

Review Article

**IMPROVEMENT OF ADMINISTRATIVE PROCEDURES
AND REDUCTION OF BUREAUCRACY
AS AN LEGAL INSTRUMENT FOR ENHANCING
LOCAL ECONOMIC DEVELOPMENT IN REPUBLIC OF SERBIA**

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Abstract. *Local economic development is a relatively new function of Serbian local governments, which is transferred to them within the process of decentralization. According to Article 20 (paragraph 1, item 9) of the Local Government Act ("Official Gazette of RS", no. 129/2007) which regulates the self-governing competences of decentralized units in Serbia, local self-governments, in accordance with the Constitution and the special Acts: "adopt programs and projects of local economic development and ensure an improvement of the overall framework for economic activity in local government unit." This Act made a significant change from the socially-oriented concept of local government (providing for various public services, social protection and safety of the population residing in the territory of a local unit) to the economically oriented local government whose task is to stimulate local economic development and create a favorable and enabling environment for investments. In a narrow sense, local economic development is understood as a process of strategic planning through cooperation of local authorities, the private sector and NGOs, aimed at encouraging investments that will ensure high and long-term economic growth of local communities.*

According to a survey conducted among investors in Serbia in 2008., regulatory and administrative legal barriers are the greatest weakness of the Serbian legal system in generamber 051. Therefore, within above mentioned framework, the author analyzes the possibilities and constrains of this very important instrument for local economic development which is starting to be used in Serbia improvement of administrative procedures on a local level such as managing municipal estate, development of planning documents and capital investment plans, local fiscal and tax system etc.

Key words: *decentralization, local government, local economic development, LED Offices.*

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1. THE MAIN FEATURES OF THE LOCAL GOVERNMENT SYSTEM IN SERBIA

1.1. General characteristics of the Serbian territorial organization

Serbian citizens have been given a constitutional right to provincial autonomy and local self-government (Article 176/1 of the Constitution). There are two autonomous provinces, Vojvodina and Kosovo and Metohija, but the possibility of establishing new autonomies has been provided as well (Articles 182/2 and 182/3 of the Constitution). However, in 2008, Kosovo declared its independence from Serbia, and as of June 2011, 77 countries have formally recognized it as an independent state. The autonomous provinces should be distinguished from statistical territorial units established in 2009.

Pursuant to certain documents, the establishment of a region comprising one or more districts is provided. The Serbian Government adopted the Strategy on Regional Development for the period 2007-2012 (www.srbija.gov.rs) in 2007. The Strategy on Spatial Development (www.rapp.gov.rs) was prepared in 2009, but has not yet been adopted by the Government. The Regional Development Act has been adopted as well. The state territory has been divided into two NUTS 1 statistical units, five NUTS 2 units (regions) and 30 NUTS 3 units (districts) by the Regional Development Act and the Decree on Statistical Territorial Units Nomenclature. However, these units are neither administrative nor political units, nor do they have legal personality due to their special purpose which differs from that of autonomous provinces and local self-government units (Lilić, 2009). In the past several years, there has been a strong pressure for regionalization, i.e. introduction of regions as the medium tier of governance, but the ruling party (Democratic Party) has not clearly expressed its consent on this issue (see the Party Programme, <http://dss.rs>).

Serbia is divided into 29 administrative districts which are not decentralization units due to their status of deconcentrated state administrative bodies. There have been some proposals that they should be replaced by regions as forms of territorial self-government, but without success (Šević, 2001: 429).

The local self-government system consists of 150 municipalities, 23 towns and the City of Belgrade as a special local government unit regulated by the Capital City Act. According to the Statute of the City of Belgrade, one or more urban municipalities (as a form of sub-municipal autonomy) may be established on its territory.

1.2. The legal framework of the process of decentralization

Serbia has a long-standing tradition of the local self-government (Guzina, 1976), which may be traced back to the times after the Ottoman rule; it was maintained even during the dictatorship of King Aleksandar I and it was discontinued only for a short while after the end of World War II. A strong autonomy of local units was established during the socialist period. However, in the first decade after the collapse of the SFRY, local autonomy was undermined by the strong centralistic state politics which considered the local level issues to be unimportant (Lilić, 2002: 49).

The process of decentralization, based on a significant extension of the self-governing competences, was first attempted in 2002 by adopting the Act on Establishing Certain Competences of Autonomous Provinces and the Local Self-government Act (LSG). It was replaced in 2009 by the Act on Establishing Competences of the Autonomous Province of Vojvodina.

However, the process could not be fully implemented without additional conditions: fiscal decentralization, subsequent changes of sector laws, creation of a stable base of well-educated, professional local civil servants, etc. An unequal development of Serbian municipalities and towns required a gradual transfer of public competences to the local level. The weak local units were not able to carry the burden of the extended scope of activities, which had an adverse effect and resulted in strengthening the centralization process (GRS, 2004: 30). However, an analysis has shown that most towns and the City of Belgrade have sufficient capacities to perform the new tasks they are to be delegated (Milosavljević and Jerinić, 2010: 31).

The main directives for continuing the process of decentralization were identified by the PAR Strategy. The conditions thereof were established in 2006, after the constitutional changes had taken place. The new Local Self-government Act (2007), the Local Elections Act, the Territorial Organization Act and the Capital City Act have all been adopted. Taking primarily into account the legislative reform undertaken in the field of decentralization, Serbia has been ranked as an 'advanced intermediate decentralized' state (Cohen, 2010: 37), along with the majority of the Western Balkan countries. However, the creation of a stable legislative basis was just the initial part of the reform, insufficient for the completion of the decentralization process.

1.3. The scope of competences and financial autonomy of local self-government units

The first significant extension of municipal competences (which are the competences of towns and the City of Belgrade) was made by the 2002 Local Self-government Act. The total number of 39 competences to be exercised by municipalities (the self-government scope of authority) has been defined in the new Local Self-government Act (2007). The possibility of establishing a local police force is earmarked for towns and the City of Belgrade, but not for municipalities (Article 24). In addition, the City of Belgrade has been given wider competences regarding particular tasks such as: water management, construction and reconstruction of streets and roads, city police and fire fighting, and establishment of television and radio stations (Article 8 of the Capital City Act). The possibility of entrusting a particular state administrative task to municipalities (transferred scope) has been stipulated in Article 137/1 of the Constitution and Article 21/1 of the LSG Act.

The Local Self-Government Funding Act, which was the legal ground for fiscal decentralization, was adopted in 2006 and came into effect in the budgets of 2007. The National Assembly has ratified the European Charter of Local Self-government whereby it has assumed the obligation to provide resources for the execution of the self-government scope. The devolution of tax collection and tax administrative competences to local government units has yielded poor results because of the lack of quality political and technical management (Sigma, 2009: 22).

1.4. Political bodies at the local self-government level

The Serbian citizens exercise their right to local self-government directly or through elected representatives. There are three main political bodies at the local level: the assembly (as a representative body), the (city) mayor and the council (as executive bodies). The

assembly councilors are elected on the basis of a free, general and equal right to stand for election and be elected by direct and secret ballot.

In 2002, there was an attempt to strengthen the political legitimacy by introducing the institute of a direct election of mayors. Even though the first direct mayor elections were held in 2004, the 2006 Constitution prescribed that municipal presidents shall be elected by municipal assemblies, not directly by citizens (Article 191/4). In the next local elections of 2008, the citizens voted only for assembly councilors, not for municipal presidents and town mayors. The direct election of mayors had lasted for just one mandate before it was abolished.

2. LOCAL ECONOMIC DEVELOPMENT

In 2009, there were 353,894 enterprises registered in Serbia, most of which were small businesses (a total of 222,092 entrepreneurs); this statistics shows an increase as compared to the year 2008 when there were 339,042 registered companies, 217,353 of which were small businesses (entrepreneurs). In 2010, there was a reduction in the number of registered businesses. The number of registered companies and small businesses in Serbia is about three times lower than the average in the European Union. Entrepreneurs in Serbia are obliged to pay more than twenty different types of taxes and fees, and every single entrepreneur spends nearly 80% of the total revenues in the local community where the company operates, either through salaries or the payment of goods and services to the suppliers from local communities. This triples the effects on the local economic activity and has both direct and indirect effects on increasing the local government revenue (Bojović, 2010:6). In addition to these tangible financial effects that business entities have in the community, their contribution to the local economic growth/wealth is also reflected in reducing the number of people receiving social assistance, lowering young people migration, increasing the number of people who regularly pay utility fees, improving the economic picture of a local community, generating new revenues by means of local government taxation which ensures further investments in infrastructure, education and utilities, providing secure customers of local materials and services and ensuring that employees of local enterprises will be buying goods and services in the local community. But, it is not enough to only declare that local economic development is number one priority for a local community leadership. A true commitment of the local political elite to local economic development means that more revenues are directed towards its economic development on a long-term basis. This is possible only if long-term benefits of investing in local community development programs, such as programs supporting the economy, or human resources are clearly explained.¹ If local governments perceive the importance of investing in economic development from the standpoint of profits, there is no doubt that it is of great interest for a local community. The remaining question is how it should be achieved. Local economic development is an ongoing process. Competitiveness is the most common driver of change, and a lack of resources is the most common obstacle.

¹ For example, by investing two million Serbian Dinars (which was approximately 23,000 USD at that time) in a project or program that opens or maintains a hundred jobs, the investment becomes profitable within four months.

The World Bank defines local economic development as "a set of activities that aim to build capacity of local communities to improve their economic future and quality of life for all" (Goga and Murphy, 2006:1). Similarly, Bryant and Cofski understand local economic development as "activities that are conducted in a particular area in order to achieve sustainable socio-economic development" (Bryant and Cofsky, 2004:19). Both definitions state that the modern concept of a good local economic development is not restricted to economic issues, but that development is placed in the context of the overall quality of life and socio-economic development.

Local economic development of municipalities implies that local leaders (from the private and public sector) identify real opportunities for development and define mechanisms for change. First, it is necessary to learn about the available resources, to define development priorities and the mechanisms to be used to raise the competitiveness of the local community, to direct these limited financial and human resources to proper goals and, finally, to monitor results of those decisions. The commitment includes the creation of a clear policy which is not subject to frequent change as well as the local community support to implementing the adopted policies. A formal decision to begin the economic development given in the form of an adopted development policy is a prerequisite for the successful start of the process.

Serbian municipalities have diametrically different resources and their development prerequisites are different. For example, according to the Republican Bureau of Statistics, the average monthly earnings in 2008 range from 13,000 RSD in the Municipality of Bela Palanka (approximately 150 USD) up to 50,000 RSD in the Municipality of Novi Beograd. On the other hand, the City of Kraljevo, for example, covers five hundred times larger area than the Municipality of Stari Grad (in Belgrade), and the capital city of Belgrade has eight hundred times more inhabitants than the Municipality of Crna Trava (in the south-east of Serbia). These large differences between local government units show that some local governments need to rely on different mechanisms and have to find different solutions for their economic development.

2.1. The beginnings of local economic development in Serbia

The beginnings of local economic development in Serbia date to 2001, six years before the formal legal introduction of the obligation of "local economic development" envisaged in the Local Self-Government Act. The City of Inđija was the first city in Europe to introduce "System 48", which was originally developed in Baltimore, USA, under the name City Stat. On the other hand, Zrenjanin recognized the value and started using one of the greatest resources for all municipalities in the Serbian autonomous province of Vojvodina - acres of land. Today, many municipalities in Serbia may be proud of a number of successful economic development projects.² Institutional reforms, structural changes in the organization, strategy adoption and introduction of new codes of conduct are just some examples of these programs.

Thus, local economic development is the process of change in which the public and the private sector jointly recognize problems in the economic environment, design poli-

² It should be noted that the effects of the economic programs remain hard to measure.

cies and programs to make a local community more competitive and economically stronger, and put them into effect, thus improving the living standard in the local community.

A survey of investors in Serbia (USAID, 2008) shows that economic development is closely connected with other elements of social development, such as: quality of workforce, political stability, quality and accessibility of infrastructure, quality of life and simplicity of administrative procedures.

As previously mentioned, local economic development is a new self-governing function of local government units in Serbia which is transferred to them in the process of decentralization, according to Article 20 (paragraph 1, item 9) of the Local Self-Government Act ("Off. Gazette of RS", no. 129/2007). This Act made a significant change from the socially-oriented local government (providing for various public services, social protection and safety of the population residing in the territory of the local unit) to the economic-oriented local government whose task is to stimulate local economic development and to create a favorable and enabling environment for investments through different mechanisms (Begović and others, 2006:33).

The macroeconomic and monetary policy created by the central state certainly affects local communities. State regulations, taxes and other legal policies affect the environment for businesses; they can either help or make local business more difficult (Blakely and Leigh, 2010: 31). However, local government and local policies affect availability or lack of water, sewerage, telecommunications, infrastructure, and developed construction land. Local governments create procedures on the city level affecting housing, health and education services, availability of labor, safety, opportunities for training and education, and public transport. The traditional central policy relies on financial incentives and a general approach to the economy, while the local territorial approach is interactive and has a horizontal co-operation with industry.

In fact, all investments are actually local, which means that they get to a certain territory, a city or a municipality. The premises of every business and company (halls, factories and offices) are located in the territory of a certain local government unit and they employ workers from the territory of that local unit.

According to the Republic of Serbia Bureau of Statistics, despite the overall trend of rising unemployment, some municipalities in Serbia have increased the number of employees in 2008 (as compared to 2006) as much as of 17%. So, in the same macro-environment, some municipalities are more successful than others (Republic of Serbia Bureau of Statistics, 2008).

2.2. Concepts of local economic development

The process of managing the economic development begins with the infrastructure, but not only at the local level. Interstate roads are essential for the development of the local economy.

One of the first axioms of economic development at the national as well as at the local level is to invest in the so-called "hard" infrastructure. In the early 1960s, it became apparent that roads, water and rail networks and other infrastructure have a major impact on economic development. This discovery caused the expansion of infrastructure investments. Positive effects were reflected primarily in the number of employees. Today, a shift has been made towards investing in the overall quality of life, particularly given the

fact that the developing countries have met the basic conditions concerning developed infrastructure during the 1970s.

But, in Serbia there is a discrepancy. Although experience shows that all economic activities and economic development begin with infrastructure, it seems that only local governments have understood that fact and began investing in infrastructure. Unfortunately, without international roads and good inter-municipal infrastructure, investing in the infrastructure at the local level is pointless for those who are not located on major roads.

The survey conducted among the businessmen of the City of Novi Sad in 2009 (the main question being: "What do you think should be the key issue in the development of Novi Sad?") showed that 67% of the respondents bring up the development of small and medium enterprises as the first-priority issue, and the development of communal infrastructure as the second most important issue, with 49% positive answers (Bojović, 2010:20).

3. INSTITUTIONS FOR LOCAL ECONOMIC DEVELOPMENT

The basic Laws related to local economic development in Serbia are:

- The Local Self-Government Act ("Off. Gazette of RS", no. 129/2007),
- The Local Government Funding Act ("Off. Gazette of RS", no. 62/2006 and 47/2011),
- The Construction Act ("Off. Gazette of RS", no. 72/2009, 81/2009, 64/2010 and 24/2011),
- The Privatization Act ("Off. Gazette of RS", no. 38/2001, 18/2003, 45/2005, 123/2007, 123/2007 and 30/2010),
- The Innovations Act ("Off. Gazette of RS", no. 110/2005 and 18/2010),
- The Act on the Budget of the Republic of Serbia ("Off. Gazette of RS", no. 101/2011),
- The Act on the Development Fund of the Republic of Serbia ("Off. Gazette of RS", no. 36/2009 and 88/2010),
- The Public Debt Act ("Off. Gazette of RS", no. 61/2005, 107/2009 and 78/2011),
- The Company Act ("Off. Gazette of RS", no. 125/2004, 36/2011 and 99/2011),
- The Value Added Tax Act ("Off. Gazette of RS", no. 84/2004, 86/2004, 61/2005 and 61/2007),
- The Act on the Agency for Business Registers ("Off. Gazette of RS", no. 55/2004, 111/2009 and 99/2011),
- The Act on the Registration Procedure in the Agency for Business Registers ("Off. Gazette of RS", no. 99/2011)
- The Public Revenue and Expenditure Act ("Off. Gazette of RS", no. 76/91, 41/92, 18/93, 22/93, 37/93, 67/93, 45/94, 42/98, 54/99, 22/2001, 9/2002, 87/2002, 33/2004 and 135/2004),
- The Public Procurement Act ("Off. Gazette of RS", no. 116/2008),
- The Budget System Act ("Off. Gazette of RS", no. 54/2009, 73/2010, 101/2010 and 101/2011),
- The Act on Public-Private Partnership and Concessions ("Off. Gazette of RS", no. 88/2011).

These Acts have established some very important institutions for local economic development.

3.1. OFFICES FOR LOCAL ECONOMIC DEVELOPMENT

Until 2005, none of the institutions and organizations of the Serbian local government units were involved in the local economic development. There were examples of organizing ad hoc teams for attracting investments but there was no organizational unit within the local governing structure whose functions was to deal with economic development.

One of the preconditions for local economic development is the existence of teams that will coordinate programs and economic development projects, participate in the creation of local economic development strategy, implement development programs, exercise and communicate with corporations and businesses, coordinate cooperation between institutions and organizations at local and national level (Begović et al., 2006: 42).

In early 2006, the U.S. Agency for International Development (USAID), under the Program for Municipal Economic Growth (MEGA) based on the experiences of local governments in United States and Western European countries, offered a model of institutional partners as special bodies within municipal organizational structure – offices for local economic development (OLED).

The municipal Office for Local Economic Development (OLED) is an instrument for creating a favorable businesses environment, job creation and attracting investment. These municipal LED offices act as a tool for municipalities that want to develop economy in their communities and are not sufficiently familiar with the concept of local economic development. The LED office is part of the local administration, and is established as a single body for economic development (in cities), or as a department for economic development within some other organ (in municipalities).

Employees in offices for local economic development organize and cooperate with national and international organizations, relevant national, provincial and municipal authorities, institutions, agencies, investors, entrepreneurs, and public companies in the field of local economic development. They organize activities to monitor the implementation of economic development strategy, participate in making and developing projects for local economic development, organize and participate in marketing and preparing promotional material, information campaigns and promoting and representing business concepts and potentials for investments. Each LED office organizes and participates in creating database of "business information" relevant for local economic development, organizes and participates in establishing contacts and providing support and information to investors and entrepreneurs in the field of investment and businesses start-ups, proposes and gives opinions on necessary measures for an efficient and successful development of activities in the field of local economic development. All established offices for local economic development in Serbian municipalities perform at least 90% of abovementioned functions.

In some Serbian municipalities, these functions are provided within the Department of Economics or other related departments, whereas in some other municipalities these offices operate as part of the Mayor's cabinet. However, it appears that the office as an independent department within the local administration is the most functional form for a LED office, but it depends on the population of the municipality/city and the number of businesses settled on the local government's territory. The optimal number of employees in the office is between three and ten (Bojović 2010:34-35). The city of Loznica, for example, has six employees in the office for Local Economic Development, including the Director and five coordinators (for economy, document design, tourism, agriculture and legal affairs).

Their internal organization and thus the position of a LED office for local economic development within the city/municipal administrative structure is not regulated by the law as there is no act at the national level which regulates the principles of organization of local government's bodies (cities/municipalities make decisions on their internal organization and systematization themselves).

What must be considered when defining the position of an office for local economic development within the city/municipal government is the fact that the functions performed by the office are not "traditional" administrative tasks (resolving administrative matters and making administrative decisions) but rather development and other professional activities. A LED office can also be established as an enterprise, institution, agency or company, usually as a legal entity.

The Office is not a single recipe for local economy growth. It can give good results when is used together with other instruments of local economic development, such as an efficient administration, investments in infrastructure and competitive policies that favor economic development.

3.2. Other institutions for local economic development

Under the former Local Self-Government Act (2002) there was a possibility to establish the position of the City Manager (Dimitrijević, 2004) within the municipal administrative structure, but the new Local Self-Government Act (2007) transferred its functions to the Deputy Mayor. The new LSG Act also opened the possibility of appointing a Deputy Mayor in charge of economic development in particular (Vučetić, 2007). Many municipalities have exercised this opportunity in addition to the offices for local economic development. The Construction Directorates are also involved, and sometimes they are the bearers of activities that attract investments.

In addition to previously mentioned institutional forms in some Serbian municipalities, there is a municipal council member specifically in charge of economy. Finally, we have to mention the Council for Economic Development, the Commission for Employment and similar bodies established by the Assembly or the Mayor; all these bodies have only advisory role in economic development.

Such a wide range of administrative and executive bodies as well as complementary local public enterprises and regional agencies (each of which individually performs some functions of local economic development) has given rise to their overlapping jurisdictions, functions and competences. Therefore, the Offices for local economic development should take the leading role in promoting local economic development, and the mayor and the municipal assembly should entrust their economic duties formally and substantively to those Offices.

4. IMPROVEMENT OF ADMINISTRATIVE PROCEDURES AND REDUCTION OF BUREAUCRACY

There are different types of instruments for enhancing local economic development but the ones are used in the Serbian local governance system, in accordance with the aforementioned Acts are as follows:

1. Improvement of administrative procedures and reduction of bureaucracy,
2. Investing in the basic infrastructure, locations furnishing,

3. and construction of business premises,
4. Supporting the existing businesses,
5. Supporting the establishment of new businesses,
6. Marketing and promotion of investments,
7. Incentives to attract investment,
8. Support to associations, development of industrial sectors and clusters,
9. Restoration of municipal space.

According to the aforementioned survey from 2008 conducted among investors in Serbia, regulatory and administrative legal barriers are the greatest weakness of the Serbian legal system. Removing those barriers as an indirect or even direct instrument for enhancing the local business environment is one of the most demanding development tasks (Blakely and Leigh, 2010: 245). It is, also, one of the most important criteria by which investors select the location (municipality/city) to start their business. That is why we are going to analyze improvements of administrative procedures and reduction of bureaucracy in the rest of this paper.

4.1. Managing municipal estate

The main resource managed by a local government is land (Blakely and Leigh, 2010: 235). Until the recent adoption of new Planning and Construction Act ("Off. Gazette of RS", no. 72/2009, 81/2009, 64/2010 and 24/2011), each local government in Serbia managed the land in its area, without owning it. As of 2010, the land managed by local governments has become the property of each respective local government, so they can now sell it. For the land to be sold in a transparent manner, it is first necessary to make a complete register of municipal assets (municipal estates). Therefore, good projects focused on land management include the following:

- Municipal estate registers and establishing ownership;
- Asset categorization and defining the basic parameters (size, purpose, equipment level, etc.);
- Asset management (defining a selling policy).

The policy for land selling has particularly become an important element of managing municipal estate after adoption of the new Serbian Construction and the Decree regulating the conditions and methods under which a local government may sell of or lease its land at a price lower than the current market prices, rents and fees ("Off. Gazette of RS", no. 13/2010, 54/2011 and 21/2012).

Those instruments should be under jurisdiction of the Office for Local Economic Development, the City Planning Department, as well as the Construction Directorate. In 2009, the City of Niš began a program of land management, which is a good example of effective land usage.

4.2. Control of planning and development

One of the prerequisites for attracting investments and selling land is a good spatial and urban planning. The development and adoption of Regional and Municipal plans should not be a function of urban planners only. The economic development of a local community often depends on the size of the local industrial, commercial and residential

areas, their location and purpose, as well as on the dynamics of developing detailed plans and strategic plans. Small and medium-size enterprises frequently fail to be consulted during the preparation and making of such plans. To overcome these shortcomings, a good coordination of many departments, agencies and institutions of local and state government is required.

In Serbian legal system, during the preparation of plans, the projects are managed by the City Planning Department in cooperation with the Office of Local Economic Development, the Council for Economic Development and the Economic Council, and the Department for Cadastral Administration.

4.3. Making of capital investment plans, provision and maintenance of infrastructure

Capital investments plans are made for a medium term and are, among others, part of a synchronized capital investment program. These plans are made by all local public companies and they are important not only for businesses but also for planning the local government expenditure. According to "Handbook for making a Capital Investment Plan" (Urban Institute, 2007): "The capital investment plan is a multi-year plan that usually covers capital investment for a period of 4 to 6 years, ranked by priority, age, time limits, annual costs and proposals for funding. A capital investment (project) is an investment in more durable material object (property) which requires significant investment and has expected life of more than one year. This value and life expectancy are often specified by law. Each local government will define what is considered a capital investment, based on local needs and legislative requirements." Capital projects are usually buildings, parks, roads, water and sewage systems, street lighting and landfill sites, as well as the reconstruction of existing facilities (such as: streets, buildings, parks, street lighting and water supply and sewage system).

Unsynchronized capital investing in infrastructure gives an impression of a disorganized and careless municipality. At the same time, not knowing what the capital plan contains may put the leading entrepreneurs at a disadvantage when deciding about expanding the existing or approving a new investment. The process of making capital investment plan is usually led by the Local Government Commission, together with the Department of Finance (serving as a coordinator) and the Office for local economic development.

4.4. Improvement of local fiscal and tax systems

Local taxes, fees and charges constitute a significant share of entrepreneurs' costs. The method for determining these expenses should be transparent and publicly available. Every year, a significant number of Serbian local governments dramatically change the amount of fees to be paid. One of the many examples is the utility tax which is about ten times higher in some municipalities of Eastern Serbia than in the Capital of Serbia, Belgrade. Moreover, in 2009, municipal taxes in some cities were increased up to five hundred times (Bojović, 2010: 61).

The improvement of the fiscal system includes a detailed analysis of revenues and the creation of a transparent system of taxation.

Local governments can improve their administrative services in this area if they:

- establish a database of all local decisions;
- compare their decisions with the decisions of other local governments in the region;
- calculate the total expenses that entrepreneurs have towards the local government;

- communicate their general fiscal decisions to entrepreneurs, together with their effects and make changes according to the entrepreneurs' remarks;
- post the consolidated decision on the local governments' web-sites.

One of the instruments for improvement in this area is the project of "index of local burden to economy - a calculator," which was introduced by the NALED (National Association for Local Economic Development) in 2010.

4.5. Improving efficiency and transparency - Citizen Assistance Centers (CAC)

One of the mechanisms to simplify administrative procedures is to establish a municipal service centers. Citizen Assistance Centers (CAC) represent "one stop shop" premises which provide general technical services to service users and use transparent procedures.

The CACs have been introduced in many Serbian municipalities in the past few years and today they exist in almost all municipalities. Good examples of the CAC may be found in the Municipalities of Subotica and Novi Beograd.

4.6. Call center and System 48 (City State System)

City stat, or call center, and System 48 (also called System 96) represent the same concept that already exists in various local governments. "System 48" is a public enterprises control system through which citizens and entrepreneurs solve community problems within forty eight hours. System 48 is also used to make better control of distribution of budget funds to indirect budget users. Due to such control of public utilities, a municipality can significantly reduce the amount of funds subsidized to public enterprises and can have more accurate understanding of the usage of System 48. On the other hand, this instrument is an opportunity for service users (citizens and businesses) to manage the quality and speed of provided services. A good example of fully implemented System 48 is the Municipality of Indija (www.indija.net). In 2009, similar systems were established in Paraćin, Loznica and Kragujevac (System 96 in Loznica and Call Center in Kragujevac).

4.7. GIS (Geographic Information Systems)

The Geographic Information System is used for visual inspection and administration of the municipal data. The Geographic Information System is primarily used by local governments to manage the property and implement infrastructural projects, but it is also one of the most important tools in the process of attracting investments. Geographic information systems are worth as much as the data they contain. Good examples of correct use of the GIS are the City of Subotica and the Municipality of Indija.

Several years after Subotica had started using the GIS, the city authorities made an economic feasibility study which showed that revenues exceeded expenses in the second year of using the system and that all expenses were reimbursed after five years. This means that, only five years after introducing the GIS, the city achieved financial benefits. Financial and non-financial benefits for the city come from shorter administrative proce-

dures, greater transparency and accuracy in the planning, which results in cost savings due to less damage caused during construction works.³

4.8. Reform of the pricing and billing of utility services

This instrument is primarily related to the method of calculating and invoicing prices of utility services and improving the transparency and efficiency of these procedures. Projects of this type are managed by the Office for Local Economic Development in cooperation with the municipal Council for Economic Development (NALED, 2009/10).

4.9. "One stop shop" - Center for Issuing Building Permits (CID)

Number of permits and approvals that businesses need to obtain as well as the time and the costs of their issuance may deter entrepreneurs from starting or expanding businesses in the local community. Reducing the complexity, costs and administration that follows the licensing procedure can favorably affect the economic situation in each community (Blakely and Leigh, 2010: 272).

One of the main complaints of entrepreneurs is the complexity of the process of issuing building permits, which primarily includes a large number of documents, a long waiting period, and a bad practice of "pushing papers" from one office to another. The efficiency of this process may be significantly improved by establishing a one-stop counter for issuing building permits, a good example of which is the one-stop counter is the City of Subotica.

4.10. Certification of municipalities with positive business environment

Certification is an instrument used by the National Alliance for Local Economic Development (NALED) and it is one of the best guides for local governments in the process of improving the local administration in order to enhance business environment. The program includes twelve criteria, some of which specifically refer to the improvement of the local administration.

The Certificate is issued when the municipality has:

- information about the size and number of available building land lots, a catalog of available lots and land, including updated information on prices;
- a catalog of available office space (private and municipal);
- a catalog or a brochure about the construction/industrial land, as well as the ability to provide all the information within two days;
- digitalized data on land parcels, including the infrastructure information;
- information or description of all the procedures and necessary forms on-line;
- an expert who advises clients on administrative procedures;
- a document-tracking system that provides information on the status of specific requests and filings (over the Internet or Call center);
- a legal adviser to entrepreneurs;
- one-stop shops for licenses;

³ Previously, damage to installations frequently occurred such as cuts of power cables during installing other lines such as, for example, telephone lines.

- a supervisory official who monitors the process of issuing building permits (at least 80% of all claims filed during the year);
- a fast procedure for issuing building permits based on "step by step" analysis;
- a Master Plan which as the key instrument of economic development;
- a list of priorities for Detailed Regulation Plans in line with the established schedule;
- an industrial zone (or zones).

All these criteria for certification are designed to help local governments to determine priorities that should be implemented in their economic development.

5. CONCLUSION

Since 2005, many municipalities have developed local economic development (LED) strategic plans and LED-office employees have successfully completed an intensive training cycle, developed new marketing and promotional materials, land inventory databases, and overall capacities to effectively market business opportunities of their communities. Municipalities have developed business incubators, business improvement districts, educational centers for the unemployed, and business innovation centers. All municipalities have had employees attend investment fairs, conferences, and forums that emphasize the importance of economic development at the local level and the promotion of investment opportunities. Municipalities have improved the performance of citizen assistance centers, included the private sector in the LED processes, learned about advanced debt management techniques and project finance concepts (including PPP applications), and improved their skills in investment. They have also begun implementing modern approaches to asset management. According to reports from the municipal LED offices, the effects for municipalities that started to implement LED instruments hundreds of millions of realized public and private investments and thousands of new jobs. Municipalities have also reported increased amount of committed investments. Among the most important achievements has been a change in mindset within municipalities which has brought about a new willingness to understand the problems and interests of businesses. However, there still exists a need to improve the legal and institutional framework for local development and to strengthen the ability of national associations of municipalities to effectively advocate the local government interests within the given legal and institutional framework.

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**POBOLJŠANJE ADMINISTRATIVNIH PROCEDURA
I SMANJENJE BIROKRATIJE KAO PRAVNI INSTRUMENT
ZA UNAPREĐENJE LOKALNOG EKONOMSKOG RAZVOJA
U REPUBLICI SRBIJI**

Dejan Vučetić

Lokalni ekonomski razvoj je relativno nova nadležnost srpskih lokalnih samouprava, koja ja im je preneti u izvornu nadležnost tokom procesa decentralizacije. Prema članu 20 (stav 1 tačka 9) Zakona o lokalnoj samoupravi ("Službeni glasnik RS", broj 129/2007.) koji reguliše izvorne nadležnosti jedinica proste decentralizacije u Srbiji, jedinica lokalne samouprave: "donosi programe i sprovodi

projekte lokalnog ekonomskog razvoja i stara se o unapređenju opšteg okvira za privređivanje u jedinici lokalne samouprave." Ovaj zakon je napravio značajnu promenu u odnosu na prethodni, socijalno orijentisani koncept lokalne samouprave (pružanje raznih javnih usluga, socijalna zaštita i bezbednost stanovništva sa prebivalištem na teritoriji lokalne jedinice) ka ekonomski orijentisanoj lokalnoj samoupravi čiji je zadatak da podstakne lokalni ekonomski razvoj i stvori povoljno i podsticajno okruženje za investicije. U užem smislu, lokalni ekonomski razvoj se shvata i kao proces strateškog planiranja kroz saradnju lokalnih vlasti, privatnog sektora i nevladinih organizacija, čiji je cilj podsticanje investicija koje će obezbediti dinamičan i dugoročan ekonomski rast lokalnih zajednica.

Prema istraživanju sprovedenom među investitorima u Srbiji 2008.godine, regulatorne i administrativne barijere su najveća slabost srpskog pravnog sistema u celini, uključujući i sistem lokalne samouprave. Zbog toga, u okviru gore pomenutog okvira, autor analizira mogućnosti i ograničenja u korišćenju ovog veoma važnog instrumenta za lokalni ekonomski razvoj koji od nedavno počinje da se koristi i u Srbiji. Posebno su obrađena najvažniji oblici unapređenja administrativnih procedura na lokalnom nivou, kao što su upravljanje opštinkom imovinom, razvoj planskih dokumenata i planova za kapitalne investicije, reforma lokalnog fiskalnog i poreskog sistema itd.

Ključne reči: *decentralizacija, lokalna samouprava, lokalni ekonomski razvoj, LED kancelarije.*