



European Union

# INICIJATIVA ZA LOKALNE LASTI

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# Local Economic Development

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# Approach

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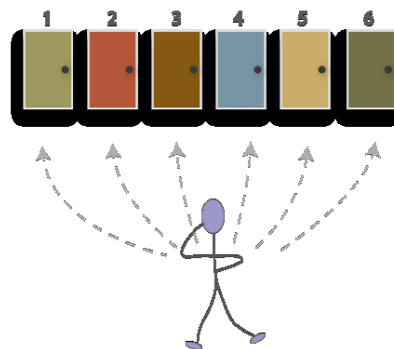


What are the main constraints to local economic development?

Can we do better within the boundaries of the current system?



What is the entry point to the process of change and improvement?



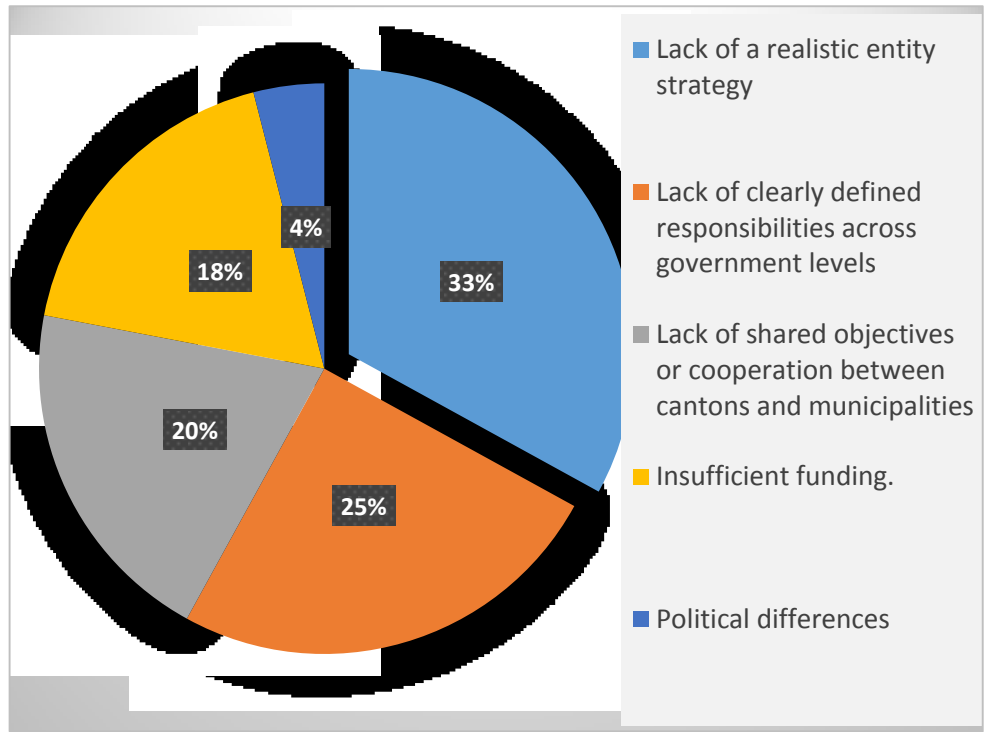
# Management of Economic Development

## Key Constraints (FBiH)

- Fragmentation, lack of collaboration and integrated strategic planning creates considerably synergies losses
- Public funding is not focused on projects with highest returns
- Business regulation and political instability scares away investors.
- Proliferation of para-fiscal fees increases cost of DB
- Overlapping competences – for example in use of natural resources- complicate deals and reduce local funds.
- Spatial management complicates transactions

### The Survey Question:

*What are the major obstacles to better economic development?*



# Management of Economic Development – Key Constraints (RS)

The current management model in RS:

**Each municipality look after its own economic development.**

This model favours larger municipalities and towns—such as Banja Luka, Bijeljina, Prijedor, Dobojo and East Sarajevo...

- ... while some municipalities cannot perform even basic functions, offer qualified labour or invest in development

## Consequences

- Lack of integrated strategic plans and waste of complementary resources
- Lack of economy of scale



# Management of Economic Development

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The consequences of low economic development

## ECONOMIC HARDSHIP AND MASS MIGRATIONS

Two migration trends:

- from less developed to the more developed municipalities;
- migrations from the BiH to other countries

### Emigration Statistics

- **150,000** people emigrated from BiH in 2013-2017 , majority young age between 25-30 \*
- In 2017 more than **25,000** applications for immigration visas are made in SLO and DE embassies.

\* *Association for sustainable return and integration of BiH.*

# Recommendations: Upgrade local economic management practices

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- Understand each region's advantages and constraints in a wider context of BiH and the Balkan region.
- Revise strategies to find optimal combination of endowments and opportunities. Be ambitious but strategic!
- Establish professional operational management of economic development covering wider territory (functional agencies)



# Recommendations:

## Open up: ideas, transparency, branding

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- Create a platform at municipality/canton/region the young people. Support innovative ideas.
- Promote full transparency of all transactions (use technology) to minimise risks and increase investor/donor/partner confidence
- Develop a branding strategy for the municipality/canton/region based on a well-defined and specific set of advantages and attractive features

### **Technology Box: Domains for blockchain deployment**

housing – subsidies – finances – service delivery processes – permits – urban planning - taxes – voting – citizens participation – information

### **Region brand management: The key success factor is “imagination”.**

A constant stream of imaginative, communicative, innovative, creative ideas, projects, investments, infrastructures, policies and events that are uniquely and unmistakably from city/canton/region

# Recommendations: Improve financial management and incentives

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- Make development grants conditional on cooperation between municipalities (FBiH)
- Streamline donor assistance to emphasise cooperation (current donors may provide funds to kick-start the process)
- Support development of financial instruments to leverage existing local resources, such as municipal bonds
- Reduce risk to private investors by investing in critical infrastructure and programmes

# Specific Measures in Focus

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- Functional Agencies - Professionalise the management of economic development
- Improve and modernise Spatial Planning
- Smart Economic Zones

# Functional Agencies

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- Means to **overcome most of the administrative constraints** between local and entity levels where there are overlapping competences, unfunded mandates and an inefficient assignment of competences.
- **Bringing together public, private, and civic sectors** (joint ventures, partnerships, service agreements, compacts or other vehicles)
- A **politically acceptable form of co-investment** vehicle for development partners and other interested parties.
- **Promotion of region's projects**—and initiate healthy competition for funds and other resources—and back them up with professional management and joint efforts with other regions
- **More-effective advocacy** to defend the interest of the regions at entity level.

## Survey Results:

- Almost 50% of the local governments do not believe that they have sufficient flexibility in expenditures,
- 63 of them would reallocate expenditures significantly if it was made possible.

# Focus on Spatial planning

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- Adopt the FBiH spatial plan and reform the corresponding legislation in the areas of agricultural land, waste management, waters, and forests
- Update and harmonise the spatial plans of local government units with the Spatial Plan of the RS
- Develop digital maps.
- Introduce a GIS-based management system.
- New digital technology for local governance and blockchain options

# Special (and smart) Economic Zones

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Enable closer cooperation between centres and periphery:

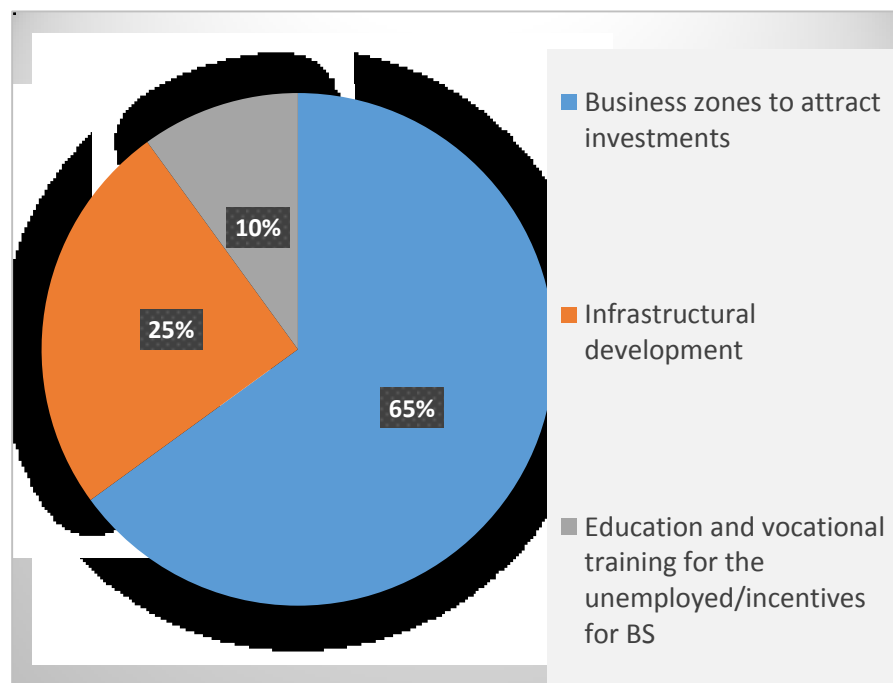
- Seven cities initiative in RS
- Intra and inter Cantonal zones in FBiH
- Introduce a concept of cluster Economic Zones that closely integrate businesses inside and outside the zone

## **SEZ - not always so special**

- Location
- Integration to local economy
- Infrastructure
- Balance between public /private interference

## Survey Question:

Where invest in case local government got significant new funds for economic development:



# The approach to implementation

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An initiative can come from UOM, selected group of municipalities or Canton or group of Cantons

## Establish Pilot Functional Agency(s)

Choose 1-2 regions for the pilot

Order (re)design of business plan for the region and for the functional agencies made by a professional organisation

Solicit support from IFs for implementation

Lessons learned and the roll-out to other regions

## Target priority programmes such as:

Look for introduction of new technologies in strategic planning, spatial planning, financial transactions, transparency and accountability and social networking – it can be done faster than you think

Review the business zones legislation and current business plans and look for optimisation opportunities

Create a branding strategy