



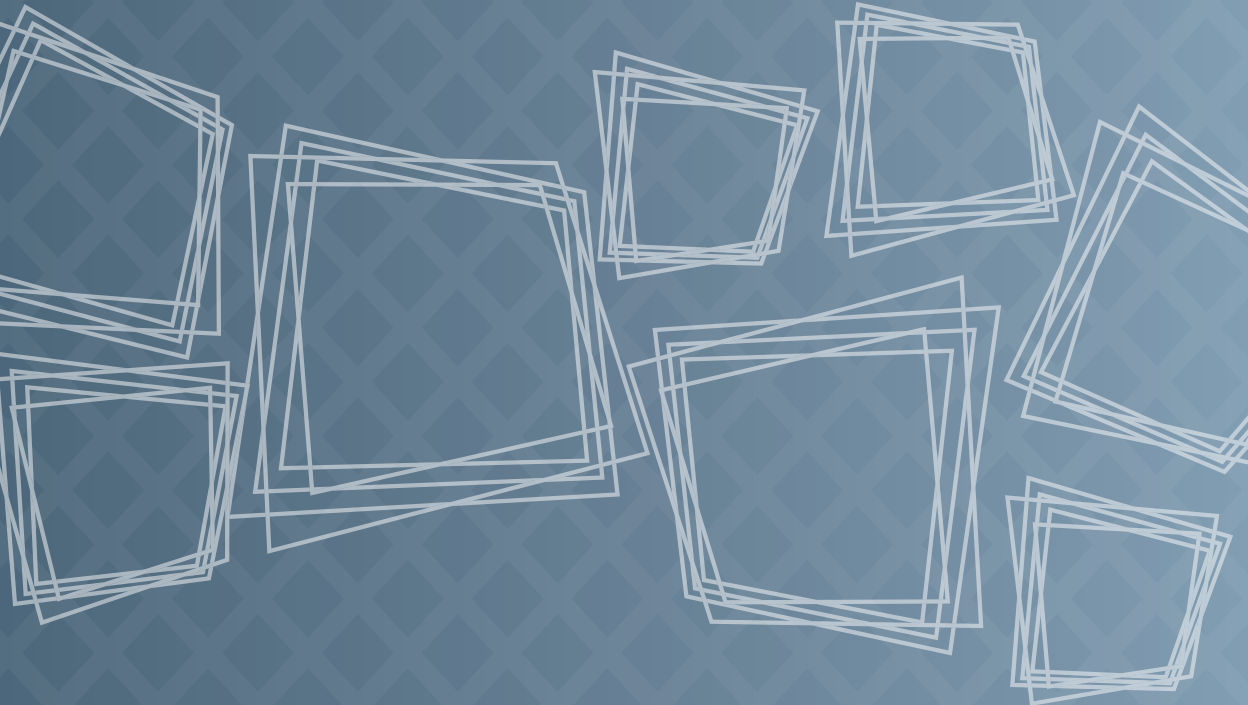
Network of Associations
of Local Authorities
of South-East Europe



Potential Contributions of South East European Local Governments to the Regional Economic Area (MAP REA)



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I. Management Summary

The *Multi Annual Action Plan for a Regional Economic Area* in the Western Balkans (MAP REA) was designed and planned for implementation between 2017 and 2020. The MAP REA is a result of commitments which countries have made within the framework of the *Central European Free Trade Agreement* (CEFTA) and the *South East Europe 2020 Strategy* (SEE 2020). It is based on CEFTA and EU rules and principles, as reflected in the *Stabilisation and Association Agreements* (SAAs).

The substantive topics of the MAP REA comprise: investment, trade, labour mobility and digital integration.

The *Regional Investment Reform Agenda* (RIRA) for the WB6 as a supplementary agenda, the central issue of which is to boost private investment in the region by harmonizing legal frameworks and investment policies.

This assessment of the MAP /RIRA was commissioned by the Network of Associations of Local Authorities of South-East Europe (NALAS) and implemented by the KDZ-Centre for Public Administration Research. The report's objective was to assess the involvement of local governments and local government issues in the MAP/RIRA and make recommendations for the better inclusion of local governments' concerns. Hence the project's central task consisted in analysing gaps in the MAP REA/RIRA with respect to local governments' (LGs) positions and involvement in the further implementation of the MAP REA/RIRA process.

As a general conclusion, it was possible to observe a general lack of local government interests and local economic development and low representation of direct approaches for local governments' roles and action settings.

Six criteria of local concerns were defined for this report: Legal/regulatory attempts/measures, basic institutional settings, governance, service performance, financial facilities, innovative levers, endogenous potentials. These criteria were used to assess the seven listed MAP/RIRA areas:

- Overall investment environment
- Financial Diversification
- Specific Investment Promotion
- Boosting Digital Infrastructure Development
- Spectrum Policy, Mobile Techniques
- Cybersecurity, Data Protection
- Digital Skills, Digital Economy, Smart Technologies



The evaluation resulted in 47 designated *fields*. Only one was assessed as “sufficiently covering local concerns”. 23 were assessed as “not sufficiently covering local concerns” in the MAP REA/RIRA, whereas the remaining “do not cover local concerns at all”.

Table 1: Assessment MAP REA/RIRA – Overview

Local Concerns	Overall Investment Environment – Ch II.1.1 / Ch I, II (general legal frame, climate, investment protection, incentives)			
		Not covered by Map Rea/Rira	Local level not sufficiently covered	Local level sufficiently covered
Legal/ Regulatory Attempts/ Measures	Framework for Spatial/urban planning Land use rules Building law/supervision National government rules, execution & implementation by LGs	✓		
	Investment protection, work permit rules etc. National government rules, execution & implementation by LGs		✓	
	Framework for autonomy (fiscal, policy) National government rules, participation in implementation by LGs	✓		
Basic Institutional Settings	City attractiveness, “City branding” Implementation by LGs			
Governance, Service Performance	Application of governance rules Transparency Establishment & implementation by LGs			✓
	Application of governance rules Administration/accounting control Establishment & implementation by LGs	✓		
	Experience exchange Implementation by LGs	✓		

Financial Facilities	Basic financial resources (taxes etc.) National government rules, participation in implementation by LGs	✓		
	Intergovernmental fiscal compensation National government rules, participation in implementation by LGs	✓		
Endogenous Potentials	Citizens' attitudes/opinions (inclusion, diversity, cohesion) Establishment & implementation by LGs	✓		
	Approaches to entrepreneurship Establishment & implementation by LGs	✓		
	Exploration of own forces, skills Establishment & implementation by LGs	✓		
Local Concerns	Specific Investment Promotion – Ch II.1.2, II.1.4, II.1.6 / Ch III (priorities, sectoral profiles, uniqueness, smart growth, incentives)			
		Not covered by Map Rea/Rira	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	Demarcation local vs. central competences and policies (public utilities management, education, emergency, health care, housing, etc.) National government rules, participation in implementation by LGs			
	Competencies within governmental support/subsidies systems (investment-related) Implementation by LGs		✓	
	Framework for local subsidies Implementation by LGs	✓		



Basic Institutional Settings	Municipal entities for supply of utilities Infrastructure (waste, water, energy, transport) Disaster prevention and help Health and care Public/urban space design Housing Implementation by LGs	✓		
	Private business development (locations supply, start-up / incubator parks etc.) Implementation by LGs		✓	
	Local business agencies (information portals, regional connection) Implementation by LGs or participation in implementation by LGs		✓	
Governance, Service Performance	Citizens' participation in planning and development Implementation by LGs	✓		
	Tender rules application in public procurement Implementation by LGs		✓	
	Subsidy awarding (transparency, rules strictness) Implementation by LGs		✓	
Financial Facilities	Special funding systems for municipal investment Establishment on National level, LGs advocate for implementation	✓		
	Subsidy/funding facilities for housing construction Establishment on National level, LGs advocate for implementation	✓		
	Connections to international finance institutions Implementation by LGs	✓		

Innovative Levers	Green urban development Mobility Ecological construction designs Renewable energy, smart grids Linkage to smart growth initiatives and Implementation by LGs		✓	
	Settlements on emerging nodes Establishment by LGs	✓		
	New facilities in social care (elderly, child care etc.) Establishment by LGs	✓		
Endogenous Potentials	Local trade and manufacturing skills – for smart specialisation Establishment and linkage to smart growth by LGs		✓	
	Development of tourism assets Establishment and linkage to smart growth by LGs		✓	
	Connection of academic with industrial research for technology transfer Establishment and linkage to smart growth by LGs		✓	
	Vocational training centres at local level Establishment and linkage to smart growth by LGs		✓	
Local Concerns	Financial Diversification (Capital market development, financial access) – Ch II 1.5			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Governance, Service Performance	Fairness in raising revenues/ fees for users of local utilities supply Implementation by LGs	✓		
	Inter-municipal burden balance/funds compensation Implementation by LGs	✓		



Financial Facilities	Promotion of local venture capital systems National government rules, participation of LGs		✓	
Innovative Levers	Participation in PPP Joint Research Centres Implementation by LGs		✓	
	Co-funding of incubators Implementation by LGs		✓	
	Special credit lines (access) for local SMEs National government rules, participation in implementation by LGs		✓	
Endogenous Potentials	Crowd funding for smart facilities National government rules, participation by LGs		✓	
Local Concerns	Boosting Digital Infrastructure Development (Broadband) Ch IV. 1.1			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	Participation in broadband mapping Contribution by LGs through the identification of hot spots, white areas and capacity strategies		✓	
Basic Institutional Settings	Contribution to optic fibre installations (local sites/roads) Coordination and implementation by LGs		✓	
Local Concerns	Spectrum Policy, Mobile Techniques Ch IV. 1.2			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Basic Institutional Settings	Contribution to the installation of mobile radio masts and nodes Coordination and implementation by LGs		✓	

Governance, Service Performance	Offers of public free Wi-Fi Establishment by LGs	✓		
Local Concerns	Cybersecurity, Data Protection Ch IV. 2.1			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Governance, Service Performance	Ensure protection of citizens data Implementation of LGs		✓	
Local Concerns	Digital Skills, Digital Economy, Smart Technology etc. Ch IV. 4.3, IV 4.4			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Basic Institutional Settings & Governance, Service Performance	Digital skills development (government, civil servants, vocational education) Establishment and implementation by LGs		✓	
	Public service portals Establishment and implementation by LGs		✓	
	e-Government Establishment and implementation by LGs		✓	
Innovative Levers	Open Government Data Implementation by LGs	✓		

Based on the assessment, the following recommendations are presented:

Recommendations for improving the MAP REA

- Recognition (by the MAP REA) of the legal framework for local economic development (LED), in order to harmonize institutional settings in the WB6, together with clear competence distributions between governmental levels.
- Involvement of LGs in the stipulation of legal frameworks is an important prerequisite for economic development in terms of spatial planning, land use rules, etc.
- Demand for guidelines on sectoral priority investments at the local level for providing public services like Public Private Partnership (PPP) capacity buildings, PPP know-how transfer, competences for PPP steering.



- Highlighting the role of municipalities in attracting and steering regional business settlements/locations (links to instruments, support systems etc.).
- Emphasising the importance of decentralisation and fiscal autonomy, in particular in gathering financial resources from specific funds and national and international financial institutes.
- Promotion of existing regional activities and network initiatives for improving LED through the certification of municipalities as “business friendly”, if they provide and prepare for the best conditions and partnerships with private investors.
- Recognition of the endogenous potentials for economic development by supporting traditional local trade and scouting for skills, developing tourism assets and smart revamping of existing industrial infrastructure sites.
- Recognition of LGs’ crucial role in digital integration, by involving them in broadband mapping.
- Emphasising the important role of LGs in digital integration by ensuring data protection at the local level and providing digital services for the public and open government data for economic development.

Recommendations for NALAS and Regional Cooperation Council (RCC) action

- The establishment of an RCC-NALAS working group, *Local Economic Development*, should be considered. The working group ensures a systematic exchange between municipal, national and European Commission-stakeholders under the umbrella of the RCC in order to fulfil the RCC objectives for economic growth.
- Selected training for municipal practitioners should be offered by the Regional School of Public Administration (e.g. procurement, PPP, integrity, EU standards for public administration). Involving local governments in ReSPA’s work, requires an enlargement of its mandate and must be considered cautiously, with the RCC’s support.
- The importance of local governments in the field of economic development, especially in respect of endogenous factors, need to be emphasised in the context of EU enlargement policies. The RCC together with the NALAS, should set the idea of jointly attracting investment throughout the entire WB-region with local municipality concerns, as an important issue at the next Berlin Process Conference in Poznan. A preparatory workshop, under the umbrella of the Polish activities of the Western Balkan Process, should be initiated by the RCC and the NALAS. Appropriate strategic tools and structures (e.g. regional economic agen-

cies) should be developed in accordance with the RIRA, to jointly attract investments. Here, local level involvement should be secured and discussed within the framework of the Berlin Process.

- A joint RCC-NALAS report *State of play of LED in SEE* should be considered. It could be linked to the *Balkan Barometer* or the *EC/SIGMA Progress Reports*.
- Depending on the further development of SEECCEL, a joint programme should be considered for mentoring local decision makers in LED related projects. The South East European Centre for Entrepreneurial Learning is unique in addressing the topic of entrepreneurial learning in SEE and could be an added-value partner for the NALAS.
- Analysing the status of the RCC-related South East Europe Investment Committee (SEEIC) and considering whether the specific needs for investments at local level (incubators, business parks, municipal enterprises), should be part of its agenda.
- The potential for cooperation with further regional networks or the inclusion of LED in the networks' programmes, should be analysed: e.g. Western Balkans Enterprise Development and Innovation Facility, Western Balkans Fund, Western Balkans Investment Framework, Western Balkans Research and Innovation Centre.
- In order to achieve and follow the integrated concepts of regional economic development, the RCC and the NALAS should argue for the implementation of regional development agencies at central or district level. These institutions are indispensable vehicles for mediating local and superordinate governmental interests and claims concerning enterprise and infrastructure settlements and helping to achieve regionally distributed and balanced economic capacities. Best Practices from EU countries demonstrate the high impact of these agencies.
- With the development of "Vision Cities 2030", the SDGs 8,9 and 11 for social and economic development should serve / be adopted as basic guidelines for sustainable local economic development, thus also connecting the MAP REA with the UN Agenda 2030.
- Initiating a local broadband map which reveals the internet infrastructure required in the municipalities. The map should be hosted by the RCC and the NALAS.
- Open Data Initiatives in municipalities should be supported by the RCC. This comprises local budgetary transparency as well as the provision of open data, to enable start-ups to develop new business ideas. A network of Open Cities in SEE could be considered.



- The assessment emphasises the importance of endogenous factors for LED and therefore the importance of supporting start-ups and a start-up philosophy. Focusing on the development of business incubators where innovative companies or individuals can have cheap workspace with relevant business infrastructure, is a top priority. Together with the RCC, the NALAS should support its members by guiding and financing business incubators.
- Exchange programmes at local business parks and local business offices should be developed. The full potential of business parks and local business offices are not being exploited and, in many cases, they are focused on attracting foreign investments or foreign companies. An overview of business parks and business offices' competencies and responsibilities is needed, as well as an evaluation of good practices. Examples from EU countries show that these institutions have a much broader mission: e.g. sharing communal taxes, advising companies on legal and tax issues, programmes for young local entrepreneurs and financial support for local start-ups. This evaluation of existing business parks and municipal business offices' competencies could be initiated by the RCC and the NALAS, together with a specific exchange programme for these institutions.
- Alternative financing models such as crowd funding, should be considered for supporting small local business initiatives. Combining crowd funding initiatives with donor programmes or conceptualizing crowd funding initiatives through donor institutions, could be considered.
- LED project-proposals in the Transnational Cooperation Programme should be considered and developed.
- The topic of LED should be set on the agenda for the upcoming Western Balkan Digital Summit, with the support of the RCC.

Eight case studies reflecting different aspects of local economic development are presented in the annex. The case studies are good examples of bottom-up initiatives. Some of them also show the importance of innovative financing practices such as seed financing for young enterprises, creating jobs for young people and public private partnership models. The case studies also underline the importance of inter-municipal cooperation and the regional level institutional settings (e.g. the EU-NUTS3 areas).

Table 2: Case Studies – Overview

Municipality/City	Project Title	Country
Shkodra	Youth Empowered, Sustainable Future – Yes Future	Republic of Albania
Berat	Business Improvement District (BID)	Republic of Albania
Prijedor	Info Centre for Investors	Republika Srpska, BIH
Tešanj	Competitiveness of Business Excellence (COBEAR)	Federation of Bosnia and Herzegovina, BIH
	Municipal Environmental and Economic Governance (MEG)	
Kraljevo	Office for Projects and Local Economic Development	Republic of Serbia
Loznica	Cultural Complex Tršić	Republic of Serbia
	Regional Development and Support System and Support System of the Austrian Province of Styria	Austria
Enns & Steyr	Power Region Enns-Steyr	Austria



II. Introduction

When assessing the MAP REA, it is necessary to briefly consider how it began:

The “SEE 2020 Strategy” (2013) developed from an integration endeavour between the Stability Pact (1999) and the former “SEE Cooperation process” (SEECF – 1996), with the RCC as a coordinator. Only one year later (2014), the Berlin process was initiated, which has incorporated the SEE 2020 Strategy to some extent.

As a result of the Berlin process’s Trieste summit (2017), in addition to establishing the “Transport Community Treaty”, the RCC together with CEFTA, was also mandated with the elaboration of the MAP REA (see EU commission 2017, p. 19 f.). Although NALAS had been coordinating the dimension “Governance for growth and effective public services” within the former SEE 2020 Strategy procedures, it lost its function within both the Berlin process and the MAP REA formulation.

As part of its mission to support the development of strong local self-governments in South East Europe, NALAS is looking into the possibility of intensifying the cooperation between the RCC and the EC and supporting efforts to enhance local governments’ role in the effective implementation of the MAP REA. In this way, NALAS aims to contribute to sustainable local economic development (LED) through decentralized regional cooperation.

The primary aim of the study is to strengthen NALAS’s position in order to enhance local governments’ (LG) role in local, national and regional sustainable and long-lasting economic development and thereby to identify opportunities for enhancing cooperation across LGs in the region on specific topics which are of mutual interest to both local governments and the RCC/EC.

The project’s first task is therefore to assess and revise the existing MAP REA / RIRA and related documents, in order to identify gaps in the involvement and positions of LG roles, which are considered to be necessary and indispensable for further implementation of the MAP REA / RIRA.

In the light of the manifold community needs and purposes at local level, and in line with crucial strategies and international agreements for their good governance (*12 Principles of Good Democratic Government on Local Level*– Valencia Declaration 2007, *European Charter of Local Self-Government*, 2017), any action plan for economic recovery and development should not fail to include their positions and tasks.

In the context of the currently-existing issues and MAP REA / RIRA stock taking, a rather general lack or low degree of, representation can be observed in respect of direct approaches for the local or regional governments’ roles, strategies, action setting and appropriate frameworks.

Taking into account local governments' partly huge roles in influencing economic development and investment agendas, specifically within their surroundings, it is recommended – after identifying related gaps in the MAP REA /RIRA – to supplement the respective concerns, aspects and opportunities.

This appears to agree with the call for “a bottom up approach prioritizing and sequencing issues in investment-pertinent policies to be addressed through a regional dialogue”, as stated in the RIRA document itself.¹

Since there is very little mention of direct local government aspects in the documents referred to, the purpose was to discover and define local governments' presumed role or involvement in these agendas.

The development of the MAP REA is closely connected with the role of the RCC; starting within the SEECP (South East European Cooperation Process 2008), which became the SEE 2020 Strategy in 2012/13), it received its current coordination task in the recent Berlin Process initiatives (BP – Trieste and Sofia summits). Whereas the BP properly lead to the EUs flagship initiatives, beginning with the establishment of the Transport Community treaty, the MAP REA agenda was focused from the beginning on attracting investment and generating growth and jobs, as well as the free trade issues, brought in by CEFTA.²

The RIRA is considered to be an accompaniment to the MAP REA, with a focus on boosting private investment in the region by simultaneously harmonizing legal frameworks and governments' investment policies. It is based on the recognition of issues identified in World Bank surveys on investor's decision-making motives. In turn, it intends to take into account differing baselines, stages in the EU-integration process by tailoring approaches for the implementation of reform agendas. The RIRA will be set by the SEEIC (SEE Investment Committee) and the CEFTA Joint Working Group on Investments, thereby ensuring its alignment with the SEE 2020 strategy and MAP REA priorities.³

The MAP REA envisages four components of interventions and actions:

- Trade
- Investment
- Mobility
- Digital integration

¹ RIRA, p. 3

² European Commission 2017/1, p.18 f.

³ See RCC, CEFTA 2018, p.3



The RIRA in turn, comprises three policy areas:

- Investment entry & establishment
- Investment protection & retention
- Investment attraction & promotion

With regard to investment issues, both agendas can be combined.

Illustration 1: MAP REA



Illustration 2: RIRA



The *trade* and *mobility* (of persons) agendas (within the MAP REA) are nearly entirely within central governments' legal and operative action taking competences, whereas *investment* and *digital integration* (together with the RIRA chapters), are mainly the responsibility of local governments.

As is well known, sluggish investment activity following the 2008 crisis, is a major macroeconomic and structural problem for WB6 economies. Gross fixed capital formation has decreased in almost all WB-countries, except Montenegro and Macedonia, where investment has stagnated.⁴ This is even true for Serbia, where in contrast, huge investments in infrastructure as well as in green field projects are being made by foreign, mainly Chinese, investors. This may contribute to disparities not only within the WB region, but also between weak capital formation from local regional/EU resources and 'distant' foreign resources, with accompanying dependency trends in some circumstances.

⁴ see Uvalic, Cvijanovic 2018, S. 14

In addition, critics frequently mention that for a long time after the opening of the WB economies, GDP growth was mainly driven by financialization through often non-performing loans from foreign-owned banks and therefore occurred at the expense of the necessary value-added manufacturing sector recovery.⁵

Critics also complain that the WB countries by reducing the state role to a bare minimum for a long time, failed to develop “active government policies in many important areas” thus neglecting sectoral development policies (ibid). As a consequence, they plead for much more governmental policy on all levels.

That is why sound investment has come to be the pivotal issue for West Balkan strategies.

Parallel to the EU-Commission’s enlargement strategy in early 2018,⁶ the EBRD’s Western Balkan investment summit declared that “a single investment space” was a key element of more regional integration, in addition to the connectivity of physical infrastructure.⁷ The single investment space means, analogous to the notion of the “single market”, the abolition of (technical) barriers, harmonisation of legislation, connection of capital markets and the harmonization of policies etc. throughout the region.

What does this mean for local circumstances and local players in the investment area?

“Single investment space” for local governments means, in addition to legal and judicial harmonisation on matters relating to investment protection, retention, non-tariff constraints, supervisory rules etc., an institutional similarity in the operative power for procuring and attracting local or regionally relevant, investment. This includes, for instance, a degree of financial and budgetary autonomy, decisive options for pursuing land use and location strategies (business/public), stronger cooperative or coordinating roles within super-ordinated industrial policies, investment promotion and subsidy systems etc.

Understood in this way, the single investment space could contribute to mitigating existing regional disparities within and across countries, providing a chance to reach a “single science society” and more reasonable settlement along value chains or specialisation patterns, thus leveraging employment and social satisfaction.

Last but not least, an important momentum for acknowledging the LGs’ roles within any development processes can be seen in the anchoring of their prestige among the population.

⁵ Uvalic, Cvijanovic 2018, S. 15

⁶ European Commission 2018/1

⁷ See Levitin, Sanfey 2018, p. 1



A brief consideration of the recent Balkan Barometer⁸, which records WB6 populations, perceptions and expectations in respect of governmental and public authorities in general, shows the following:

- relatively high and rising rankings for satisfaction with local public services (utilities supply) and education, mid-level and rising rankings for other services such as transport and health, but decreasing satisfaction with accessibility for public services via digital portals;
- a still high approval for governments general investment in industrial development, likewise high and stable approval for SME development and agriculture, a further increase in (from a high level) approval for social infrastructure (education and health) and for transport (from a low level);
- a stable majority (over 70 %) of respondents would prefer to work in the public sector (administration as well as public enterprises), if they had the choice;
- generally, a very low usage of e-government services; although 35 % are aware of and have online access to personal documents, only a minority actually use this service;
- a 73% majority prefer governments' public procuring to be from local (national) goods and services;
- a majority of over 70% perceive their own environmental exposure (pollution where they live) as a very or somewhat, serious problem;
- whereas the majority consider that the treatment of citizens by public authorities is at least as good as in the past, the grading of quality parameters (increasing time to get services e.g. within the health sector, judiciary etc.) has worsened.

On the whole, these few glimpses support a slightly positive attitude and appreciation of the quality of the public sector's role and duties (primarily of services affecting immediate living circumstances) on the one hand and show some high needs for further improvements to public sector activities on the other, and therefore the necessity of representing the appropriate aspects within the MAP REA.

⁸ See Balkan Barometer 2018, Analytical report, Regional Cooperation Council Secretariat (RCC), Sarajevo, 2018

III. The MAP REA/RIRA's Background

The following key strategies and documents are considered to form the background to the MAP REA and RIRA. The assessment criteria have mainly been derived from these documents.

1. “A credible enlargement perspective for and enhanced EU enlargement with the Western Balkans – EU-Commission”

In the above document, the EU-Commission twice describes the adoption of a “Multiannual Action Plan for the development of a Regional Economic Area” as “promising”⁹.

The WB's main path to accession clearly remains through so-called “regatting”: “The countries may catch up or overtake each other depending on progress made”, whereby *progress* primarily means adopting the rule of law, transparency in public procurement, and surrendering political interference in and control of, the media.

There is generalised complaint about an “underdeveloped private sector”, too little market economy and too much political interference.

In addition, there are calls for public administration reforms, better public financial management and citizens' services.

With respect to the economy, there are appeals for strengthening competitiveness through overcoming the structural weaknesses such as lack of productivity, limited access to finance, brain drain, market rigidities etc. and for focusing on creating business opportunities “not least for local players” (ibid, p.5).

A general reference to the importance of connectivity in the region, both in transport and energy, goes hand in hand with complaints that too many obligations from existing treaties have not yet been fulfilled.

Summing up, there are few direct references to the MAP REA / RIRA, let alone to any topics directly concerning local involvement or matters. However, local governments' concerns can be interpreted indirectly, from the *flagship initiatives*.

On-going perspectives for the enlargement strategy, i.e. a resumption of the Berlin Process stimulus, are set out in an action plan containing six concrete flagship initiatives (2018 – 2020):

⁹ EU-Commission 2018/1, p. 6, p. 12



■ Rule of law

Strengthening the rule of law in WB means, in the context of the administration reform agenda, establishing distinct governmental competence levels and providing a stimulus for local governments' decentralisation objectives, as contained in NALAS' contribution to the decentralisation agenda, such as the development of the Regional Decentralisation Observatory Index or the work of the Fiscal Decentralisation Task Force. Another topic is the recommended monitoring of "serious corruption and organised crime.

■ Security and migration

This refers to action on counter-terrorism, radicalisation, cyber-crime and the different agencies' joint action plans, to be assumed by an "inter-agency Task Force".

■ Socio-economic development

This topic refers primarily to the WB investment framework and its agenda of attracting and coordinating bilateral donors and international investment institutions.

Further references underline intraregional economic integration in general, entrepreneur-led private sector development, boosting guarantees for private investment, start-ups, innovation and SMEs, as well as vocational education and training.

Emphasis is also placed on "supporting professionalism and independence of public procurement...and on strengthening oversight mechanisms to enable monitoring of the full tender cycle" (see p.13 *ibid.*)

■ Transport and energy connectivity

This can be considered as the core-flagship initiative, at least in terms of financial relevance. Its main focus is the realisation of the Energy Union in the fields of security, market integration, transition, efficiency etc. and the Transport Union in accordance with the implementation of the Transport Community Treaty, ensuring the removal of administrative barriers at borders and the promotion of integrated road and rail operations as well as hardware investment.

■ Digital agenda

The digital agenda refers to the development of an EU Digital Single Market, which is expected to improve citizens' overall quality of life by developing businesses, creating growth, productivity, innovation and "transforming public services".

More tangibly, the agenda is supposed to address broadband deployment, the lowering of roaming costs, development of digital skills, eGovernment, eCitizens, eServices etc.

■ Reconciliation and good neighbourly relations

With this topic, the commission focusses on the continued support for reconciliation initiatives and justice agendas to mitigate conflict and the war legacy, by supporting the activities of International Criminal Tribunals.

The improvement of interregional cooperation above all with young people in the fields of culture, education and sports widening the Regional Youth Cooperation Office, is seen as a prerequisite for peaceful coexistence and reconciliation.

The Flagship agenda shall be accompanied by additional funding under IPA (beyond the € 1 billion only for 2018), in the case of connectivity agenda € 1 billion until 2020 with a leverage of € 4 billion total investment.

2. SEE 2020 Strategy

The RCC released its SEE 2020 Strategy in 2013, as a “tailored approach, building on existing commitments and identifying new ambitions” in the context of WB EU approaches.

It contains five pillars which are divided into sixteen dimensions, and can be considered as providing a directive basis for further action plans and which are therefore also of major relevance for the MAP REA process:

- Integrated growth
- Smart growth
- Sustainable growth
- Inclusive growth
- Governance for growth

In addition to the usual stipulations about market economic reforms, the SEE 2020 Strategy particularly emphasises the social and governance dimensions of reform agendas (e.g. health, employment, education). As mentioned above, NALAS, together with ReSPA, has taken on the role of dimension coordinator for the governance for growth pillar and can therefore be seen as an advocate for pursuing this dimension within the MAP REA.

In addition to its focus on a strong role for “national administrations” in developing objectives and measures, the SEE 2020 Strategy can be considered as a source of legitimation as well as challenge, providing for policies and action taking on local government level.

3. NALAS “Strategic Plan 2018 – 2022” and Decentralisation Agenda (RDO)

The NALAS strategy and agenda provide the core framework for assessment work from the local government perspective (LG). Most statements can be considered to be explicit expressions of concern and as supplementary to the MAP REA / RIRA.



A brief outline of the agenda:

Visions/mission:

- LGs ought to have high levels of financial autonomy and improved access to national, European and international funds, in order to be able to fulfil their duties and finance their investment projects.
- LG Associations should participate actively in the development of laws and regulations relevant to the tasks and competence distributions within public administration.
- They express strong support for and will work in full compliance with, the principles of the European Charter of Local Self-Government.
- They enable the creation of business-friendly environments, use and disseminate innovative solutions and are ready to learn from best practices.
- They provide their members with knowledge and policy arguments in order to become strong local representatives in dealings with national governments and international organisations.
- They contribute to an equitable development in their region and share experiences with LGs and LGAs beyond the region.

Values/Strategic Objectives:

3.1. Sustainable Communities

- LGs will strive for inclusive proceedings and equity in rural and urban development.
- They will try to achieve institutional and financial sustainability and promote smart and innovative growth (SLED) through infrastructure, business-friendly environments, revitalisation, creativity and good public services.
- They pursue issues such as *city branding* and coordination with neighbouring municipalities in compliance with land use rules, spatial planning etc.
- They will strive for the removal of barriers to labour market entry and entrepreneurship, co-funding of incubators and strengthening of services at local level.
- Preconditions for addressing these issues would focus on fiscal capacities and budget planning, financial responsibility, transparency and anticorruption. All these activities should be oriented toward good service quality. Access to EU funds and pre-financing facilities should be established.

3.2. Stable and Resilient Communities

- Decentralisation is to be begun or achieved, together with strategies and operative activities against climate change (energy efficiency measures, waste management, sustainable urban mobility etc.).
- Resilience is also thought as to be attainable by social inclusion and integration (conflict prevention, social services, risk prevention) and strengthening the forces of regional cohesion (such as city-to-city programmes, thematic dialogues etc.).

3.3. Improved Services and Network Sustainability

- Extending knowledge centre services to monitoring, e-Academy, e-portals etc.
- Creation of triangular partnerships between NALAS, member LGAs and national partners
- Joint fundraising with member LGAs for the implementation and scaling up of national programmes in the context of strategic objectives.

NALAS “**Regional Decentralization Observatory**” (RDO) in turn stipulates four dimensions which identify the degree of decentralization in WB governmental structures:

- Autonomy of local governments
- Quality of local services
- Participation and responsiveness
- LGA Involvement in the policy dialogue

The RDO has two purposes: The development of a comprehensive index system of decentralisation indicators allows the decentralisation status of WB local governments to be compared, both with other LGs and with the EU. At the same time, the system serves as an exhaustive list of mandatory or desirable local government tasks and opportunities.

Thus, the RDO is immediately relevant to the assessment of the MAP REA / RIRA.

Since NALAS’ mandate is fully independent of EU institutions and other closely collaborating, entities such as CEFTA and RCC (as the authors of the MAP REA / RIRA), it is free to advocate for its positions on organisational as well as fiscal decentralisation, and the quality of public services at local level as opposed to the MAP REA / RIRA issues.

This is confirmed by the *Evaluation Report of Regional Organisations in the WB*, where emphasises the relevance of NALAS to decentralisation matters, as one of the political criteria related to EU accession.¹⁰ (see EU commission 2017/1, p. 100).

¹⁰ see EU commission 2017/1, p. 100



4. The “Berlin Process”

(Condensed from *The EU and the Western Balkans after the Berlin Process* by F. Ebert Stiftung)

Driven by a small group of EU-member states, the “Berlin process” (BP) is seen as an “additive and complementary” agenda to the rather slow formal progress in EU-WB-enlargement. It is often considered to be a sign of strategic presence and spearheading against the growing influence of other global players in the area, like China or Russia. As such, it is also acknowledged and used by the EU to boost its own agendas, above all that of connectivity.

The BP can be interpreted as an attempt to stimulate the creation of a more connected, “single” WB6 economic and social area (in the sense of re-framing the former Yugoslavia) before the formal accession of individual countries and therefore in a way, offsetting the EU’s regatta approach, by allowing a chance of collective entry in a far-reaching perspective.¹¹

Since there is no comprehensive, formal monitoring of the BP, its achievements are visible in sectoral approaches like the “Connectivity Agenda”, as well as the different confessions and agendas for regional cooperation, which are also welcomed by the EU, for example, in the SEE 2020 and CEFTA.

In the BP the reframing of WB6 is thought as to use former regional cooperation and reconciliation opportunities based on concrete and real economic foundations, in particular relevant and weighty infrastructure projects in transport and energy, which coincides with the EU-flagship agendas.

Another aspect of connectivity in the BP is the “people to people” initiative. The platforms and projects (for example, the Western Balkan Civil Society Forum) are assessed as being very successful in this respect.

The initiative has had widespread effects on bringing together different agents, peers and organisations on a multilateral level: RYCO (Regional Youth Cooperation Office), the Reflection Forum on the Western Balkans (uniting think-tanks on EU and Western Balkans connections), the Western Balkans Chamber Investment Forum, aiming to involve business enterprises in regional IS-projects early, building a common e-platform for business data exchange and encouraging SME cooperation etc.¹²

There BP has many aspects which can be fruitful in helping to enforce local authorities’ positions and agendas, respectively to recreate interconnections between them.

¹¹ see Marciacq 2017, p. 24

¹² see Marciacq, 2017, p. 12

IV. Assessment of the MAP REA/RIRA

1. Methodological Remarks: MAP REA / RIRA Assessment

The MAP / RIRA assessment has been conducted using an **assessment grid** which consists of two axes (see Table Grid):

1.1. MAP REA / RIRA cluster (top row):

Based to the MAP / RIRA agenda subdivisions, the selected areas have been grouped into thematic clusters, 3 for **Investment** and 4 for **Digital Integration**.

The **Investment** cluster consists of:

- Overall investment environment
- Financial diversification
- Specific investment promotion

The **Digital Integration** cluster consists of:

- Boosting digital infrastructure development
- Spectrum policy, mobile techniques
- Cybersecurity, data protection
- Digital Skills, digital economy, smart technologies etc.

The grouping is indicated by the appropriate MAP REA (Ch II.1.1 etc.) and RIRA chapters (Ch I, II etc.).

1.2. Areas of local concerns (left column):

The local concerns are divided into 6 areas of local governments' formal, institutional or practical agendas which are involved in or affected by MAP REA /RIRA:

- Legal/regulatory attempts/measures
- Basic institutional settings
- Governance, service performance
- Financial facilities
- Innovative Levers
- Endogenous potentials.



The areas of local concerns have been compiled based on the key findings from the strategies and documents referred to in Chapters I and II and the experts' experience.

The grid's assigned fields contain some decisive, operative actions and instrumental opportunities, as well as some "soft factors" which could possibly be influenced or "nudged" by local administrative players, in the context of good governance rules.

The items in the grid are keywords which are related to the respective findings while also representing gaps to be identified with the MAP REA / RIRA analysis (see also the assessment of whether or not each item is covered by the MAP REA / RIRA).

The full text formulation of the key words will be given in a catalogue table, which will be extracted from the grid for each MAP REA / RIRA cluster.

2. Assessing Investment

The MAP REA's investment chapter is divided into six objectives:

- Develop and establish a regional investment reform agenda (Ch II.1.1)
- Formalize the regional investment reform agenda through appropriate instruments (Ch II.1.2)
- Implement and monitor investment reforms in WB6 (Ch II.1.3)
- Promote the WB6 region as a unique investment destination (Ch II.1.4)
- Diversification of financial systems to boost investment (Ch II.1.5)
- Smart growth (Ch II.1.6)

The RIRA is divided into three areas:

- Investment entry & establishment (enhancing entry, business establishments) (Ch I)
- Investment protection & retention (legal frameworks, acknowledgment of International Investment Agreements) (Ch II)
- Investment attraction & promotion (regional promotion initiative, incentive standards, transparency and governance) (Ch III)

Since Ch II.1.3 of the MAP REA is only procedural in character, it is not included.

The partly overlapping of topics within both agendas allows for summarising them into the following three main cluster (see also the corresponding numbering on grid-tables)

2.1. Overall Investment Environment (Ch II.1.1 / Ch I, II)

The first MAP REA / RIRA Agenda cluster is **overall investment environment**, which includes the alignment of legal frameworks and climate factors, in particular towards the interests and the rights of private investors, for example, regulations pertaining to protection rights, incentive systems, compliance of treaties with EU and international standards, entry enhancing measures and investment retention mechanisms.

To the extent that private enterprise activities are involved in providing public services, such as PPP for public utilities, these alignments are immediately in the interest of public partners.

Table 3: Overall Investment Environment

Local Concerns	Overall Investment Environment – Ch II.1.1 / Ch I, II (general legal frame, climate, investment protection, incentives)			
	Not covered by Map Rea/ Rira	Local level not sufficiently covered	Local level sufficiently covered	
Legal/ Regulatory Attempts/ Measures	Framework for Spatial/urban planning Land use rules Building law/supervision National government rules, execution & implementation by LGs	✓		
	Investment protection, work permit rules etc. National government rules, execution & implementation by LGs		✓	
	Framework for autonomy (fiscal, policy) National government rules, participation in implementation by LGs	✓		
Basic Institutional Settings	City attractiveness, “City branding” Implementation by LGs	✓		



Governance, Service Performance	Application of governance rules Transparency Establishment & implementation by LGs			✓
	Application of governance rules Administration/accounting control Establishment & implementation by LGs	✓		
	Experience exchange Implementation by LGs	✓		
Financial Facilities	Basic financial resources (taxes etc.) National government rules, participation in implementation by LGs	✓		
	Intergovernmental fiscal compensation National government rules, participation in implementation by LGs	✓		
Innovative Levers	—			
Endogenous Potentials	Citizens' attitudes/opinions (inclusion, diversity, cohesion) Establishment & implementation by LGs	✓		
	Approaches to entrepreneurship Establishment & implementation by LGs	✓		
	Exploration of own forces, skills Establishment & implementation by LGs	✓		

In a narrower sense, local entities are here concerned with the following agendas:

Legal/Regulatory Attempts/Measures

- **Framework for – (National government rules, providing for implementation)**

In order to for municipalities to perform their basic economic duties with respect to investment, a legal framework is needed to supply basic regulatory regimes, which is inde-

pendent of the constitutional structure of the entire system of public administration, such as:

- Spatial and urban planning
- Land use rules
- Building laws (functional economic authorities) and supervision of technical implementation
- Administration of property rights (land/enterprise registration).

These frameworks should be in place so that the respective regulatory activities, mainly in case of any real estate investments (private or public), can be performed.

- **Investment protection (PPP), work permit rules etc. (National government rules, local performance)**

In the case of a public private partnership, the appropriate investment protection mechanisms have to be in place, particularly for the private partner. Furthermore, local work permit procedures must be applied in respect of private investors.

- **Framework for autonomy (National government rules, participation in implementation)**

A basic framework for local government fiscal and policy autonomy should ideally be anchored in constitutional laws (in accordance with the respective NALAS' RDO Index decentralisation criteria).

Basic institutional settings

- **City attractiveness, City branding (implement locally)**

In the overall context, local governments can contribute to an attractive investment climate for private investors by taking the following institutional measures:

Advertising for and soliciting the attractiveness of their sites and habitats

Establishing or revamping facilities such as leisure offers, sports facilities, cultural sites etc., if they are lacking or below standard

All measures which contribute to *city branding*

Governance, Service performance

- **Application of governance rules (establish and perform locally)**

Important conditions for a conducive investment environment are:

- Acting in compliance with and applying good governance rules (as mentioned above in the Charter of Local Self-Government)



- Allowing or showing transparency, in particular in public procurement procedures and accounting
- Fighting against corruption
- Deploying internal control in administration.

These elements can also be taken as general appeals to all levels of public administration.¹³

A close cooperation with ReSPA and its activities, by taking advantage of its services, is recommended in order to strengthen these issues, particularly as the organisation is assessed to be of high and increasing relevance in EU integration matters.¹⁴

- **Experience exchange (perform locally)**

Inter-municipal exchange on experiences with investment projects is a further contributing factor.

Financial facilities

- **Basic financial resources (National government rules, provide for and participate in implementation)**

This topic mainly covers the basic system of municipal revenues and the gathering of taxes, fees etc.

Sustainable and accountable financial resources are very important for administrative sovereignty and autonomy in dealing with basic economic tasks, in particular those connected with investments.

According to NALAS's fiscal decentralisation indicators,¹⁵ SEE local governments revenue as a share of GDP is almost half the average for the EU 28 (appr. 6 vs. appr. 11 %), which demonstrates chronic underfunding of tasks.

Problems are seen in the strongly differing local government revenue structures throughout WB6, which are composed of shared taxes, sectoral and general grants and own resources,¹⁶ as well as generally low per capita public revenues.

Approximately equally structured revenue systems are a prerequisite for the above mentioned "single investment space".

The critical issue is local governments' ability to benefit from adequate, stable, predictable and transparent transfers from higher levels of government as well as their ability to

¹³ see EU-commission 2018/1, p. 4, 5

¹⁴ see EU commission 2017/1, p. 105

¹⁵ see NALAS 2017, 3 f.

¹⁶ see ibid. p. 21 f.

benefit from adequate, consistent and sustainable options for raising their own revenue. Local governments' options for self-governance are in many cases, currently restricted by from the imposition of central government grants with conditions.

Some excerpts from the recent NALAS report¹⁷ on fiscal decentralisation matters:

“The major challenges facing most SEE local governments in terms of own revenue generation are: the frequent and continuous amendment of the legal framework; outdated fiscal registers of their tax base buildings, land, transactions etc.) and tax payers; weak tax compliance and weak tax enforcement mechanisms.”¹⁸

“The level of local fiscal autonomy has decreased: the share of revenues over which SEE local governments can exercise independent decision-making has decreased”. Compared to ten years ago, on average, “the share of conditional block grants has increased by 50 %, while the share of conditional investment grants has increased by 30 % - mainly at the expense of the shares of shared taxes and general-purpose grants”.¹⁹

“In SEE countries, the state is the ultimate investor in infrastructure; only in Slovenia local governments' share in public investments is higher than that of the central government. The data shows that public investment in SEE is heavily centralized. In the EU, the state and the municipalities have almost equal shares of the public investments”.²⁰

The fiscal stability factor, via stable and sufficient own revenues, also contributes to the availability of resources for tackling life cycle (re) investment, as well as in forming a firm base for taking and repaying loans.

- **Intergovernmental fiscal compensation (National government rules, providing for and participating in implementation)**

In turn, the revenues system must be embedded in the respective system of fiscal compensation between the other public governmental authorities on cantonal or central state level. This system is also a very basic element in an overall investment environment.

A viable system for gathering proper fiscal resources for municipalities is also a major factor in the RDO decentralisation index criteria.

¹⁷ 7th Edition of the Fiscal Decentralization Indicators for South-East Europe: 2006 – 2017, NALAS, draft Version, December 2018

¹⁸ See NALAS 2018, p. 9

¹⁹ see NALAS 2018, p. 7–8

²⁰ see NALAS 2018, p. 10



Endogenous Potentials

■ **Citizens' attitudes/opinions (inclusion, diversity, cohesion) (implement locally)**

Endogenous potentials in the context of an overall investment environment, could be understood as the promotion and use of the populations' attitudes or opinions towards a culture of civil society, diversity and inclusion the sense for community cohesion, maintaining good neighbourhood and reconciliation.

Experience shows, that independently of external mind-sets, many forces of human social connectivity which can be influenced and used by local authorities, exist at the local community level. Social self-empowerment often has its beginnings in smaller social entities, such as local communities, city districts etc.

■ **Approaches to entrepreneurship (implement locally)**

In addition, a will and climate which motivates entrepreneurship, or seeks such approaches in the community, can contribute to turning economic regions into living economic areas.

■ **Exploration of own forces, skills and existing stocks (implement locally)**

Sometimes a wait and see-attitude prevails at the local government level, for example, waiting for foreign donors or interested parties for a new investment. Often options for revamping existing stocks (buildings, facilities, institutional settings etc.) are hardly considered.

A change of attitude towards more reflection on own availabilities, could help public services to be provided more accurately.

All in all, these factors are also addressed by the European Commission within the EU-enlargement perspective.²¹

²¹ see EU-commission 2018/1, p. 2, 5

2.2. Specific Investment Promotion (Ch II.1.2, II.1.4, II.1.6 / Ch III)

Table 4: Specific Investment Promotion

Local Concerns		Specific Investment Promotion – Ch II.1.2, II.1.4, II.1.6 / Ch III (priorities, sectoral profiles, uniqueness, smart growth, incentives)		
		Not covered by Map Rea/ Rira	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	Demarcation local vs. central competences and policies (public utilities management, education, emergency, health care, housing, etc.) National government rules, participation in implementation by LGs	✓		
	Competencies within governmental support/subsidies systems (investment-related) Implementation by LGs		✓	
	Framework for local subsidies Implementation by LGs			
Basic Institutional Settings	Municipal entities for supply of utilities Infrastructure (waste, water, energy, transport) Disaster prevention and help Health and care Public/urban space design Housing Implementation by LGs	✓		
	Private business development (locations supply, start-up / incubator parks etc.) Implementation by LGs		✓	
	Local business agencies (information portals, regional connection) Implementation by LGs or participation in implementation by LGs		✓	
Governance, Service Performance	Citizens' participation in planning and development Implementation by LGs	✓		



Governance, Service Performance	Tender rules application in public procurement Implementation by LGs		✓	
	Subsidy awarding (transparency, rules strictness) Implementation by LGs		✓	
Financial Facilities	Special funding systems for municipal investment Establishment on National level, LGs advocate for implementation	✓		
	Subsidy/funding facilities for housing construction Establishment on National level, LGs advocate for implementation	✓		
	Connections to international finance institutions Implementation by LGs	✓		
Innovative Levers	Green urban development Mobility Ecological construction designs Renewable energy, smart grids Linkage to smart growth initiatives and Implementation by LGs		✓	
	Settlements on emerging nodes Establishment by LGs	✓		
	New facilities in social care (elderly, child care etc.) Establishment by LGs	✓		
Endogenous Potentials	Local trade and manufacturing skills – for smart specialisation Establishment and linkage to smart growth by LGs		✓	
	Development of tourism assets Establishment and linkage to smart growth by LGs		✓	
	Connection of academic with industrial research for technology transfer Establishment and linkage to smart growth by LGs		✓	
	Vocational training centres at local level Establishment and linkage to smart growth by LGs		✓	

The second MAP REA / RIRA cluster captures the chapters for “defining general appropriate instruments”, the promotion of the WB area to become a “unique investment destination”, and the chapter listing the objectives for “Smart Growth”.

In line with the SEE 2020 strategy, the previous cluster deals with “selecting additional priority sectors” for investment and its work is delegated to an existing investment promotion platform under RCC Joint working groups.

The second cluster deals specifically with the subject of “Smart Growth”, continuing a number of pre-existing initiatives, workshop issues etc., all striving to foster “technology transfer, enhancing cooperation between academia and industry and commercialisation of research” (e.g. EDP Entrepreneurial Discovery Processes, diverse road maps in the context of EIB activities etc.)

In this sector, most elements can be understood as being picked up and tackled by local and district authorities.

However, our assessment grid for this section, intends to define the overall local and municipal involvement in sectoral promotion and stipulation of investment, derived from a broad spectrum of municipal duties and tasks.

Legal/Regulatory Attempts/Measures

- **Demarcation: local vs. central competences and policies (National government rules, participation in implementation)**

A legal framework has to be provided for clearly defining local versus central or cantonal competences in the following policy areas:

- Energy
- Public transport
- Housing
- Water and waste management
- Emergency management
- Health and social care

Of course, these measures are also subject to never-ending discussions in EU countries about demarcation, whether to decentralise and adjustment within public authority levels. Nevertheless, they are crucial for investment responsibilities and activities on each stage, in order to optimise the response to basic public needs.



International donors, for example, the World Bank also call for a removal of unclear competences and lack of coordination²² and, of course, the building and stipulating of clear competences is a cornerstone for collecting fiscal autonomy in municipalities. Clearly assigned tasks, roles and functions, as well as competencies, are essential for the performance of good governance. Transparency, effectiveness and efficiency as performance indicators, are directly dependent upon this.

Again, the appeal for appropriate quality in the provision of the demarcated local government services and tasks, as defined in the RDO Indices, must be mentioned.

- **Competences within governmental support/subsidies systems (investment related), framework for local subsidies (taking care to implement or implement and perform locally).**

The same applies to stipulating the legal role of LGs in governmental investment support and subsidy systems, both in the design stages as well as when calling for a co-decisive power in related processes for awarding subsidised projects, to the extent that municipalities are affected. If so, these agendas are to be executed by associations of local governments.

Basic institutional Settings

- **Municipal entities for supply of utilities (implement locally)**

The claiming for this topic represents the core area of investment activities and establishment of municipal or inter-municipal entities in providing public utilities like

- Local or regional traffic networks for public transport
- Water- and waste management
- Local energy supply
- Disaster prevention and help
- Health and care provision
- Public space design
- Communal housing

Attention must be focused on contract reliabilities and cooperative project execution if utilities are to be provided through public private partnerships and if related entities are to be organised as inter-municipal projects on association level.

²² see World Bank Group 2018, p. 15

- **Private business development, local business agencies (implement locally/participate in implementation)**

A second important task contained in basic institutional investment policy measures, is to steer and stimulate private business initiatives by offering locations for business parks, start-ups and incubators and through the establishment of local business promotion agencies.

This also presupposes a readiness to cooperate with national authorities and agencies working in these fields, such as regional investment portals, in order to scan and identify appropriate sectoral and value chain options for investment.

Local governments should strive for good communications and interactions with Regional Development Agencies, either by establishing their own agencies or organising periodical information and coordination meetings with third party agencies.

Governance, Service performance

- **Citizens' participation in planning and development (perform locally)**

Good governance in the context of specific municipal investment issues, mainly means the inclusion of the affected population and groups through:

Participation in planning and decision-making processes, in particular for investments affecting the citizens' living environment, via round tables, "future workshops" etc.

- **Application of tender rules in public procurement and transparent handling of subsidies awards (implement and perform locally)**

The application of transparent tender rules, as well as fair rules for the handling of subsidies, builds further important steps towards good governance and task management in local investment policy.

Again, these matters are emphasised and demanded in the documents underlying different public reform agendas.²³

Knowledge sharing with and good practise advices from local government associations are a strong opportunity for improvement in this area.

Financial facilities

In view of the low (per capita) level of local government investments in all the WB6 countries, as well as its frightening reduction in most of them since 2009²⁴, together with the

²³ see World Bank 2018 p. 15, EU-commission 2018/1, p. 4 f.

²⁴ see NALAS 2017, p. 34 f. and NALAS 2018, p. 5 f.



above-mentioned low availability of revenue resources and the high level of needs mentioned above, enhanced access to dedicated financial investment sources is essential.

The enlargement and improvement of public investment on all levels, is also seen as an important precondition for the restructuring of regional capital markets and the banking system. As FDI inflows – mainly to the privatised finance sector – fell in the aftermath of the 2008 crisis, credit crunch tendencies were also observed in respect of local clients. Moreover, sound and increasing public investment at the local level can also contribute to remedying and renovating the situation.²⁵

However, the recent report on NALAS decentralisation tendencies shows that of the WB6, only local governments in Albania and Serbia appear to dedicate higher levels of funding for “economic affairs – including transport and general economic development programs”. This shows that there is room for improvement, at least for those countries with similar local government responsibilities.

Of course, local government public debt has also increased in many of the WB6 since 2006, and while this must be borne in mind, it still seems still rather manageable in comparison with other SEE economies, in absolute per capita terms.

Of the WB6 countries, local debt is problematic in Montenegro and to a lesser extent in Serbia. Potentially there is room for local governments to make an adequate use of debt to finance long term capital infrastructure in some of the WB6 countries which have lower levels of public debt (such as BiH, RKS, MK).

- **Special funding for municipal investment
(established at national level, provide for implementation)**

The establishment of specific finance institutions and/or funds is to be demanded to finance the core tasks of municipalities’ investments, predominantly those for basic facilities for public utilities hardware.

Good practice and well-known examples refer to financial institutions for the public sector such as the Austrian Kommunalkredit AG, as a soft loan system for investment in water supply and sewage sites.

Indeed, many of the WB6 are aware of systems for promoting infrastructure investments at local or regional level in order to address disparities and development concerns. However, local governments have very little influence in obtaining what they really need and providing for local circumstances. This means that such funds are often distributed in accordance with political rather than functional determinations.

²⁵ see Uvalic, Cvijanovic 2018, p. 8

- **Subsidising/funding facilities for housing construction (established at national level, provide for implementation)**

An essential element in housing policy is systems for subsidizing the residential building sector (either completely public or public co-funding of tenanted housing). Municipalities can claim for resources if they build apartments for tenants themselves but establishing and operating the subsidy system is mostly the responsibility of and dependent on central or federal governments' policies.

- **Connections to international financial institutions, specifically with PPP (perform locally)**

The restructuring of sustainable local public utilities in WB countries is often supported by external financial donors through commercialisation and private sector participation.²⁶ More cooperation with the EBRD, EIB etc. is recommended in this respect.

PPP models can be leveraged to benefit the public partner by using rules, experience and donations (soft loans) from the external institutions, predominantly the EIB, ERBD and WB.

Innovative Levers

Municipalities are called to orient themselves on the United Nations' 17 sustainable development goals (SDGs) and other international or national codices. Topics such as *green urban economy* and *smart city* are also represented within the NALAS's regional decentralisation indicators.

- **Green urban development (link to smart growth initiatives on local level)**

Under the banner of *green urban economy*, WB municipalities can bypass formerly-failed stages of Western societies, by restructuring and developing their local infrastructures, mainly in the areas of energy and mobility, and thereby contribute to moving investment towards a more productive and efficient mode.²⁷

This also represents an important stake for local governmental regulative acting and applies to investments and applications in a series of innovative infrastructure techniques, for example:

- Development of local renewable networks (photovoltaic, wind facilities)
- Participating in *smart grids*
- Waste-to-energy sites
- New urban mobility (e.g. bicycle tracks, car sharing)
- Energy saving designs for building construction, urban gardening, façade greening etc.

²⁶ EBRD 2016, p. 4

²⁷ see World Bank Group 2018, p. 7)



- **Settlement on emerging nodes (establish locally)**

A push towards new and innovative green field investments may emerge, as soon as local authorities place endeavour for enterprise settlements along the newly-established traffic networks or the connecting nodes in their areas. This is a well-known strategy for regional development, as demonstrated by the example of the EURAVILLE project in Northern France.

Nodes in WB6 regions could be on corridors, such as the high speed railway between Belgrade and Budapest, the Montenegro railway (Bar to Serbia), Route 6 in Kosovo, the modernised motorway from Bar to Serbia, the Piräus-Belgrade connection, a highway connecting Montenegro with Albania, two connecting motorways in Macedonia (all partly funded by Chinese and to a minor extent, by European resources).²⁸

- **New social care facilities (care of the elderly, child care etc.) (establish locally)**

Installation of new kinds of social, health and care facilities, in particular those to help the elderly such as outpatient medical nursing and food, should be mentioned here. Such facilities may not be very investment intensive but have a considerable effect on communal social cohesion and can furthermore promote local employment.

Endogenous Potentials

The exploitation of endogenous potentials for sector-specific public investment or the fostering of private investment activities, should allow local welfare to be improved through *micro-policy* steps. In particular, there is a need to discover and rely on existing strengths, in some cases maintaining and renovating even older hardware capacity, for example buildings, thus extending their life cycle and save costs.

To include in particular:

- **Local trade and manufacturing skills – for smart specialisation (establish locally, link to smart growth)**

Discovering and promoting existing or formerly-existing local trade and manufacturing skills (even in low tech, traditional sectors or in rural and agricultural value creation contexts, could serve as the nuclei of *smart specialisation* strategies if embedded in new value chains and in modernised forms. Some EIB programmes deal with the support for such approaches, e.g. in the context of the Economic Resilience Initiative in Montenegro or the WB Enterprise Development & Innovation Facility.²⁹

²⁸ see Marciacq 2017, p.11, WKO Update Serbien, 2018

²⁹ see European Investment Fund, European Investment Bank 2018, p. 20, 23

- **Development of tourism assets
(establish locally, link to smart growth)**

The development of the local landscape and/or cultural peculiarities, traditions and characteristics for use as tourism activities and value creation, can be considered to be an endogenous resource for welfare, for which the principles of soft and sustainable development could again be applied from the beginning.

- **Connection of academic and industrial research
(for technology transfer) (establish locally, link to smart growth)**

In larger cities with available academic infrastructure and resources, strategies should be developed to connect academic scientific and research units with industrial capacities in order to establish technology transfer entities. Again, numerous EU-pre-accession programmes bid to support such activities.

- **Vocational training centres at local level
(establish locally, link to smart growth)**

Municipalities in particular, could engage in restructuring and building local vocational training centres in order to provide targeted skills and education content, tailored to the needs of local/regional enterprises and economies.



2.3. Financial Diversification (Ch II 1.5)

Table 5: Financial Diversification

Local Concerns	Financial Diversification (Capital market development, financial access) – Ch II 1.5			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	–			
Basic Institutional Settings	–			
Governance, Service Performance	Fairness in raising revenues/ fees for users of local utilities supply Implementation by LGs	✓		
	Inter-municipal burden balance/funds compensation Implementation by LGs			
Financial Facilities Innovative Levers	Promotion of local venture capital systems National government rules, participation of LGs		✓	
	Participation in PPP Joint Research Centres Implementation by LGs		✓	
	Co-funding of incubators Implementation by LGs		✓	
	Special credit lines (access) for local SMEs National government rules, participation in implementation by LGs		✓	
Endogenous Potentials	Crowd funding for smart facilities National government rules, participation by LGs		✓	

This section is identical to Chapter II 1.5 of the MAP REA, since there are no pertinent elements in the RIRA.

The MAP REA chapter deals with subjects of capital market regulation and development, and enhanced coordination between supervisory regimes etc.

A further focus is on financial diversification beyond the banking sector in a narrower sense and the big stock market structures, namely on creating better access to financial resources for starting enterprises, regardless of their size, through all forms of capital raising, such as equity funds, risk capital platforms, crowd funding etc.

Governance, Service Performance

▪ Fairness in raising revenues/fees for users of local utilities supply (Implementation by LGs)

At this point, the argument for fair and just taxation and fees systems for local governmental utilities can be derived from the principles of *good governance*, to a certain extent.

For instance, in PPP-models, being revenue resources for governments in the long run and mitigating budget constraints in the short run, it is essential that users and citizens feel that fees for utilities are correctly leveraged in that they are socially balanced but also include “pay as use” principles.

▪ Inter-municipal burden balance/funds compensation (Implementation by LGs)

As a matter of financial diversification, a valid system of intergovernmental burden balancing should also be mentioned for good municipal governance. This applies particularly, if neighbouring cities are bundled into functional areas so that different burden-bearing tasks can be distributed between them.

Financial Facilities and Innovative Levers

Since, in this context, the leverage of innovative potentials is closely connected with the availability of financial resources, the two aspects are handled together at this point.

Local authorities' main task in this area consists of helping rather small local enterprises to gain access to capital for starting green field projects, as well as for restructuring existing activities. Attitudes to such endeavours are often emphasised in EU strategic statements,³⁰ as well as specifically in assessment reports from international financial institutions such as the World Bank.³¹ There is an explicit demand for better access to financial investment and means of growth for micro, small and medium enterprises, because of the insignificance of nonbank financial facilities and a too short term lending in the conventional WB banking system.

³⁰ see EU-commission 1/2018, p.5

³¹ World Bank 2018, p. 22



- **Promotion of local venture capital systems (National government rules, participation of LGs)**

Local governments can advocate for venture and risk capital systems to deal specifically with the local or regional enterprise landscape and focus on local businesses' former or emerging strengths. They can act as mediators between applicants and funders because of their knowledge of circumstances.

- **Participation in PPP Joint Research Centres (Implementation by LGs)**

Joint Research Centres can contribute to promoting local or regional equity funding if the municipality has the critical size and financial means.

- **Co-funding of incubators (Implementation by LGs)**

Local governments can participate in co-funding incubator sites and similar establishments, as well as participating in Joint Research Centres, as partners in pertinent PPP models.

- **Special credit lines (access) for local SMEs (National government rules, participation in implementation by LGs)**

Furthermore, they can advocate for special credit lines to benefit local SMEs and provide guarantees for liabilities in selected cases.

A close cooperation with targeted EU-support systems is recommended for all above mentioned approaches. Here the activities of the European Investment Bank (EIB), with its specialisation on risk financing and on-lending to SMEs under the West Balkan Enterprise Development and Innovation Facility (WB EDIF), should be mentioned.

The WB EDIF offers risk financing in the form of *first-loss protection* for financial intermediaries: Since 2016, WB countries have also been eligible for the pertinent EU-28 instruments, such as COSME (Competitiveness of Enterprises and Small and Medium-Sized Enterprises), InnovFin and EaSI (Employment and Social Innovation), all of which provide financial resources or guarantees for risky and innovative micro-projects.³²

³² see EIB 2018, p. 18

Endogenous Potentials

■ **Crowd-funding for smart facilities (National government rules, participation by LGs)**

In some cases, such as smart grids or investment in local photovoltaic sites, crowd-funding can be an interesting financing tool: private users can benefit from cheaper or even free energy in return for co-financing the appropriate technical infrastructure.

3. Assessing Digital Integration

The MAP REA Digital Agenda is divided into the following chapters:

- Boosting digital infrastructure development and regional connectivity (fixed fibre broadband technologies),
- Spectrum policy and standardisation for mobile techniques (including G5 standards)
- Roaming policies,
- Cybersecurity, trust services and data protection,
- Strengthen the supply of digital skills,
- Accelerating digitalisation, smart technologies/e-authentication etc

Most of the regulatory tasks, agreement issues etc. connected with above objectives of expanding digital networks, interconnectivity and integration, are designed to be done by central governments. They must set agreed standards and adopt appropriate rules on an international/EU level.

This is essentially the case for spectrum policies and standardisation, as well as for roaming equalisation and cybersecurity standards and data privacy protection.

However, in some areas local governments have a role in co-arranging preconditions for supporting the distribution of digital infrastructure and they can also spearhead digital use and applications.



3.1. Boosting digital infrastructure development (Ch IV. 1.1)

Table 6: Boosting Digital Infrastructure Development (Broadband)

Local Concerns	Boosting Digital Infrastructure Development (Broadband) Ch IV. 1.1			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	Participation in broadband mapping Contribution by LGs through the identification of hot spots, white areas and capacity strategies		✓	
Basic Institutional Settings	Contribution to optic fibre installations (local sites/roads) Coordination and implementation by LGs		✓	
Governance, Service Performance	—			
Financial Facilities	—			
Innovative Levers	—			

Legal/Regulatory Attempts/Measures

■ Participation in broadband mapping (Contribution by LGs)

This field of action particularly includes the stipulated broadband infrastructure mapping throughout the region. The updating process is currently uneven; it shows different stages of implementation with Serbia being most advanced.

Broadband connectivity is of major interest for areas which are business hot spots and show agglomeration perspectives. Private and public investors must consent and share outstanding investment volumes. Analysing the optimal spare fibre optic capacity is the most important challenge to cost containment.

This presupposes parameters from national as well as regional/local, spatial planning.

Municipalities and local governments should therefore be assigned a key role in the mapping processes.

Basic Institutional Settings

- **Contribution to optic fibre installation (Coordination and implementation by LGs)**

Broadband infrastructure requires huge civil engineering construction measures.

Municipalities must coordinate the provision of channels for cable installation and connecting points. They have a big role in licensing and surveying the respective construction processes and therefore can also influence construction speeds.

3.2. Spectrum Policy /Mobile Techniques (Ch IV.1.2)

Table 7: Spectrum Policy, Mobile Techniques

Local Concerns	Spectrum Policy, Mobile Techniques Ch IV. 1.2			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/ Regulatory Attempts/ Measures	—			
Basic Institutional Settings	Contribution to the installation of mobile radio masts and nodes Coordination and implementation by LGs		✓	
Governance, Service Performance	Offers of public free Wi-Fi Establishment by LGs	✓		
Financial Facilities	—			
Innovative Levers	—			
Endogenous Potentials	—			



Basic Institutional Settings

- **Contribution to the installation of mobile radio masts (Coordination and implementation by LGs)**

Local governments have no immediate task within spectrum policy nor frequently in awarding to providers. This is done by central authorities.

However, they do have an influential role on facilities installation. They must authorise the location of radio masts and, with emerging G5 technology, they will be involved in capacity planning and the provision of cellular nodes (with G5 technology needing much greater fibre optic capacities at connecting points).

Governance Service Performance

- **Offers of public free Wi-Fi (Establishment by LGs)**

Cities very often set up free public Wi-Fi, either themselves or via private cooperations. Other aspects are private initiatives which can be supported by municipalities.

3.3. Cybersecurity, data protection (Ch IV.2.1)

Table 8: Cybersecurity, Data Protection

Local Concerns	Cybersecurity, Data Protection Ch IV. 2.1			
		Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	—			
Basic Institutional Settings	—			
Governance, Service Performance	Ensure protection of citizens data Implementation of LGs		✓	
Financial Facilities	—			
Innovative Levers	—			
Endogenous Potentials	—			

Governance, Service Performance

Ensuring protection of citizens' data (Implementation of LGs)

Governments handle a variety of citizens' data. Ensuring data protection within standardized safety and security modes in an increasing challenge.

The *EU Network and Information Security Directive (NIS)* is at different stages of implementation across the region.

Local governments should bring their issues and specific agendas to the relevant working teams on the subject (Computer Security Incident Response Teams – CSIRT, European Network and Information Security Agency – ENISA).

3.4. Digital skills, Smart Technologies, e-authentication (Ch IV.4.3, IV. 4.4)

Table 9: Digital Skills, Digital Economy, Smart Technology etc.

Local Concerns	Digital Skills, Digital Economy, Smart Technology etc. Ch IV. 4.3, IV 4.4	Not covered by Map Rea	Local level not sufficiently covered	Local level sufficiently covered
Legal/Regulatory Attempts/Measures	–			
Basic Institutional Settings & Governance, Service Performance	Digital skills development (government, civil servants, vocational education) Establishment and implementation by LGs		✓	
	Public service portals Establishment and implementation by LGs		✓	
	e-Government Establishment and implementation by LGs		✓	
Financial Facilities	–			
Innovative Levers	Open Government Data Implementation by LGs	✓		
Endogenous Potentials	–			



Basic Institutional Settings, Governance Service Performance

This area deals with developing digital skills, above those of public servants, together with a number of digital applications which serve good governance and help to enhance the performance of public administration.

More generally, it is important to mention that governments need to develop a digitalisation strategy, which involves the municipality as well as local stakeholders.

■ Digital skills development (Establishment and implementation by LGs)

Local authorities should commit to the objective of improving the digital skills of civil servants, government leaders etc. also at the local administration level.

Digital skills development through local governments, can also be targeted towards citizens (e.g. “Young Coders Festival”, “Coderdojo” etc.) or to supporting civil society digitalisation initiatives.

Municipalities can also provide for more digital knowledge (not only skills) in schools and educational institutions on which they have an influence (e.g. local vocational training institutes).

■ eGovernment (Establishment and implementation by LGs)

The implementation of e-Government systems for better-performing internal information and communication flows, is a general reason for administration modernisation, also at local levels.

In future, the use and processing of local data stocks (e.g. inter-municipal migration, land use data etc.) for municipal and regional planning processes by local governments and identifying strategies for urban development, such as mobility, housing, leisure sites etc., will become more important.

■ Public service portals (Establishment and implementation by LGs)

External citizens’ services (Governmental e-services) are another very important field of digital application for LGs (often called “open data” supply).

The installation and provision of open information platforms about city activities, measures and projects, contribute to transparency and have valuable integrative effects. Such tools can also be designed as interactive “Bot”-technologies (WienBot is a leading example).

Finally, digital identification technologies (“-eID”) which give citizens convenient access to administrative counters for completing their obligations, are a valid tool for obtaining satisfactory and effective relations on both sides.

Innovative Levers

■ Open government data (Implementation by LGs)

Open government data can leverage innovative forces by providing government data to private users, thus contributing to local business activities (e.g. development of Apps etc.).

4. MAP REA / RIRA Grid

Table 10: Overview Investment

Local concerns, duties, opportunities	Overall Investment Environment (legal frame, climate, protection, incentives) – Ch 22.1.1 / Ch I, II	Specific Investment Promotion (priorities, sectoral profiles, uniqueness, smart growth) – Ch II.1.2, II.1.4, II.1.6 / Ch III	Financial Diversification Ch II 1.5
Legal Regulatory /Attempts/ Measures	Framework for <ul style="list-style-type: none"> ■ Spatial/urban planning ■ Land use rules ■ Building law/supervision Investment protection PPP Framework for autonomy (fiscal, policy)	Demarcation local vs. central competences and policies (public utilities management, education, emergency, health care, housing, etc.) Competences within governmental support/subsidies systems (investment-related) Framework for local subsidies	
Basic institutional settings	City attractiveness, City branding Local/Regional development agencies	Municipal entities for utilities supply <ul style="list-style-type: none"> ■ Infrastructure (waste, water, energy, transport) ■ Disaster prevention and help ■ Health and care ■ Public/urban space design ■ Housing Private business development (locations supply, start-up/incubator parks etc.) Local business agencies (information portals, regional connection)	
Governance, service performance	Application of governance rules <ul style="list-style-type: none"> ■ Transparency ■ Administration/accounting control Experience exchange	Citizens' participation in planning and development Application of tender rules in public procurement Subsidy awarding (transparency, rules strictness)	Fairness in raising revenues/ fees raising from users of local utility supplies Inter-municipal burden balance/funds compensation

Local concerns, duties, opportunities	Overall Investment Environment (legal frame, climate, protection, incentives) – Ch 22.1.1 / Ch I, II	Specific Investment Promotion (priorities, sectoral profiles, uniqueness, smart growth) – Ch II.1.2, II.1.4, II.1.6 / Ch III	Financial Diversification Ch II 1.5
Financial facilities	Basic financial resources (taxes etc.) Intergovernmental fiscal compensation	Special funding systems for municipal investment Subsidy/funding facilities for housing construction Connections to international finance institutions	Promotion of local venture capital systems Participation in PPP Joint Research Centres Co-funding of incubators Special credit lines (access) for local SMEs
Innovative levers		Green urban development <ul style="list-style-type: none"> ■ Mobility ■ Ecological construction designs ■ Renewable energy, smart grids Settlements on emerging nodes New social care facilities (care of elderly, child care etc.)	
Endogenous potentials	Citizens' attitudes/opinions (inclusion, diversity, cohesion) Approaches to entrepreneurship Exploitation of own forces, skills	Local trade and manufacturing skills – for smart specialisation Touristic assets development Connection of academic with industrial research (for technology transfer) Vocational training centres at local level	

Table 11: Overview Digital Integration

Local concerns, duties, opportunities	Boosting Digital Infrastr. Development (Broadband) Ch IV.1.1	Spectrum Policy, Mobile Techniques Ch IV.1.2	Cybersecurity, Data Protection Ch IV. 2.1	Digital Skills, Digital Economy, Smart Technologies etc. Ch IV. 3, IV.4
Legal Regulatory / Attempts/ Measures	Participation in broadband mapping (identification of hot spots, white areas and capacity strategies)			
Basic institutional settings	Contribution to optic fibre installations (local sites/roads)	Contribution to the installation of mobile radio masts and nodes		Digital skills development (government, civil servants, vocational education)
Governance, service performance		Offers of public free Wi-Fi	Ensure protection of citizens' data	Public service portals e-Government e-authentication
Financial facilities				Open Government Data
Innovative levers				
Endogenous potentials				



V. Recommendations

The assessment of the MAP REA/RIRA revealed that local economic development and local governments are not reflected sufficiently in Regional Economic Area planning, which not only calls for changes to the MAP REA but also for the RCC and NALAS to take concrete action as key stakeholders.

1. Recommendations for MAP REA improvement

Based on the assessment, we would recommend the following steps be taken to improve the involvement of local governments and their concerns in the MAP REA, thus improving the implementation of the MAP REA at the local level:

- The MAP REA should recognize the legal framework for local economic development in order to create a single investment space by:
 - improving the institutional setting in the Region (harmonisation)
 - moving towards clear distribution of competences
- LGAs should be explicitly involved in the MAP REA because they play a crucial role in advocating and presenting local concerns about legal frameworks which are prerequisites for economic development, e.g. spatial planning, land use rules etc.
- The MAP REA should demand guidelines on local level sectoral priority investments in order to provide public services. Capacity building/development at the local level (LGs and LGAs) is required for PPP investments ReSPA should play an important role in delivering know-how on PPPs PPP-competence centres for contracting and steering PPP-models should be established
- The MAP REA should emphasise the role of municipalities/cities in attracting and steering sectoral and regional business settlements/locations links to existing instruments, support systems, finance institutions should be addressed
- The MAP REA should emphasize the importance of decentralisation and fiscal autonomy for securing and gathering financial resources from:
 - specific funds national and international financial institutions
- The MAP REA should recognize the role of LGs and LGAs in providing business-friendly and innovative environments through local SME support and smart growth development.

- The MAP REA should promote existing regional activities / networks / initiatives for improving LED, such as the “Business Friendly Certificate South East Europe (BFC-SEE)”³³. The certification of activities is seen as a benchmark for local governments and municipalities which provide and prepare the best conditions and partnerships for private investors. As such, they represent an important threshold for local agendas for creating an overall investment climate and incentives, as well as in the context of the MAP REA / RIRA.
- The MAP REA should recognize the endogenous potentials for economic development by:
 - supporting (traditional) local trade and manufacturing skills
 - developing tourism assets
 - connecting academics with industrial research
 - scouting traditional skills
 - smart renovation of existing (industrial) infrastructure sites
- The MAP REA should recognize LGs’ crucial role in digital integration by:
- involving them in broadband mapping
- The MAP REA should emphasise LGs’ important role in digital integration i.e.:
 - ensuring data protection on local level
 - developing digital skills on local level
 - providing digital services for the public
 - publishing government data (*Open government data*) for economic development

2. Recommendations for taking action

In cooperation with the RCC, the following activities could be started to overcome the very limited awareness of municipal concerns and LED in the Regional Economic Area:

- The establishment of an RCC-NALAS “Local Economic Development” working group should be considered. The working group ensures a systematic exchange between municipal, national and EC-stakeholders under the RCC umbrella, in order to fulfil the RCC’s economic growth objectives.

³³ The certification of business-friendly cities and municipalities in South East Europe works for “evaluating and improving the conditions for doing business and investing on the local level”. It serves both the prospective investor and the host municipality for their advertising, above all at the international level. Criteria focus on availability of functional authorities as development offices, information counters, availability of reliable utilities, appropriate labour force, efficient administration of construction permits, proactive approach in promotion and “destination marketing” etc. (<http://bfc-see.org/>)



- Selected training for municipal practitioners should be offered by ReSPA (e.g. procurement, PPP, integrity, EU standards for public administration). Involving local governments in ReSPA's work requires an enlargement of ReSPA's mandate and must be considered cautiously with the RCC's support.
- The importance of local governments in the field of economic development needs to be stressed in the framework of EU enlargement policies, particularly with respect to endogenous factors. At the next Berlin Process Conference in Poznan, the RCC together with the NALAS should make the idea of jointly attracting investment through the entire WB-region, an important issue with local municipality concerns. A preparatory workshop should be initiated by the RCC and NALAS under the umbrella of the Western Balkan Process's Polish activities. In accordance with the RIRA, appropriate strategic tools and structures (e.g. regional economic agencies) should be developed to jointly attract investments. Here local level involvement should be secured and discussed in the framework of the Berlin Process.
- A common RCC-NALAS report *State of play of LED in SEE* should be considered. It could be linked to the *Balkan Barometer* or the *EC/SIGMA Progress Reports*.
- Depending on the further development of SEECCEL, a common programme for mentoring local decision makers in LED related projects should be considered. The South East European Centre for Entrepreneurial Learning is unique in dealing with the topic of entrepreneurial learning in SEE and could be a, added-value partner for NALAS.
- Analyse the status of the RCC-related SEEIC (South East Europe Investment Committee) and consider whether the specific needs of local level investments (incubators, business parks, municipal enterprises) should be part of the SEEIC agenda.
- The potential for cooperation with further regional networks or the inclusion of LED in the networks' programmes should be analysed: e.g. Western Balkans Enterprise Development and Innovation Facility, Western Balkans Fund, Western Balkans Investment Framework, Western Balkans Research and Innovation Centre.
- In order to achieve and follow integrated regional economic development concepts, the RCC and NALAS should argue for the implementation of *regional development agencies* at the central or district level. These institutions are indispensable vehicles for mediating local and superordinate governmental interests and claims in respect of enterprise and infrastructure settlements and helping to achieve regionally distributed and balanced economic capacities. Best practices from EU countries show that these agencies have a big impact.

- With the development “Vision Cities 2030” the SDGs 8,9 and 11 for social and economic development should serve / be adopted as basic guidelines for sustainable local economic development thus also connecting the MAP REA with the UN Agenda 2030.
- Initiating a local broadband map to reveal where internet infrastructure is needed in the municipalities. The map should be hosted by the RCC and NALAS.
- Open data initiatives in municipalities should be supported by the RCC. This comprises transparency about local budgets, as well as the provision of open data to enable start-ups to develop new business ideas. A network of open cities in SEE could be considered.
- The assessment stresses the importance of LED endogenous factors and therefore the support of start-ups and start-up philosophy. Focusing on the development of business incubators in which innovative companies or individuals can get cheap workspace with relevant business infrastructure, is a top priority. The NALAS together with the RCC, should support its members by guiding and financing business incubators.
- Exchange programmes at local business parks and local business offices should be developed. The full potential of business parks and local business offices are not being exploited and, in many cases, they are focused on attracting foreign investments or foreign companies. An overview of business parks and business offices’ competencies and responsibilities is needed, as well as an evaluation of good practices. Examples from EU countries show that these institutions have a much broader mission: e.g. sharing communal taxes, advising companies on legal and tax issues, programmes for young local entrepreneurs and financial support for local start-ups. This evaluation of existing business parks and municipal business offices’ competencies could be initiated by the RCC and the NALAS, together with a specific exchange programme for these institutions.
- Alternative financing models such as crowd funding, should be considered for supporting small local business initiatives. Combining crowd funding initiatives with donor programmes or conceptualizing crowd funding initiatives through donor institutions, could be considered.
- LED project proposals in the Transnational Cooperation Programme should be considered and developed.
- The topic of LED should be put on the agenda for the upcoming Western Balkan Digital Summits, with the support of the RCC.



VI. Annex

1. Case Studies on Local Economic Development

The purpose of this chapter is to depict good practices in three of the WB6 countries – namely of Albania, Bosnia & Herzegovina and Serbia – that reflect the implementation of LED which have been producing their impact locally and with potential effect onto regional level. The underlying aim is to outline practices that best support the implementation of MAP REA / RIRA.

Additionally two Austrian initiatives are presented which could serve as transferable role models in the Region to better implement the MAP REA/RIRA.

1.1. ALBANIA

Municipality of Shkodra: YOUTH EMPOWERED, SUSTAINABLE FUTURE – YES FUTURE

CASE 1: YOUTH EMPOWERED, SUSTAINABLE FUTURE - YES FUTURE

Basic Information

Organization/Partners: Municipality of Shkodra (Lead Partner), IPSIA ACLI, Consulting and Development and Municipality of Trieste (Project Partners)	
Contact person: Voltana Ademi, Mayor of the Municipality of Shkodra.	
Start of the project: 06.06.2016	End of the project / time frame of implementation: 06.12.2018 / 30 months
Inhabitants: 206,061	Costs: 54.815.120 Albanian LEK
Type of Financing: Grant	
Subject Area: Social development	

Brief Description:

The creation of the first public youth centre in the Municipality of Shkodra “Atelie”, was realized as part of the *Youth Empowered, Sustainable Future – YES FUTURE*” project, funded by the IADSA Programme. The project aimed to contribute to the creation of a favourable environment, in which every young person could develop, create and innovate in order to empower and influence the Shkodra community’s future advancement. The project’s purpose and long-term focus was to promote the social development and inclusion of young people and support their active participation in the Shkodra municipality’s

social development by enhancing their access to services such as non-formal and informal learning, entrepreneurship, culture, information and ICT, regardless of sex, racial, ethnic, cultural and religious diversity, disability, age, or sexual orientation. The YES Future project focused on the very first step in this process, which was to build up and to maximize the impact of the valuable and workable methods and approaches which had been developed and implemented by civil organizations and international best practice.

Thus, the main project objectives were:

- To include and empower young people by stimulating their creativity, innovative and entrepreneurial capabilities and expression.
- To improve young peoples' access to information about job-placements, culture, formal and non-formal education, while paying particular attention to young people with disabilities.
- To encourage youth dialogue and knowledge about active citizenship, to enhance the capacities of youth NGOs and to foster volunteerism.

Main project activities:

1. Creation of public spaces for youth activities: Creation of the first public youth centre, Atelie, in the Shkodra municipality. Reconstruction of spaces and their furnishings: ICT & innovation lab, business incubator, theatre & cinema, atelier, dance room, rehearsal and registration room, games & relaxation spaces.
2. Promoting young peoples' economic inclusion through supporting youth entrepreneurship / youth start-up programme: Training, coaching & mentoring of young entrepreneurs, business idea contest and funding through the grant scheme, incubation at the Atelie Youth Centre's business incubator.

Creation of the Youth Info Service in Shkodra municipality: Establishment of the Office of Youth Info Service and its administrative units in municipality of Shkodra premises. Creation of the Youth Info Office at the Atelie Public Youth Centre Creation of the first online Youth Info Portal www.shkodrarinore.gov.al.

Encouragement of youth dialogue and knowledge about active citizenship, enhancement of the youth NGO's capacities and fostering volunteerism: Organization of a socio-politic course involving youth and public authorities. Organization of 4 meetings between young people and different Shkodra municipality departments and other local institutions. Organization of the socio-political course with youth stakeholders. Creation of a youth support NGO network and organization of the network's quarterly meeting. Organization of campaigns promoting volunteering in several of the faculties of the Luigj Gurakuqi University in Shkodra.

Management of the project: Creation of a steering committee and operational management team. Organization of partnership assembly meetings.



Initial Situation:

Compared with EU countries, Albania is, on average, still a young country with 25.2% of the population belonging to the 15–29 age group, which is the largest active workforce group in society. Although young people have constantly attracted government attention, they continue to face challenges in areas such as education and social inclusion, involvement in decision-making processes, employment, etc. This is not only at the national level, Shkodra's young people face the same problems. In this context and taking into account the needs of this target group, youth development was one of Shkodra municipality's electoral programme priorities. Shkodra municipality needed to establish a clear development platform for young people, to create spaces for their inclusion, cultivate their talent and creativity and give them access to information and diverse education (formal and informal) programs, assistance for employment and entrepreneurship. Young people are a positive force for change, so the development of future strategies and investments has a positive effect on their development. One of the main challenges for the Shkodra municipality was finding the financial resources to implement such a project. In 2016, when the call for projects under the IADSA Program was opened, the Municipality of Shkodra applied as a leader, to implement this idea together with other partners. The project proposal was evaluated positively by the donor and the *Youth Empowered, Sustainable Future – YES FUTURE* project began its implementation in the Municipality of Shkodra.

Impact of the project for the municipality and the region

Social :

The project impacted the social development of young people in the Municipality of Shkodra by improving their well-being in society, so that they could reach their full potential. The Atelie Public Youth Centre aims to promote young people's social development and inclusion and support their active participation in Shkodra's social development.

Economic:

The project itself contributed to promoting entrepreneurship among young people and contributed to start-ups and job creation. Following on from this, the Atelie Youth Centre, with its business lab and business incubator, will continue to support young entrepreneurs and young people seeking employment through consulting and information services. We believe that the importance of youth inclusion, employment and entrepreneurship is not only limited to the sphere of stable economic development but extends beyond economics by presenting a constructive example for the entire society. Finding and implementing optimal solutions for young people's problems/needs will not only meet each individual's personal and financial needs, it will also offer advantages to the entire community by ensuring social cohesion, sound economic development and a better standard of living.

Socially:

By investing in youth, Shkodra Municipality is also making a sound investment in its own future. In this context, the Atelie Public Youth Centre is a favourable place where youngsters, not only from the territory of Shkodra, have the opportunity to grow, develop their own skills and contribute to their communities in a meaningful way.

Strengths

The first Public Youth Centre in Albania was created at the municipal level, as a municipal service. For the first time, young people in the Shkodra Municipality can benefit from dedicated free public services, provided directly at a local level and offered as municipal services.

Challenges and Obstacles

One of the main challenges for the Shkodra Municipality was finding the financial resources for implementing such a project.

Financial diversification

Seed grants to young entrepreneurs through the Youth Start-up Programme grant scheme.

Lessons Learned & Potentials

What to improve?

Extend the services offered to young people, as a municipal service, in order to enhance youth inclusion, employment and entrepreneurship and to further ensure social cohesion.

Development potentials

Continue to enhance youth inclusion, employment and entrepreneurship and to further ensure social cohesion for young people in the Shkodra Municipality and consequently, to contribute to further community development.

Transfer to other municipalities / cities

There are other 3 public youth centres in Albania, but they are all managed at central government level. Offering services for young people at a local level can ensure that their needs are better understood, resulting in a better service, closer to the community and to the target group. Consequently, we believe that opening youth centres in other municipalities and offering dedicated, free public services to young people as a direct municipal service, should be replicated as a best practice.

Contribution to MAP REA / RIRA

This action contributes to the MAP REA / RIRA Objective Smart Growth - Actions iii) develop easier access to finance for business, especially SMEs, start-ups and scale-ups. Within the framework of the above mentioned project, the Municipality of Shkodra, has established a grant scheme to facilitate access to funding for young entrepreneurs and through its youth start-up program, has contributed to the creation of 4 youth start-ups in the territory of Shkodra.



Summary & assessment

One of Shkodra Municipality's priorities was the opening of a youth centre dedicated to promoting social inclusion for young people. Young people are a positive force for change, so investing in them by improving their well-being contributes to the entire community. In line with this the Municipality of Shkodra implemented the "Youth Empowered, Sustainable Future – YES FUTURE" project with financial support from the IADSA Programme, in collaboration with the project partners IPSIA ACLI (Italian NGO), consulting and development partners (local NGOs) and the Municipality of Trieste (Italy). The YES FUTURE project's purpose and long term aim was to promote social development and the inclusion of young people and support their active participation in Shkodra Municipality's social development by enhancing their access to services, such as informal and formal learning, entrepreneurship, culture, information and ICT, regardless of sex, racial, ethnic, cultural and religious diversity, disability, age, or sexual orientation. Through this project, the Municipality of Shkodra achieved the following results:

- Social inclusion of youth in Shkodra Municipality improved, through the creation of public spaces for youth activities: Creation of Atelie, the first public youth centre in the Municipality of Shkodra. The Atelie Youth Centre is the first youth centre in Albania to be created as a municipal service for the territory's young people. The Atelie youth centre includes an ICT & innovation lab, a business incubator, theatre & cinema, atelier, dance room, rehearsal and registration room, games & relaxation spaces.
- Creation of a Youth Info Service in Shkodra Municipality, aiming to inform the young people about the opportunities available to them. The Youth Info Service is a free, municipal service offered to young people through physical offices in Municipality of Shkodra premises, administrative units and at the Atelie Public Youth Centre, as well as through its online Youth Info Portal www.shkodrarinore.gov.al.
- Promoting the economic inclusion of young people: Business and employment support as a free, municipal service; offering young people relevant support for business start-ups and management and employment information and guidance. Support for young entrepreneurs through seed grants to young people starting businesses.
- Continuously supporting and empowering young people through informal education, youth training programs and art & culture programs, as regular services offered at the Atelie Youth Centre.

Thus the opening of youth centres in other municipalities and offering dedicated, free, public services to young people as a direct municipal service, should be replicated as a good practice in order to foster LED.

Berati Municipality: Business Improvement District (BID)

CASE 2: BUSINESS IMPROVEMENT DISTRICT (BID) PROJECT IN BERAT

Basic Information

Organisation/Partners: Municipality of Berat, Albanian-American Development Foundation	
Contact person: Petrit Sinaj, Mayor of Berati Municipality	
Start of the project: 2014	End of the project / implementation time frame: on-going
Inhabitants: 231,683	Costs: 2.1 million USD (an approximate value).
Type of Financing: Public-private partnership	
Subject Area: Economic Development	

Brief Description:

A business improvement district (BID) is a public-private partnership in which a publicly-supported, privately-managed organization is created to improve the physical environment and enhance public services and investments in a geographically-distinct urban, commercial neighbourhood. The district's primary purpose is to create improved economic opportunities, security and a business climate among BID members. Successful BIDs go beyond addressing infrastructure repairs and maintenance, they also create a community, increase security, lead to increased business activity and increase property values. Effective BIDs can revitalize city centres and can make them more attractive to tourists. The AADF has assisted the business community and the respective municipalities in the creating BID associations and has provided grants and advisory services to businesses in the BID zone.

The BID project is a joint partnership between Berat Municipality and the Albanian-American Development Foundation (AADF). The physical environment and public services and investments have been improved through this project, specifically the transformation of the Pedonal area and the central Teodor Muzaka square in Berat and it promises to bring about other transformations by promoting business in this area and beyond.

One of the key components of this project was the establishment of the [Berat BID Association](#). The BID Association was registered at the Tirana Court in September 2014 and intends to offer high level services to its members. With the association's support, the Republic and Teodor Muzaka squares have been converted into an open, developed business and tourism area. There are 77 businesses involved in the BID Association. Several important infrastructural projects were carried out in the centre of Berat during 2014. The first component was the redevelopment of the boulevard and central square, which allowed a beautiful pedestrian shopping street to be created. The redevelopment of the Boulevard infrastructure and the Teodor Muzaka Square (funded by the AADF and Berat Municipality), was also supported by the Albanian Government. All the business models included in the Berat BID have been successful initially and have attracted a greater number of tourists. As well as the infrastructure changes, BID acts as an advocate in dealings with the municipality on individual business issues or group issues. In addition, it initiates and attracts activities to the area, orients tourists in the city, provides innovative services to artisans and identifies missing business services in the area, etc.



The project's four components are infrastructure enhancement, entrepreneurship and business development, creation of the business association and improvement of cultural and eco-tourism.

Initial Situation:

Before this project began, the central area of Berat³⁴ lacked infrastructural investment. In addition, all the businesses located in the area operated informally. The area was not well-organized and visiting tourists did not find enough diversity of products and services to make it attractive so that they wanted to spend time there. Most of them randomly visited the bars or restaurants. Thus, it was essential that the business became organized and sufficiently oriented to paying more attention to the tourists' needs and expectations. As well as the business organization, the business model itself ultimately needed to be changed. To achieve this, businesses needed several training sessions in order to better understand the benefits of working together in a concentrated area. Moreover, it was essential for businesses to change their philosophy of doing business. For all of this to happen, effort had to be focused on different perspectives simultaneously. This was made possible through the BID project.

Impact of the project for the municipality and the region

Since the BID project started, it has produced positive results. Therefore, it has had an impact not only on the businesses but also on the city's whole population.

Social:

Higher security and increase in employment.

Economic:

Increase in property value, increase in business turnover, increase in the number of businesses, increase in the number of tourists – about 131,000 visitors came to Berat during 2018, which is 35% more than in 2017.

Environmental:

Better maintenance of the area.

Strengths

This project has several strengths, which are outlined as below:

- The BID tends to build and enhance better relations between the private sector and the public sector due to the provision of additional private funds.
- Over time, the BIDs tend to leverage greater amounts of both public and private improvements.
- The BID enables the business community to spend most valuable staff time implementing projects, programs and actions to enhance the business district by relieving them of the need to raise funds to finance activities.

³⁴ Berat has been a UNESCO world heritage site since 2008.

Challenges and Obstacles

Businesses were very sceptical. It took a lot of effort to persuade the stakeholders of the benefits of BID.

The local government has withdrawn services in the business district following the BID's formation.

There is a risk for the BID association that the voluntary fees will not be paid to them. BID's role misinterpreted as being a Municipality organisation.

Financial diversification

This project was supported by the Municipality of Berati and the Albanian-American Development Foundation. However, the government also provided support during the project development process. The BID Association has received fees from its members. has benefited from its members fees.

Lessons Learned & Potentials

What to improve?

It is necessary to further improve cooperation between the local government and the business community. For this reason, the local government should continue to offer its support to the BID area. In addition, the businesses themselves should re-invest in service improvement and product diversification for different categories of tourists.

Development potentials

As Berat is among the most visited tourism cities in Albania, there is a huge potential for this number to be increased further. In order for this to happen, some infrastructure investments must be allocated for the purpose. There is also a need for the businesses' staff to be trained in order to improve their service and communication with tourists.

Transfer to other municipalities / cities

This project has proved to be substantially successful in Berat. The same project has also been initiated in other cities, such as: Shkodra, Kruja, Vlora, Korca.

Contribution to MAP REA / RIRA

This project mostly contributes to MAP/REA's Investment pillar. Berat is a great city for future investments and tourism development. In addition, through this project, businesses are gradually adopting new business models and preparing themselves to compete regionally. Smart growth is another sub-pillar, in addition to Investment, which will be impacted through this project.

Summary & assessment

BID is a great tool for boosting the local economic development. The project which was implemented in Berat, is a great example which has been producing results in many di-



rections. It started in 2014 and has supported more than 70 businesses in the area. In addition to directly supporting local businesses, this project has fostered mutual trust and collaboration between the business community and the local government. Businesses are gradually improving their business models to provide better service to their customers and grow their activity. This project has brought an increase in the tourist numbers which directly and indirectly, has yielded positive results for the area overall. As well as the business development, the project has invested to the city's structural improvement, thus making it a better place to live for all its citizens.

Conclusions for the Albanian local economic development situation concerning the MAP REA/RIRA

Local economic development is not helped by one single actor. Instead, strong collaboration between a plethora of stakeholders could lead to rapid LED. Some good developments have been undertaken so far on project basis.³⁵ However, their results have remained outside the project's timeline and have not always produced sustainability. Thus, to achieve sustainable results, the following points should be considered:

- Strengthening municipalities' professional and institutional capacities to achieve sustainable results at the local level.
- Strengthen partnerships between local government, civil society, businesses and other actors. This would allow other types of partnerships to be formed and create inclusive growth.
- Intensify the promotion of cultural values, natural and social heritage and diversity for the purpose of Albania's social, economic and cultural development.
- In order to measure the real impact of projects in terms of LED, studies should be designed and conducted to evaluate the projects' direct and indirect benefits (the beneficiaries should be compared with a control group so that only the real impact is measured).
- A better environment should be created for local businesses. Three critical elements are essential for this:
 - (i) A better climate for doing business at local level, in which businesses could easily be established and grow, and which is related to the national regulatory framework through transparency, anti-corruption, access to finance, business incentives for production and exports, etc.
 - (ii) An efficient and effective service system, to provide financial and non-financial support for different categories of business on local and regional levels. For instance, provision of technical assistance, marketing, innovation, etc.
 - (iii) Enhancing entrepreneurial capacities through workshops, training sessions, etc.

³⁵ See MULTI-ANNUAL ACTION PLAN FOR A REGIONAL ECONOMIC AREA (REA), Economies at a Glance: State of Play and Way Forward, June 2018.

1.2. BOSNIA & HERZEGOVINA

City of Prijedor: Info centre for investors

CASE 1: INFO CENTRE FOR INVESTORS IN THE CITY OF PRIJEDOR

Basic Information

Organisation/Partners: City of Prijedor Contact person: Bojan Jojić, Preda-pd* Agency, Prijedor (http://www.predaprijedor.com/)	
Start of the project:2006	End of the project / Implementation time frame: still ongoing
Inhabitants: 97,000	Costs: 70,000 EUR
Type of Financing: Donors and City of Prijedor	
Subject Area: Local economic development	

Brief Description:

The project foresees that promoting the territory's qualities will enable potential investors to obtain all relevant information necessary for deciding to invest in the territory of the city of Prijedor, quickly and from one place, the existing Info Centre for Investors.

The overall aim of the project was to strengthening Prijedor's economic development through the promotion of its territory by developing the info centre capacity with the objective of ensuring potential investors are integrated into Prijedor's territory's economic system. Thus the project contributed to creating conditions for the continual opening of new working sites and improving the general situation in the work market (in the long-term plan), to creating a competitive business environment and conditions for carrying out business activities, to promoting Prijedor territory's info centre and economic potential and to improving the info centre's work as a department within the preda-pd* agency.

The implementing period of this project was one year, starting in 2006 with a budget of 70.000 EUR. With this amount the costs of one full-time employee – the coordinator of the Info centre for investors –, the equipment of the Info centre office, promotion material, participation at fair and business events as well as a study visit were covered.

Initial Situation:

The need for developing this project was prompted by the current economic situation in the city of Prijedor, which, among other things, is characterized by the population's high unemployment, as well as the need for Prijedor's potential to be much better promoted in terms of attracting investments to the area. The City of Prijedor's agency for economic development, PREDA-PD had the leading role in initiating the project.



Impact of the project on the municipality and the region

The project has achieved its goal in terms of improving economic conditions in the city, increasing investment and investment interests, increasing the number of employees in existing and newly-opened companies, and increasing economic activity generally. Before the establishment of the Info centre for investors, Prijedor counted 9 foreign investors. Until today this number has increased to 17 foreign investors, which is the result of the proactive support of the Info centre to investors in Prijedor. The number of employees in the respective companies is about 1900 workers.

Five locations have been defined as developing business zones in the city area. Two are owned by the city, while the others are privately owned. The city administration offers the land to potential investors under favourable conditions (0.50 – 4 EUR per square meter), which are defined in a City Decision laying down the conditions and obligations for allocating land. Priority is given to investors from the manufacturing sector. The precise conditions for investors are defined depending on the type of investment, the number of employees, the amount of investment, the export orientation etc.

Strengths

- Establishing a support system and providing quality services to investors.
- Animating local stakeholders to participate in the project and accepting new methods and approaches to working with investors, especially in terms of their greater involvement and proactivity.

Challenges and Obstacles

The problems mainly concern opposition to change and some administrative issues regarding the implementation of significant procedures.

Financial diversification

The project was financed by the municipal budget, regional/governmental support systems, the Swiss Government and banks.

Lessons Learned & Potentials

What to improve?

Local support system for investors.

Development potentials

Expanding the system of support to investors horizontally and vertically, in terms of institutional inclusion. In particular, it is thought to further develop the Prijedor support model for investors as matrix for designing an overall investor support system that could be applied by all levels of executive authorities in Bosnia & Herzegovina (LGs, development agencies, ministries, etc.).

Transfer to other municipalities / cities

This has already been done by know how transfer activities as a first step. At the request of several local communities the Agency implemented training and education programs in the field of investors' support services in Modrica, Doboj, Gradiska, Kozarska Dubica, Tesanj, Zepce, Teslic, Derventa, Celinac i Prnjavor.

Contribution to MAP REA / RIRA

The project can be linked to the MAP REA objective *investment*. Increased investment activities and new investments in the city of Prijedor are visible contributions, although it is clear that these investments are not only the result of this project. However, the Info centre for investors in the City of Prijedor is one of numerous prerequisites for attracting investors.

Summary & assessment

Out of the project experiences the following recommendations can be derived in order to improve MAP REA implementation:

- Work on regional cooperation between local governments in WB6 countries through joint projects, focused on projects relating to digital integration, since this objective is not a focus of municipalities' local economic development
- Work on the better promotion of digital integration and general MAP REA objectives and activities and their benefits at local level
- Work on networking One-stop shop (OSS) offices for investors in the region to improve investments and support to investors. Improve their capacities and train staff to understand and promote the local region better. Networking OSS offices with similar units in EU could help to improve services for potential and existing investors.



Municipality of Tešanj: COBEAR & MEG

CASE 2: COMPETITIVENESS OF BUSINESS EXCELLENCE AREA (COBEAR) & MUNICIPAL ENVIRONMENTAL AND ECONOMIC GOVERNANCE (MEG)

Basic Information

Organisation/Partners: COBEAR partners: Tešanj Municipality Development Agency, Žepče, Teslić Municipality Development Agency and the business association "Business Centre" Tešanj MEG partners: Government of Switzerland, United Nations Development Programme in BiH (UNDP BiH) and Tešanj Municipality	
Start of the project:	
COBEAR: 26.05.2014	
MEG: 31.01.2017	End of the project / Implementation time frame:
COBEAR: 26.05.2017	
MEG: still ongoing (duration of the project 6 years)	
Inhabitants: 43,063	Costs: COBEAR: 526,575.65 EUR
MEG: 313,000 BAM (160,034.35 EUR)	
Type of financing: COBEAR: EU-Grant and own resources of project partners	
MEG: Government of Switzerland, UNDP and Tešanj Municipality	
Subject Area:	
COBEAR: sustainable economic development and attracting foreign investment	
MEG: municipal management systems and services in the environmental and economic sectors	

Brief Description:

COBEAR: The overall objective was to contribute to sustainable economic development and raise the supply and demand levels in the BEAR area (Teslić, Tešanj and Žepče) labour market. The project's focus was to attract foreign investors and to improve the region's business potential by directly supporting SMEs. The objective was achieved by implementing the following activities: establishing appropriate soft infrastructure for the business zones establishing a one-stop-shop desk for investors, conducting situation and needs analyses of export-oriented SMEs, building export companies' capacity, conducting prototyping, branding, preparing the companies for international quality standards certification, developing business and marketing plans, developing a web portal for promoting exporters, etc. (<http://www.cobear.ba/index.php?lang=en>)

MEG: The aim was to improve municipal development management systems and services in the environmental and economic sectors. The MEG project combines activities related to improving management development, responsibility and participatory decision-making, water management and economic management. Some new instruments

were used to achieve these goals. In order to improve the municipal public company, RAD's services, the company established an info centre for its customers. This instrument improved working efficiency and effectiveness, increasing citizens' satisfaction. As one of the instruments used to improve the monitoring of activities, results and municipal strategy objective fulfilment, Tešanj Municipality developed its own software for monitoring the implementation of the municipal strategy. This software enables timely implementation of all projects in municipal strategy, facilitates the reporting and can be used as a tool for improving local strategy in the future.

This project's contribution to vulnerable groups can be seen through municipal help for the most socially- endangered categories in society. This project obliged the municipality to pay part of the costs of utilities for low-income families, as a vulnerable group in the local community.

Initial Situation:

COBEAR: Tešanj Municipality traditionally built its success on entrepreneurship and the success of SMEs. Tešanj never had large companies employing thousands of workers; most of the companies were small or medium-sized and were interconnected in a value chain. The economic development situation was similar in the Teslic and Zepce municipalities. Initiatives to implement the COBEAR project, generally to establish the BEAR region and intensify the cooperation between the three municipalities, were to create a unique and recognizable economic region which was favourable for foreign investment and business development. These three municipalities recorded growth in all indicators, and it was necessary to provide soft and hard infrastructure which could follow this growth. Small and medium-sized enterprises from this area needed support for easier access to foreign markets; this enabled their growth in turnover, number of employees, innovations etc.

MEG: The reason for initiating and being involved in this project was to improve local administration and public companies' services to the private sector and local citizens. By improving local administration services, the municipality is working on directly strengthening local economic development. Tešanj Municipality was already using different instruments for work improvement, such as the adoption of an ISO quality standard, acquiring a Business-Friendly Certificate (BFC), e-government, entrepreneurship support, developing a service quality monitoring system, etc. All these instruments had been used for a long time, but it was necessary to develop suitable instruments and procedures to manage the results.

Impact of the project on the municipality and the region

The **COBEAR** project had the greatest **economic impact** on the municipality and region. Although it raised indicators for turnover, export and number of employees in beneficiary companies, its most important impact was its contribution to the entire business environment in all three municipalities. The realization of project activities that were di-



irected towards business entities, received the greatest resonance and greatest attention from local business communities. This project demonstrates how the different interests of all a community's stakeholders can be incorporated in a common objective. Outcomes for final beneficiaries were improved turnover and export capacities together with proving the prerequisites for an appearance on the foreign market through certification, improving product marketing through branding, improving products through prototyping, improving the workforce's skills through training for top and operational management and improving their planning and business through business and marketing plans. For example, two companies included in the project developed prototypes for new products. Pobjeda Pobjeda dd Tešanj developed a prototype for a new oil pump. This prototype allowed them entry to the European Union market and beyond, and also to enter a production program with companies like Daimler AG from Germany. Inox Ajanović doo Tešanj expressed the need to develop prototype parts in brass for new products which will be offered on the international market. **Social impact can be** seen through training activities for unemployed persons, which helped them to improve their skills and become more competitive in the labour market (35 of the 46 people trained, found employment). Comparing the number of employees in 2016, with the number of employees in 2013 when the project started, the number of employees in companies in the COBEAR project increased by 655 or 32.08%. The results are also reflected in the fact that the One-Stop-Shop (OSS) officers helped to develop some business ideas by creating business plans. OSS officers helped to develop business plans which were rewarded by municipal support for starting business (5 new crafts enterprises and one limited liability company). The registered crafts enterprises provide services for food production, greenhouse production, clothing production, real estate services and eco packaging production. All these crafts enterprises are operating very successfully today.

Through the **MEG project**, the municipality has worked on improving public services and better results management, which has led to improvement in the quality of public sector work and better communal services. In the economic sense, this project has given great support to entrepreneurship through the project "Business Ideas of Youths" which has been implemented in the municipality for the past 9 years. The project involves financial support for young people's business plans for starting their own business. Through this, young people under 35 years old are encouraged to become self-employed and employ new workers. For 8 years, the municipality only gave support to unemployed citizens, but the last call was also open to employees. The support is the payment of taxes and contributions for salaries for 12 months and subsidies for the costs of materials, space and equipment. In the social sense, the MEG project helped vulnerable categories of society by subsidizing part of their utility costs. If we consider the environmental impact, the MEG project, with its component geared towards ensuring sustainability, quality and availability of services in the environmental sector, and specifically those related to water management, started an initiative to systematically solve problems in the area of public water services. Tešanj is one of the municipalities with the lowest water losses. MEG financially supported the construction of waterworks in the Tešanj Municipality area.

Strengths

The strengths of the **COBEAR project** are that three municipalities cooperating and working together to improve the business environment and local economic development. A high level of efficiency, effectiveness and satisfactory cooperation between partners was shown during the project's implementation. These project's stakeholders were educational institutions, employment services, business associations and local administration. There was support for its implementation from the higher levels of government, ministries, foreign trade chambers and regional agencies. The Federal Ministry for the Development of Crafts and Entrepreneurship financially supported additional activities which contributed to achieving the project results. This project represents a good basis for further activities oriented to local economic development.

The strengths of the Tešanj Municipality in the good implementation of the **MEG project** can be attributed to traditionally good governance and established instruments for local economic development. Tešanj Municipality implements its strategic goals, in which all projects and activities are defined and focused on achieving a vision: "Tešanj, an environment of ecological awareness, innovative entrepreneurship and social ethics". The Tešanj Municipality's strengths can be summarized as: good infrastructure (business, road, telecommunications, electrical), balanced local development, local investment ability, good regional position, spirit of entrepreneurship (knowledge, skills, subsidiarity), cultural-historical heritage, ecological awareness and commitment to the community.

Challenges and Obstacles

Problems in the implementation of the **COBEAR project** can be related to legal regulations. In the context of giving investment benefits to investors, the Municipality of Tešanj decided to allocate land in business zones to new investors free of charge under certain conditions. Due to legal restrictions, this decision no longer applies.

Problems related to the implementation of **MEG project** can be also related to legal regulations. MEG is focused on local government efficiency and it would be necessary to simplify some procedure to achieve more efficiency and better satisfy its citizens. Numerous procedures would be simpler, faster and more efficient if the e-signature law was to be implemented.

Financial diversification

The financial means for implementing the **COBEAR project** were provided both from the budget of the municipalities included and from EU-funds. Union. No credit from financial institutions or other financiers was used during the implementation of these projects apart from that already mentioned.



Unrelated to the aforementioned projects, it is important to mention that the Tešanj Municipality had previously used the issue of bonds to finance the establishment of a business infrastructure, specifically, a new business zone. This was a unique example in Bosnia and Herzegovina of a municipal bond issue being used to finance the construction of business infrastructure.

Tešanj Municipality is using an EIB credit system to finance the construction of a wastewater collection system.

Lessons Learned & Potentials

What to improve?

COBEAR: Key recommendations are brought in order to improve the project's future performance and provide insights for similar future activities. The recommendations were given for the criteria which are considered to be capable of improvement.

Even though the partnership established for the purpose of implementing this project involves some of the main organizations from the BEAR area in the fields of economic and business sector development, as well as being composed of governmental and non-governmental organizations, an even wider partnership would be more beneficial for this type of activity. This particularly applies to cross-sectoral partnerships which would extend on the EU level, thus providing an even better framework for exchanging best practices in the fields concerned. This is of special importance because the BEAR area would definitely benefit to a greater extent if it were to be connected with more developed and experienced regions of the European Union. In addition, more emphasis should be put on enhancing cross-sectoral cooperation within the project. This particularly applies to including various educational organizations (both governmental and non-governmental) within the scope of the project, since they would enhance the fields of labour force and business representative education, which is also covered by this project. In order to ensure better financial sustainability for the action, especially for ensuring the financial resources needed for long-term operation of the OSS offices, various services offered by the OSS offices could be paid for by companies in the BEAR area.

MEG: First phase implementation of this project has shown that the local administration must work more on the following:

- Coordination of departments involved in planning, implementation, monitoring and reporting;
- Improving the implementation of the annual work plan for the departments in the economic sector;
- Improve budgetary transparency and ease of accessibility for citizens;
- Improve the inclusion of citizens and NGOs in public matters.

Development potentials

COBEAR: Regarding the sustainability, it would be beneficial to include even more municipalities in the activities in order to make the project more influential. In addition, an even better basis for influencing the legislative framework could be achieved by including governmental institutions, such as various ministries. In order to improve the project's positive effect in this area, it would prove beneficial if more woman entrepreneurs and entrepreneurs from minority groups were to be included in project activities.

As already pointed out, the project's impact will also extend to future economic activities. This means that the impact which has been achieved so far, will multiply even further in the future as even more activities will be based on its achievements, producing new outputs and achieving new results.

Transfer to other municipalities / cities

The **COBEAR** project and its activities are easily transferable to other regions since its activities can generally be applied to any local community which is striving to improve its business environment, competitiveness and infrastructure to attract foreign investments. All that is necessary is joint initiative, more municipalities or regions connected in economic sense. Experience related to the establishment of OSS offices is already being transferred to other municipalities (e.g. Tuzla Municipality has established an Office for Entrepreneurs, modelled on an OSS office).

The **MEG** project is already being implemented in 18 municipalities in Bosnia & Herzegovina.

Contribution to MAP REA / RIRA

The contribution of the **COBEAR** project to the MAP REA, can be linked to the MAP objective: investment. Its contribution to investment can be seen as ensuring a soft infrastructure for attracting foreign investment. This primarily refers to the establishment of an office for investors in these three municipalities, raising efficiency in issuing building permits, improving spatial planning, etc.

The **MEG** project's contribution to the MAP REA can be linked to the MAP objectives: investment and digital integration. Its contribution to investment can be seen as its support for the "Business Ideas of Youths" project and financial support for water management. By providing financial support for starting business, MEG and the municipality are working together to increase economic activity at the local area. Thanks to this initiative, 60 new crafts or companies were registered and around 115 people employed by 2019. This means increased investment in the private sector at the local area. Its contribution to digital integration can be seen from its support of software applications for strategy implementation. MEG insisted on finding an appropriate mechanism for monitoring the strategy's implementation and the municipal administration implemented this requirement by developing its own software. In this way, all the objectives, projects, indicators, results and achievements are easy to identify.



Summary & assessment

As a summary of the practices and as recommendations for the improvement of the MAP REA in WB6, especially at the local level, the following should be emphasized:

- Much more promotion of activities contained in the MAP REA at local level is necessary. A lot of relevant stakeholders are not aware of the existence of this plan or its activities. This is probably because the plan was implemented at and involved, higher levels of government, while local levels were not involved at all.

It is necessary to provide access to financing for projects related to MAP REA activities regardless of the country's EU membership candidate status. For example, the Western Balkan Fund (<http://westernbalkansfund.org/>) is a good initiative which promotes cooperation between WB6 countries. This fund is not financially large, but it aims to promote cooperation between WB6 countries through cultural cooperation, education and scientific exchanges and sustainable development. To achieve the MAP REA objectives, it would be desirable to have common projects and financial funds, the pillars of which would be the MAP REA objectives.

Some of the priorities in the MAP REA (e.g. digital integration) are not understood as high priority in the context of local economic development, so more work is needed to understand local economic development and its connection with digital integration.

1.3. Serbia

City of Kraljevo: Office for projects and local economic development

CASE 1: OFFICE FOR PROJECTS AND LOCAL ECONOMIC DEVELOPMENT IN KRALJEVO

Basic Information

Organisation/Partners: City of Kraljevo	
Contact person: Mirjana Prodanović, head of department for LED and projects, city of Kraljevo	
Start of the project: 2007.	End of the project / Implementation time frame: 2018 first phase
Inhabitants: 125,488 (census 2011)	Costs: initial costs of equipping the office €92,881.76. 50% from Swiss Agency for Development Cooperation (SDC) and 50% city budget
Type of Financing: local budget support from SDC project, Municipal support programme	
Subject Area: Local economic development	

Brief Description:

Officially, local economic development became a local self-government competence in Serbia in 2007, when the National Assembly adopted the Law on Local Self-government which states that LSGs "...adopts programs and implements local economic development projects and takes care of the improvement of the general framework for economy in the unit of local self-government".

Although some LED offices were established before 2007, the number of offices has increased since the adoption of the Law. The support for establishing the offices was mainly provided by donor projects for reconstructing and equipping the offices but also for increasing the employees' competences. The purpose of establishing the LED office was to enhance the local economy through attracting investment and supporting local business and start-ups.

An office for projects and local economic development was established in Kraljevo in 2007, in the form of an office under the direct supervision of the mayor and head of city administration and with the support of two international donor programs: The Municipal Support Programme (SDC) and Municipal Economic Growth Activity (USAID). The office's initial role was project management but in 2008, with support from the USIAD MEGA program, local economic development was added as one of its core functions.

The initial cost of establishing the office, €92,881.76, was provided by the SDC MSP project for equipment and for setting up the system within the city administration (selection



of staff and managers, training for advanced levels of project development, implementation, monitoring and reporting). The support from the MEGA USIAD project was focused on raising competences the employees in the local economic development office through training (institutional and legal framework for LED, strategic planning, instruments for LED, marketing, workforce development etc.) direct support and study tours.

The office's main tasks: Promoting investment potential, planning and development of business infrastructure, efficiency of administration, improving the business environment, planning and implementation of local incentive measures, promotion and offering of industrial locations.

In line with the Law on Investments, adopted in 2015, the LED office provides professional assistance and support to the investor in the realization of the investment, takes care of existing investments and their expansion, checks the number and overall value of investments and the quality of investors, applies the standards of a favourable business environment and makes decisions on measures to stimulate the LSG's competitiveness in attracting investments.

In the previous 11 years, the LED office in Kraljevo has successfully implemented numerous projects in cooperation with other stakeholders, some of which are:

- Improvement of economic infrastructure in industrial zones;
- Construction of a wastewater treatment plant;
- Equipping the industrial zone with infrastructure;
- Establishing a central city GIS;
- Establishment of the IMPULS Centre in the Faculty of Mechanical Engineering;
- Regulatory reform - improving the business environment;
- Improving the business climate at the local level;
- Program for encouraging young entrepreneurs – HELP;
- Training program, practice, business – Business centre Kragujevac;
- Training of welders for local economy needs – MOS;
- Incentives for the development of rural tourism;
- Value chain analyses of targeted economic sector (metal industry) and development of a program for LED and place branding as ongoing projects.

The role of the office for LED was crucial in some projects and in others, it had a coordinating role, for example in the project 'Preparation of tender documents for construction of wastewater collection and treatment system in the city of Kraljevo' ("Kraljevo project"). The office's role was to coordinate between the EU project partners, the Ministry for the environment, the Kraljevo public utility company, collect the necessary documentation and coordinate in obtaining licenses, as well as filling out the application forms for technical assistance. <http://ppf6.rs/projects/kraljevo-project/>;

The city of Kraljevo and office for LED were also one of the partners in the establishment of IMPULS Centre – Laboratory 3D IMPuls' project. The IMPuls centre is a research unit in the Faculty of Mechanical Engineering and Construction in Kraljevo, which deals with the application of digital technologies for the development of new products. The laboratory was established as part of the "Innovation Management for New Products" project. Known by the acronym "IMPuls", it is financed by the European Commission (EUR 966,624), the City of Kraljevo (with the amount of 3,500,000 dinars) and the City of Cacak (with the amount of 3,000,000 dinars). In the period 2011–2013, the project was implemented by the Faculty of Mechanical Engineering and Construction in Kraljevo, the University of Kragujevac, the Department of Industrial Engineering, the University of Bologna, the Regional Chamber of Commerce Kraljevo, the City of Kraljevo and the Regional Centre for the Development of Small and Medium Enterprises from Krusevac. The IMPuls centre staff are professors, doctoral students and those studying master's courses at the Faculty of Mechanical Engineering and Construction in Kraljevo. Through cooperation with the economy, the Laboratory 3D Impuls realizes projects which help to develop and improve existing products. The laboratory is a centre which provides development, consulting and educational services for the application of modern 3D technologies: Rapid production of functional prototypes (metal, plastic), quick tool making (production of plastic injection tools with optimized cooling channels, tool repairs, production of small series (metal, plastic, production of spare parts), 3D scanning, control product dimensions, reverse engineering, education-training of engineers, managers, designers, students. <http://www.3dimpuls.com/sr/>:

Initial Situation:

The motivation for its establishment was to connect all the departments dealing with the business sector and providing new services to business in one place, and to directly influence the local economy, to attract new investors, provide support to local business and speed up the local economy.

One of the city administration's motives was to get the support of donor programs to establish an LED office in order to speed up local economic development. In 2007, local self-government saw international donor programs as chance to develop the local economy. At that time, Kraljevo had a high unemployment rate and a lack of investment. In the beginning, the newly-established LED office faced problems, such as:

- Lack of equipped "greenfield" locations
- "Brownfield" - industrial complexes in the process of privatization / bankruptcy (social property)
- Lack of technical documentation and unresolved legal situations in respect of property ownership
- Insufficient capacity for LED
- The problem of the administration's inadequate IT equipment and literacy

The lack of experience in local economic development, bureaucracy, reactive instead proactive attitude toward the business community, lack of staff, resources.



Impact of the project on the municipality and the region

The office is an independent department, directly responsible to the mayor and head of local administration.

Numerous infrastructure projects have been delivered by the office and this positions them as an important department within the municipality

Before the office's establishment, all data were in different departments and it was not easy to get information, for example on the available workforce or building permits, taxes etc.

Now the office for LED and projects has all the information and data bases which are important for businesses

In the forthcoming period, 5,000 new jobs will be created, as the contracts with two investors have been signed. One company produces cables and installations for the automotive industry and the other one is in the textile industry. The office's role was to prepare data and information for the investors, in cooperation with Serbian development agency.

All the projects implemented by the office, are in line with environmental standards; because most of the projects were financed by the EU, the projects also meet EU standards.

Strengths

From the interviewees' perspective, the support of the donor organisations (MSP SDC and MEGA USAID) was crucial for forming the office, especially in terms of training and education, exchange with other LED offices in Serbia and international experience. Also, one of the strengths was the decision makers' commitment to establishing the office for coordinating projects and local economic development.

Challenges and Obstacles

The office's challenges for projects and LED:

- Inadequately planning and definition of LED tasks, as well as the institutional role of LED at the local level
- Insufficient coordination of activities with executive bodies and representatives of public utility companies
- Insufficient technical, spatial and human resources for more efficient performance of LED activities

Financial diversification

The office for projects and LED in Kraljevo was established from the local budget and from donors' funds.

Lessons Learned & Potentials

What to improve?

In the opinion of the interviewees, a better position is needed for the Office, more employees are needed to deal with LED and more activities concerning local business are necessary.

Development potentials

During the next period, the office for projects and LED in Kraljevo is planning to create better contacts with existing businesses and to provide support based on ongoing analyses (value chain analyses). It will develop a program for LED activities and measures to support local business (financial and nonfinancial).

Bearing in mind that two big investors are coming to Kraljevo, the plan is to provide them with a supplier base of local businesses.

Transfer to other municipalities / cities

There is frequent cooperation with municipalities and cities in surrounding areas through project preparation and implementation. Also, offices for LED exchange experiences and learn from each other through networks for LED which are organised by SCTM twice a year.

Contribution to MAP REA / RIRA

The contribution to the MAP REA is in the Investments component, since the offices for local economic development are the subject of investments (according to the Law on investments) and key partners to investors and implementers of national investment policies at local level as the creators of local economic development policies. Offices for local economic development are in charge of services to businesses and responsible for the business climate at local level; the LG is in charge of the development and management of industrial sites.

Summary & assessment

Local economic development is still the youngest local governance competence in Serbia. Now, after the 12 years, almost all LGs in Serbia have some sort of LED office (department, secretariat, independent office, office within department, one person dealing with LED, agency etc). LED offices' performance depends on various factors: The number and capacities of employees, independence in their work and the support from decision makers. The Law of Investments introduced the Office for LED as one of the subjects of investment at local level and set the standards for the local level business climate. But the LED offices' tasks are still not defined precisely, nor is the institutional role of LED at the local level.

The Office for Local Economic Development and Projects in Kraljevo has been in existence for almost 12 years. The office is working on supporting investments, attracting investments, improving the business environment, and project management. In the previous period, the office successfully implemented numerous projects. The focus in the next period will be on supporting local business and FDI.



City of Loznica: Cultural Complex Tršić

CASE 2: REVITALISATION OF THREE OLD HOUSES (VAJATS) IN THE VILLAGE OF TRŠIĆ WITHIN THE TRŠIĆ CULTURAL COMPLEX

Basic Information

Organisation/Partners: City of Loznica (office for local economic development) and Centre for Culture Loznica "Vuk Karadzic"	
Contact persons: Ljiljana Nikolic, currently Director of the Regional Development Agency Podrinje, Podgorina Radjevina, former Head of LED office Loznica Aleksandra Puric, director of Educational and cultural centre "Vuk Karadzic" Trsic Milorad Matic, Deputy Head of local administration	
Start of the project: 2007.	End of the project / Implementation time frame: 2007 first phase -
Inhabitants: 84,925	Costs: 1 rst phase 54,000 USD
Type of Financing: local budget 75% and USIAD Municipal Economic Growth Activity program 25%	
Subject Area: Cultural Tourism development	

Brief Description:

The project's purpose is to simultaneously address heritage conservation, community and tourism development and create synergy to stimulate economic growth. The purpose was to revalorise cultural heritage in order to speed up economic development and rural tourism development.

The goals of the small-scale project were to reconstruct and adapt the three old houses (vajats) within the Vuk Stefanovic Karadzic (1787 – 1864) museum complex (the reformer of the Serbian language and alphabet) which had no contents and to offer visitors the chance to become familiar with heritage and to participate in the creation of tradition. The other goal of the project was to encourage the local population and private investors to create divers offers for visitors and enhance the local economy.

Three old houses, vajats, were reconstructed during 2007. And they changed their purpose to:

- Workshop for old crafts, a traditional tailor's workshop
- Museum of Vuk's collection (with the aim of nurturing a culture of remembrance through the critical presentation of the history of the oldest cultural manifestation in Serbia),
- Study room "Vuk and Science"

The project was initiated by the City of Loznica and its Office for Local Economic Development and Centre for Culture “Vuk Karadzic”, which is in charge of maintaining the Vuk Karadzic complex which include several buildings (Vuk Stefanovic Karadzic’s birth house, vajats, open stage etc.) and extends over 5.3 hectares. The project was supported by the USIAD Municipal Economic Growth Activity program.

Having realised this small project, public awareness of the importance of reconstructing the whole complex was raised. In 2007, the Serbian daily, Novosti, started a campaign to raise funds for the reconstruction of Vuk’s birth house, national institutions and individuals joined the action and around 9 million dinars (about 100,000 euros) were gathered. The house was reconstructed during 2008.

The open stage was reconstructed in 2009.

In 2010, the *House of Writers* was opened, which so far has hosted numerous authors from Spain, Great Britain, Greece, Bulgaria, Italy, Japan, Egypt, Australia, Germany, the Republic of Srpska, Croatia, Russia, Israel, Canada etc.

The *Museum of Language and Letters* was opened in 2011.

The total investment was 20 million dinars, around 200,000 euros were from ministries and from the local budget.

The educational and cultural “Vuk Karadžić” centre in Tršić was founded by the decision of the Government of the Republic of Serbia and opened in 2018, with the aim of organizing educational, scientific meetings, seminars, round tables, camps, workshops in the fields of social, natural sciences, raising the quality of educational, cultural, scientific, research, sports, youth and tourism projects and programs. Investments for the construction and equipping of the centre were worth around 3 million euros. Currently national and international workshops and seminars, mostly for linguistic students, are being organised in the centre (<http://okcvukkaradzic.edu.rs>). Commercial activities are planned to begin from May 2019.

Initial Situation:

Tršić is a famous village in Serbia because it is the birth place of the reformer of the Serbian language and alphabet and the oldest *open-air museum* in Serbia. Since 1933, the Vukov Sabor festival has been held in Tršić in September each year, at which people gather to celebrate Vuk’s legacy. The local community plays a major role in designing the festival’s programme and due to this, it is part of the village of Tršić’s identity, located in the vicinity of the town of Loznica in Western Serbia.

The revitalisation of the Vuk Stefanovic Karadzic museum complex was one of the priorities of the City of Loznica’s strategic plan. The buildings within the complex needed renovation. Also, visitors, mostly students (around 100,000 in 2007), only stayed in Tršić for an hour or two, because apart the tour of the place, there was nothing on offer. There was only one restaurant in 2007.



The motivation for the city administration, the office for LED and the centre for culture in Loznica's implementation of this project, was to save nationally-important cultural heritage, create a brand and foster the village's local economy and that of the surrounding by offering something better to the tourists.

One of the challenges was that for the first time, representatives of cultural institutions were faced with a project that intended to valorise cultural heritage and foster LED.

Since the vajats / the old houses were protected, it also took longer to get permission to reconstruct the buildings.

Impact of the project on the municipality and the region

The project's objectives have been achieved. The project had a snow-ball effect, because the whole complex was reconstructed following this small-scale intervention.

The project did not change the place's identity or interfere in the citizens of Tršić's way of life.

Training in weaving and the creation of ceramics was organised in the vajat - workshop for old crafts, which enabled women from Tršić and Loznica to provide additional funding by selling souvenirs.

Visitors now stay longer because there is more on offer than in 2007.

After 2007, new private accommodation facilities were opened: 85 new beds 144 new beds in the Vuk Karadzic Educational cultural Centre, and two new restaurants were opened with new seating for 230.

Since the complex is under state protection, all the reconstruction work was carried out in line with high environmental standards and in line with Tršić detailed regulation plan, elaborated in 2007.

Strengths

The main strength from the perspective of the interviewees, was the place's cultural heritage, since Vuk Stefanovic Karadzic is a person of national importance. The other strength is connected to the synergy and support from national institutions, not only in financial aspects. The third strength was the fact that Tršić was a famous place and has a festival which has been organised ever since 1933.

Challenges and Obstacles

From the perspective of the interviewees, the main challenges were and still are, the maintenance and function of the buildings, workshop, museum digital library, and continuing the work.

Financial diversification

The projected reconstruction of the old houses – vajats – in Tršić, was supported by the municipal budget and from donor funds. The reconstruction and revitalisation of the entire complex in Tršić was funded both by national and local budget as well as by support from citizens through fund raising. .

Lessons Learned & Potentials

What to improve?

It is important to maintain all the contents of the complex, especially to use the workshop for old crafts more regularly.

Development potentials

One of the biggest potentials now is the Centre for Education in social science. In addition, the chance to create joint tourist offerings with Loznica city and the region is not used enough.

Transfer to other municipalities / cities

The City of Loznica has presented an idea of how to build a city's brand by preserving originality and adding value, to other cities and municipalities with similar potential projects.

Contribution to MAP REA / RIRA

This project contributes to the investment component of the MAP REA/RIRA, Objective: Promote WB6 region as a unique investment destination; b. Implement a small set of focused investment outreach activities in core sectors targeted by the SEE 2020 strategy.

Summary & assessment

The initial project reconstruction of vajats – old houses in the village of Tršić as a small-scale intervention, demonstrated a snowball effect by attracting private (restaurants and accommodation) and public investments (reconstruction and preservation of cultural heritage). And this project is a good example of how cultural heritage can be preserved and put to use in economic development and emphasizes the importance of cooperation between relevant stakeholders (local government, cultural institutions, national institutions, local community)

The preservation of cultural heritage in the famous village and open-air museum was continued after 2007. The “Vuk Karadžić” educational and cultural centre, opened in 2018, has great development potential for organizing educational and scientific meetings, seminars, round tables, camps, workshops in the fields of social and natural sciences, raising the quality of educational, cultural, scientific, research, sports, youth and tourism projects and programs. The next step is to develop commercial activities in the centre.



1.4. AUSTRIA

Regional Development and Support System of the Austrian Province of Styria

CASE 1: STYRIAN REGIONAL DEVELOPMENT AND SUPPORT SYSTEM (REGIONAL DEVELOPMENT LAW /ECONOMIC PROMOTION AGENCY)

Basic Information

The Austrian federal province of Styria (Land Steiermark, 1.2 million inhabitants) enacted a new **“Regional Development Law”** in 2018, covering the whole county. A budget framework of 12 Mn € p.a. is foreseen for derived activities and measures. As well as the new law, Styria has an **“Economic Promotion Agency” (SFG)**, established as a Ltd. Company, since 1991. SFG turns over 42 Mn € p.a. out of province funds and is therefore leveraging an investment amount of 285 Mn €.

Contact person: Bernd Gassler, CEO Regionalverband Steirischer Zentralraum

Start of the project: see above

End of the project /

Implementation time frame: on going

Inhabitants: see above

Costs: see above

Type of Financing: public funds

Subject Area: economic and social development

Brief Description:

The purpose of the **new law** is to create the best prerequisites for a targeted cooperation between all governmental authorities (province/region/municipalities) concerned with economic and social development. An amount of 12 Mn € p.a. is available for these tasks, distributed among the seven “regions” and spent on their own responsibility.

The law incorporates citizens’ participation as an essential issue for the regions. The main superordinate goal is to equalize regional imbalances and to govern structural spatial development.

Tasks are set on two levels:

- Federal provincial level: Development strategy framework for the entire province, coordination of regional strategies and spatial policies, tuning of flagship projects.
- Regional level: Coordination and enforcement of inter-municipal cooperation within the region, elaboration and realization of regional development strategies, proposals for appropriate projects, permanent monitoring.

The regional tasks are performed by so-called “Regionalverbände” (regional associations) and their authority independent bodies, the president, the board and the assembly. In the assembly the mayors and councillors of the participating municipalities are represented.

There are currently seven Regionalverbände.

Financial resources can be used for management tasks as well as for projects to benefit the regional populations (e.g. mobility improvement, logistic concepts, social procurement etc.).

Each Regionalverband acts as a strategic and decision-guiding body which controls a “Regional management company” for executing projects and operative agendas. For example, the Regionalmanagement Steirischer Zentralraum, which is described below:

The **Steirischer Zentralraum region** comprises the central Styrian region, with Graz as the capital and the surrounded districts.

Four regional level objectives with 15 action fields are defined:

- Cooperation on regional level (monitoring tasks, bilateral and inner regional cooperation)
- Strengthening industry and research locations (sustainable cities, regional education and employment policy, research and innovation development etc.)
- Governing mobility – environmentally guided (energy and climate, management of natural areas etc.)
- Improving life quality and social welfare (demographic change, diversity, health, identity etc.)

Particular projects within this grid of action fields, are stipulated, governed and monitored.

For instance, activities such as the enlargement of the Cargo Centre Graz/Werndorf, the Mittleres Kainachtal business park or the Bio- and Health-tech area can be found within the second objective and the research and innovation development action field.

The **SFG’s** primary objective (according to the Styrian economic promotion law) is to foster competitiveness and innovative power in the context of Styrian enterprises (private and public as well as municipalities). The framework of SFG activities must be in accordance with the “Styrian economic strategy 2025” and grants are awarded according to clear and transparent rules.

The SFG offers **consultancy services** to enterprises on the following topics:

- Location and settlement
- Innovation promotion
- Entrepreneurship
- Qualification
- Internationalisation

Thus, support such as information desks and events, print and digital documentation and individual coaching is offered.



The SFG's second task area is the **awarding of financial support and financing**.

SFG acts as a **One-stop Shop**, bundling local (Styrian) funds as well as national and supranational (EFRE) financial support, by also organizing co-financing facilities.

The focus of **financial donorship (as grants)** is on sectoral topics, such as digital connectivity, investment in energy saving and climate protection, qualifying programmes in construction, family friendly employment and SME-innovation projects. In the meantime, the SFG's **financing activities** have become most important: in this field the agency provides help for all kinds of new financial capital formation, in particular for SMEs and in the start-up and venture capital fields.

The usual form is equity participation (mostly silent) for a set time period up to 1.2 Mn € and under specific selection criteria. Seed financing of new start-ups, as well as private equity participation in established companies for management buy outs or successorships, are possible.

Initial Situation:

The Austrian regional provinces ("Länder") have normally sole competences in spatial planning. As a rule the "spatial planning activities" are administrated by the province governments' authorities. Under the new law, these competences in Styria have been decentralized to a certain extend and unbundled from the provincial authority. The motivation for the law is therefore to integrate and strengthen the proper responsibilities of subregions and local authorities, in order to enhance economic and social welfare in a targeted manner.

The motivation for giving the SFG (which was founded in 1991) far-reaching competences and agendas for promoting Styrian enterprise, was to connect previously separated activities, promotion counters etc. and to concentrate them into a powerful One-stop Shop (in 2014 by merging four previously separated entities).

Impact of the project on the municipality and the region

Impressive effects on the whole range of socio-economic issues for the Styrian regions and municipalities:

Highest R&D quotas in Austria; well performing enterprises, high activities of SMEs within industrial clusters (e.g. automotive cluster), high employment rates, successful recovery and restructuring of areas with deindustrialisation tendencies (Upper Styrian heavy industry belt).

Strengths

One decisive strength can be mentioned as follows:

According to the law, the two subsystems (SFG and Regional development system) are closely linked, however they have clear interfaces and do not overlap in the sense of redundancy: for example, the Regionalverbände (regional associations with their man-

agement companies) are to explore and prospect local and intermunicipal development potentials, ideas and possible projects (also those brought in by particular municipalities themselves). But the players involved usually have to approach the SG for the proper financial support (regarding evaluation of eligibility and awarding etc.). However, in the case of big projects, a co-financing through both systems is possible which clearly avoids support redundancies.

Challenges and Obstacles

It is currently difficult to see any obstacles (because of lack of experience as the regional development agenda has only been running in this form since the autumn of 2018).

Financial diversification

See above: use of new forms of financial promotion for SMEs (equity participation, venture capital, seed financing).

Lessons Learned & Potentials

Transfer to other municipalities / cities

Transfer to other Austrian provinces and regions should be considered (possible implementation in Upper Austria because of similar economic structures).

Contribution to MAP REA / RIRA

Efforts should be made to establish similar institutions, agencies and legislative competences with the goal of an integrative and cooperative socio-economic policy agenda (state/regional/local), in particular with the One-stop Shop approach for bundling promotion systems.

Fits well into the NALAS's decentralisation agenda for MAP REA.

Summary & assessment

The case can be seen as a successful policy instrument for integration of and cooperation between central, regional and local institutions and policy makers for the benefit of population, employment and welfare development.



Power Region Enns-Steyr (Austrian Province of Upper-Austria)

CASE 2: POWER REGION ENNS-STEYR

Basic Information

Organisation/Partners: Eight Municipalities in Upper Austria's central region, establishing a regional association around the cities Enns and Steyr. Involved Municipality/City: Enns, Steyr, Asten, St. Florian, Hargelsberg, Wolfersdorf, Dietach	
Contact person: Gerald Hackl, Mayor of Steyr	
Start of the project: 2015	End of the project / Implementation time frame: on going
Inhabitants: 72,000 (Power region)	Costs: € 15,000.– (administration costs p.a.)
Type of Financing: public funds	
Subject Area: Trans-municipal cooperation for spatial development and marketing of land locations for enterprise settlements.	

Brief Description:

The purpose is the sustainable development of the “micro-region” (8 municipalities) in terms of socio-economic, environmental and welfare (life quality) standards.

The Power region sets measures and activities to offer attractive enterprise settlements, well performing public services, infrastructure and mobility, while being aware of surrounding factors such as maintaining natural landscape resources and developing educational, working and leisure opportunities.

The association is made up of the mayors of the participating municipalities, their assembly also constitutes the decision-making board. Decision-making is unanimous, so that small communities are guaranteed fair and stable participation rights versus big communities with more economic relevance (the city of Steyr, as a traditional industrial centre with 38,000 inhabitants, compared to the smallest villages with about 1,500). Administrative tasks are performed by a small office.

One of the Power region's central tasks is the mandatory **collective offering** of business locations, land sites and land use rights (above a size of 5,000 m²), opening and connecting facilities, which avoids possible unfavourable effects if individual communities competed for particular conditions. (see also “financial diversification”, below).

Thus, the Power region per se, does not perform investor's acquisitions in an active manner but offers its services and land opportunities etc. in cooperation with the Austrian Business Agency (as a national acquisition agency). On the other hand, if a particular participating municipality is addressed by an interested investor, it passes the case to the Power region office for further dealings.

Initial Situation:

The initiative came from the mayors involved.

The initial motives were to maintain and reinforce the region's traditional economic strengths (in particular, based on Enns and Steyr with their relevant industrial and logistic sites) by enlarging activity areas and integrating rural surroundings into a city region ("Stadtregion") as a "welfare axis" (Enns and Steyr are about 20 km apart in a north/south direction). The offer of larger areas for business sites was also a strong motive.

A further motive is striving for more attractiveness and visibility for international investors.

Strong challenges were tackled during the entity's constitution phase (legal and administrative matters); now the issues and projects are well integrated and currently agree with the Upper Austrian government's spatial planning perspectives and procedures.

Comprehensive studies and status quo analyses preceded the implementation of the project, leading to a "micro-regional" development plan.

Impact of the project on the municipality and the region

Social:

For the purpose of providing information and population participation, the Power region organizes power evenings, dealing with initiatives and new projects or the progress of existing projects.

Economic:

There is a significant (settlement) project in the starting gates, involving some 4000 jobs.

Environmental:

Road routes and sightseeing routes were developed and established in the area surrounding Steyr.

Before implementation, a micro-regional concept of balanced, dedicated areas (nature/leisure/working/housing) was developed with the help of an external consultant. The concept also serves as a strategic planning tool for the particular municipality's local development.

Strengths

- Collective offering of land sites and properties (thereby avoiding adverse competition effects)
- Cooperative infrastructure development
- Settlement policies embedded in superordinate issues of resource saving and respecting spatial belongings (green sites, urban diversity, mobility etc.)
- Obtaining land use permissions (for new sites) from the superordinate authorities (here: Upper Austria) is easier with the combined power of eight municipalities.



Challenges and Obstacles

- see above (legal and administrative obstacles at the constitution phase)

Financial diversification

An extremely interesting topic is seen in fiscal compensation rules for settlement projects:

In Austria, the municipalities' most important own revenue is the "Kommunalsteuer" (municipality tax). This revenue is deducted from employees' wages for companies which are active within the particular municipal area.

If a new collectively-originated settlement occurs in the Power region, it is planned that the resulting tax revenue will be distributed among the participating municipalities according to certain cost/benefit compensation rules (e.g. for compensating opportunity effects, externals, utilities use etc.), with the settlement municipality getting the main share.

Lessons Learned & Potentials

Transfer to other municipalities / cities

The collective settlement offering is already being applied in some Austrian federal counties, fiscal compensation systems among municipalities (city/surrounding) are under discussion.

Contribution to MAP REA / RIRA

Impressive example of compulsory cooperation procedures between neighbouring municipalities of different sizes and economic significance and related fiscal compensation rules.

Summary & assessment

This case demonstrates an innovative approach for inter-municipal cooperation, in particular in the area of the common offering and marketing of business facility land use and infrastructure connectivity. Furthermore, fiscal compensation rules concerning specific tax revenues arising from the individual projects have been implemented.

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