



Economic Development and Local Self-Government

**Session of the Regional Forum
Kopaonik, Serbia; December 7-8, 2012**

Introduction

On December 7-8, 2012, the Council for Inclusive Governance (CIG) organized a session of the Regional Forum on economic development and local governance. The session was held in Kopaonik, Serbia. For the first time, the Forum participants came from all six municipalities of the region.¹ Participants included members of all influential political parties that operate in the region: Bosnjak Democratic Community, Democratic Party, Party of Democratic Action, Sandžak Democratic Party, Serbian Progressive Party, Socialist Party of Serbia, United Regions of Serbia, and civil society representatives from the region.

The roundtable was part of a program supported by the British Embassy in Serbia and the Foundation for an Open Society.

After establishing the Forum in early 2012 with participation of political and civil society representatives of the Bosnjak community, CIG focused on including a greater number of Serb representatives into the work of the Forum. The goal of CIG is to promote practical and non-political approaches to tackle issues that are of common concern to all communities in the region, particularly the issue of economic development and functioning of the local self-government. Aiming to also involve the central government in the work of the Forum, CIG invited Vljako Senic, state secretary at Serbia's ministry of finance and economy to the roundtable. He presented his views on the reasons the region is one of the least developed in Serbia, described the responsibility of the central and local governing bodies, and outlined ways to improve the situation.

He said that a major problem at the local level is the high level of debt by municipalities. The ministry of finance and economy recommends that the state take the responsibility for the debt in cooperation with the local self-governments, obliging them to repay it to the central budget in a set period of time.

In Serbia's ongoing negotiations with the International Monetary Fund, one of the biggest points of misunderstanding is the current level of transfers to municipalities from the

¹ The Serbian municipalities of Nova Varos, Novi Pazar, Prijepolje, Priboj, Sjenica, and Tutin.

central budget. The state secretary assured the participants that the government is determined not to back down on this issue, since the ministry is aware of the poor conditions in which the local self-governments operate.

Further, he said that there is a need to accelerate the process of decentralization to ensure that the rhythm of economic change comes from the local level. In this context, it would be beneficial for the municipalities within the framework of the Forum to agree on the main priorities for the development of the region. This cooperative approach would ensure more visibility of the region's priorities in Belgrade, and would help the process of bargaining with the state aimed at improving the infrastructure, increasing support for the private sector and attracting investment. The Forum, the state secretary said, is a vehicle that could assure a strong and influential voice of the region in Belgrade.

CIG encouraged the participants to present their views about the economic and governance problems in the region and to propose steps to overcome these challenges. In addition, CIG encouraged the participants to propose further steps for the functioning of the Forum and how it could be used in the future for coping effectively with major challenges in the region.

The following is a summary of the roundtable discussions. To encourage frank discussions, remarks have not been attributed to specific discussants and CIG asks for the understanding of those whose remarks have not been fully captured in this brief report. The participants took part in the roundtable in their personal capacities and their positions do not necessarily reflect those of organizations they represent. The report was prepared by Igor Novakovic, CIG's Associate in Serbia.

Economic development

Reflecting on the state secretary's speech, a participant from Prijepolje stated that the recent reforms eliminating a number of parafiscal taxes have created serious financial problems for some municipalities. They are no longer able to raise sufficient tax revenues from public enterprises located in their territory. He has also claimed that the owners of these privatized enterprises do not pay local taxes either. The majority of participants agreed with his remarks. A speaker from Novi Pazar suggested introduction of tax categories aiming to keep taxes for service companies and to reduce or eliminate for production companies.

Municipalities in the region have had numerous unforeseeable expenses, especially during winters. These problems prevent the municipalities from engaged more effectively in supporting economic development. A participant from Novi Pazar gave the example of the Sjenica municipality which last year spent more than half of its annual budget on snow removal, hampering its development plans for the entire year.

In Priboj, the situation of the automobile factory FAP is a major problem. A participant said that the state and municipality tenders for buses and other heavy vehicles are intentionally defined in a manner that excludes Serbian national producers like FAP and

Neobus. If the state wants to recover FAP, it should have a strategy that does not allow individual interests to take precedence over public interest. He suggested that the state should find a strategic partner for FAP—former FAP’s partner was Mercedes.

A participant from Nova Varos said that there is progress in bringing the local governments closer to the people and that the local administration is becoming more efficient. However, he stressed that sustainable economic development and employment opportunities are weak, mostly because the privatization of public companies in the region was not carried out in an effective manner. He suggested that the privatized companies should be “reprivatized under better terms” or be taken back by the state. The private sector remains weak and incapable to carry the weight of the entire economic restructuring. The state should assist to establish a consultation mechanism for municipalities and offer favorable credit for local projects.

Prijepolje has been trying—so far unsuccessfully—to stimulate investors by offering free facilities and land parcels, a speaker said. The municipality is also trying to form a consortium of local investors aiming to revitalize the devastated and closed state owned enterprises.

A representative of the donor community said that the main issue they look at is the capacities of the local actors: strategic orientation, program implementation capacity, and professionalism of administration and staff. Knowledge and information is key for securing investment and donations. The current level of insufficient administrative capacities is a serious obstacle to economic development.

Relations between the state and municipalities

All of the municipalities are participating in EU’s Progress program. While some participants criticized the functioning of the program, a speaker from Sjenica noted that they have benefited from it, having secured 500,000 euros from the program. He called on the state to engage more in assisting the municipalities by improving infrastructure, providing benefits for agricultural production, and reducing bureaucracy for employing local production capacities.

A participant from Prijepolje criticized the current approach of the state in the region by labeling it as “fragmented and partial.” Many projects started but then have either stagnated or altogether stopped. The participant outlined the problem of party-based employment in the public sector, which is much more present at the state than at the local level. Perfect patronage examples are state enterprises which are not functioning because of the mismanagement due to the party-based employment.

Other speakers agreed that engagement of the state is crucial for further development of the region—especially in reversing the unsuccessful privatizations and in improving the infrastructure. Communication between the local and central authorities should also be improved. A solution is in a constructive approach by the state, decentralization, and departisation in aiming to free the trapped resources.

A speaker from Novi Pazar underlined the importance of the local actors for the improvement of the situation in the region. She criticized their work by saying that the municipal governments should adopt a business-oriented approach to create preconditions for the development of the private sector, to coordinate public policies to fit the real needs, to create business incubators, and to create private-public coalitions.

A participant from Priboj said that the focus of the Forum should also be set on what could be done at the local level. He pointed out that the participants have been too focused on the role of the state. One of the key issues is the mobilization of local human resources. The participant said that there are numerous funds, and that the real issue is to establish the right mechanisms for applying for funds and implementing programs through cooperation among local self-governments, civil society organizations, and business sector. The municipalities have teams for this purpose, but their outreach is quite limited.

Inter-municipal cooperation, decentralization, and image of the region

Cooperation among municipalities in the region is a highly politicized issue. While the majority of Bosnjaks consider all six municipalities part of the historic region under the name of 'Sandzak,' the majority of Serb representatives do not recognize neither the region nor the name. However, while being skeptical about political cooperation, the latter expressed their will for other forms of cooperation, and suggested potential inclusion of other neighboring municipalities into the Forum.

A participant from Tutin said that the experience of the EU member states should be transferred to this region, and that an institutional framework for cooperation should be found, for example, an association of communities. This framework would ensure better exchange of experience and improved collaboration among the municipalities and entrepreneurs and individuals in order to improve their economic cooperation.

A participant from Priboj said that his municipality cannot be part of any kind of political region, and that there is a declaration of the local assembly to that effect. These six municipalities do not have good infrastructural connections and their economic ambitions are different. Priboj should be more connected with Uzice and Cajetina, the participant said. But, he stressed that there is space for improved economic cooperation. He said that the major, if not the only thing in common, for these six municipalities is the presence of the Bosnjak ethnic community. Therefore, there is a need for cooperation to ensure respect of rights of the Bosnjaks in these municipalities. He emphasized the importance of the return of Bosnjaks to their properties in Priboj from which they left during the 1990s.

A participant from Prijepolje suggested that the municipalities should establish better cooperation. There is a need for common approaches toward Belgrade, including submitting joint projects and making joint efforts to attract investors and to boost the

private sector. The Forum should focus more on concrete problems and projects—like the question of common regional landfill founded by four municipalities.

A speaker from Novi Pazar stated that the economic development is primarily a political and security question. The region is perceived as unsecure for investment. When the municipalities from the region are covered by the Belgrade media, it is usually in a negative context. Then it comes the question of infrastructure: these six municipalities are five hours away from the nearest seaport or airport. The participant stressed that the combination of these two factors, along with the bad PR and the constant political clashes with the state, result in a very negative perception of the region by potential investors. She urged the municipalities to cooperate and present themselves in a positive manner. There is a lot of potential that this region can offer: agriculture, mineral resources, energy, and tourism.

One of the major problems in political life is the use of nationalism as a tool for winning elections. A participant said that the municipalities should promote economic development instead of focusing on nationalism and ethnic issues.

Conclusions and recommendations

A number of speakers suggested that to depoliticize the work of the Forum, a few other neighboring municipalities should be included. The most logical would be to include the municipalities of Ivanjica and Raska, which are connected with the six municipalities. Other participants agreed that this could be a good solution.

A participant from Priboj suggested that the Forum should invite investors who were interested to invest in the region and to discuss with them the reasons for withdrawing their bids. Other participants also suggested that the Forum should engage in attracting investors for “potential re-privatization or re-start of strategic partnerships.”

Another participant from Priboj suggested that the Forum should make a common set of proposals for a change of the legal framework for functioning of the local self-governments. He stated that the local self-governments should be more open to citizens. Problems that the current situation induces are obvious: the party-based employment in public sector, lack of expertise in key sectors for the improvement of efficiency of the local administration and economy in the local communities, stultifying of the local elections, malfunctioning of the state-local self-government system of communication (mostly based on personal contacts), and position of courts. Potential change of the legal framework would increase local leadership and would give more responsibility to the locals for the reform process and economic development of the region. Other participants endorsed this proposal and suggested that this discussion should be continued at the next session of the Forum in the presence of legal experts, who would help the participants formulate concrete proposals. The formulation of joint recommendations for changes of the legal framework that regulates the functioning of local self-governments would send a positive picture to Belgrade about the region.

Other participants suggested the inclusion of the representatives of the Standing Conference of Towns and Municipalities in the work of the Forum in order to increase outreach of its work.

A participant from Prijepolje proposed six recommendations which are directly applicable to improving the situation in the region. These are mainly state oriented.

1. The state should invest more in the region's infrastructure as a necessary precondition for more direct investments.
2. The state should encourage the improvement of laws and regulations to stimulate the development of production-oriented economic activities in the region.
3. The state should encourage more efficient and wiser use of natural resources. Natural resources are trapped in the net of regulations and inefficient bureaucracies.
4. The state should revise numerous regulations and restrictions imposed by the state public companies (Putevi Srbije, Srbija Sume etc.).
5. The process of privatization should be completed. Unsuccessfully privatized companies from the region should be either reprivatized or ceded to the local self-governments.
6. The region has a favorable environment for the development of agriculture (livestock and livestock products) and the state should engage more in securing the market for these products.

List of Participants

Gavrilo Bujišić, Socialist Party of Serbia (Priboj)
Ferid Bulić, Bosnjak Democratic Community (Novi Pazar)
Aida Ćorović, Urban-In (Novi Pazar)
Safet Demirović, Democratic Party (Tutin)
Branislav Dilparić, Socialist Party of Serbia (Nova Varoš)
Mirsad Duran, New Vision (Prijepolje)
Esad Džudžević, Bosnjak National Minority Council (Novi Pazar)
Nehad Hasanović, Municipality of Novi Pazar
Emir Hasimbegović, Mayor of Prijepolje
Esad Hodžić, Sandzak Democratic Party (Prijepolje)
Mirsad Jusufović, Sandzak Democratic Party (Novi Pazar)
Semiha Kačar, Sandzak Committee for the Protection of Human Rights and Freedoms
(Novi Pazar)
Stanko Kijanović, Socialist Party of Serbia (Prijepolje)
Šemsudin Kučević, Mayor of Tutin
Hazbo Mujović, Mayor of Sjenica
Sladana Novosel, Daily *Danas* (Novi Pazar)
Džemaludin Paučinac, Novi Pazar Municipal Youth Office
Dimitrije Paunović, Mayor of Nova Varoš
Predrag Pavlović, Socialist Party of Serbia (Novi Pazar)
Lazar Rvović, Mayor of Priboj
Zibija Šarenkapić, Cultural Center DamaD (Novi Pazar)
Vlajko Senić, Government of Serbia
Azra Zatrić, Bosnjak Democratic Community (Novi Pazar)
Dominic-Haydn Braithwaite, British Embassy in Serbia
Shpetim Gashi, Council for Inclusive Governance
Alex Grigorev, Council for Inclusive Governance
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