones-Vila and Glinišće. Infrastructure in business zone Vila is done, and for infrastructure for business zone Glinišće will be used resources from municipal bonds. During the preparation of this study, the evaluator found the Feasibility Study for the establishment of industrial/business zones in the municipalities of Central BiH region, which is a useful document. Activities needed to define the industrial zone and giving the land offer require a number of mutually related and very expensive actions (spatial planning, ownership of the land, parcel merging, parceling, infrastructure equipment, marketing location, the development of negotiating skills, "after-care" activities, etc.), and any attempt to analyze the potential is very valuable. Businessmen are interested in what kind of infrastructure is already there, its capacity, with whom to negotiate, how much time and money it takes to start their business activities. Unsolved or complicated property issues are one of the biggest obstacles to the development of industrial zones. Also, big problem is the lack of adequate infrastructure and municipalities come in a position to offer the land which they don't dispose, investor has to build infrastructure, modern transportation roads are not built yet, and the policy of benefits and incentives is not attractive nor the local governments have enough options. Contact with state agency FIPA almost does not exist.

### **3. CONCLUSION**

Regarding to indexes of municipal capacities which are used in this research, municipality of Tešanj can be classified as local government with development capacities above average. Businesses related to economic development represent one of mayor's priorities and employees in the municipal administration as well. It can be seen from the commitment and constant search for improvement in work of municipal administration and applying new innovations. Development strategy represents a real basis for work, realization report is monthly and analysis of the goals is quarterly. In every section of this research there are examples of good practices, which can be instructive for other local governments in BiH. Tešanj, unlike most other local governments, does not emphasize limitations of the local government jurisdictions as the main development barrier. Impression of the evaluator is that the municipality of Tešanj is rare and very good example of how much one local government can do for development of its own community which in the same time is encouragement for other municipalities in BiH. Municipality of Tešanj is the first in FBiH to issue municipal bonds in order to finance business zones, to enter in public-private partnership to build two business-residential locations, constantly analyzing user satisfaction of municipal services and applying improvements in work. Impression is as well in that, municipality of Tešanj uses its capacities realistically and look critical through Business Excellence model (e.g. TEBEX- TEšanj Business Excellence area), despite being more advanced then most of the local governments in BiH and wider region.

### **4. REFERENCES**

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