



Asocijacija za ekonomski razvoj
Asocijacija za gospodarski razvitak
Асоцијација за економски развој

Barometer of the local business environment

2011

Barometer of the business environment presents analysis of data on activities in the municipalities, which are crucial for their local economic development. Analysis was prepared within implementation of the project "Competitive Regional Economic Development in Herzegovina" (CREDO Herzegovina).



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1. Synthesis of findings

Barometer of the business environment presents analysis of data on activities in the municipalities, which are crucial for their local economic development. Analysis was prepared within implementation of the project "Competitive Regional Economic Development in Herzegovina" (CREDO Herzegovina).

REDAH tried to encompass the entire region, hence as greater number of municipalities as possible, to obtain a comprehensive analysis of the situation in Herzegovina. Through the created questionnaire, data was requested from all 23 local government units in Herzegovina (22 municipalities and city of Mostar), out of which 21 responded positively and provided the requested information, questionnaires.

Barometer provides data on the situation in local government units in 2011. This is first barometer, prepared by REDAH for business environment in Herzegovina. It is planned to re-conduct the barometer after 6 months, or to develop two barometers for one year. Through this, continuous monitoring of the situation in municipalities would be achieved, that would also provide an opportunity to monitor trends in the business environment of municipalities. This would create a basis for planning and taking concrete action to support municipalities in improving business opportunities.

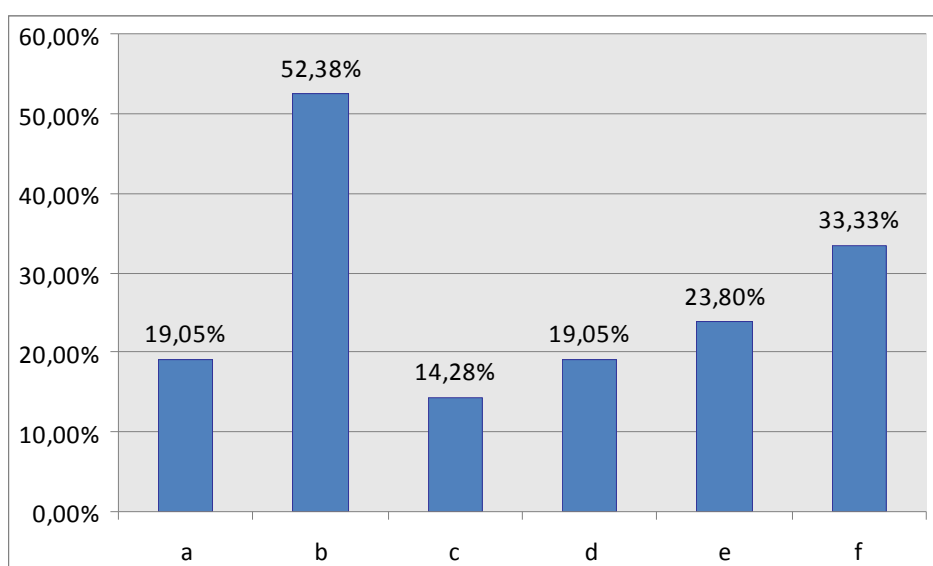
Analysis was performed in 21 local government units, from both entities¹, it covers 10 aspects of the local business environment, on which local government can have impact.

The following document provides a detailed overview of the results for each aspect of the business environment in municipalities.

¹ Analysis was conducted in following municipalities: Neum, Posušje, Konjic, Široki Brijeg, Berkovići, Nevesinje, Tomislavgrad, Bileća, Livno, Grude, Čitluk, Jablanica, Ljubinje, Prozor-Rama, Istočni Mostar, Stolac, Ravno, Kupres, Gacko, Mostar and Čapljina.

2. Data management

a.	The municipality does not have basic information about the state of the local economy
b.	Data on the local economy provided by municipality are not sufficiently completed or up to date
c.	The municipality has an economic profile, which includes the most important indicators of the economy in municipality. The profile was updated at least once after it was conducted, and in the previous year
d.	The municipality has established mechanism for regular collection of data on the structure of the local economy, employment, unemployment.
e.	The municipality has established mechanisms for collecting and analyzing data, and preparation and review of relevant reports on the status of the local economy (number and type of businesses, financial performance, employment, unemployment, the newly opened shops and businesses)
f.	Municipal management is actively using the data on the local economy in decision-making, public relations and promotion of the economic community

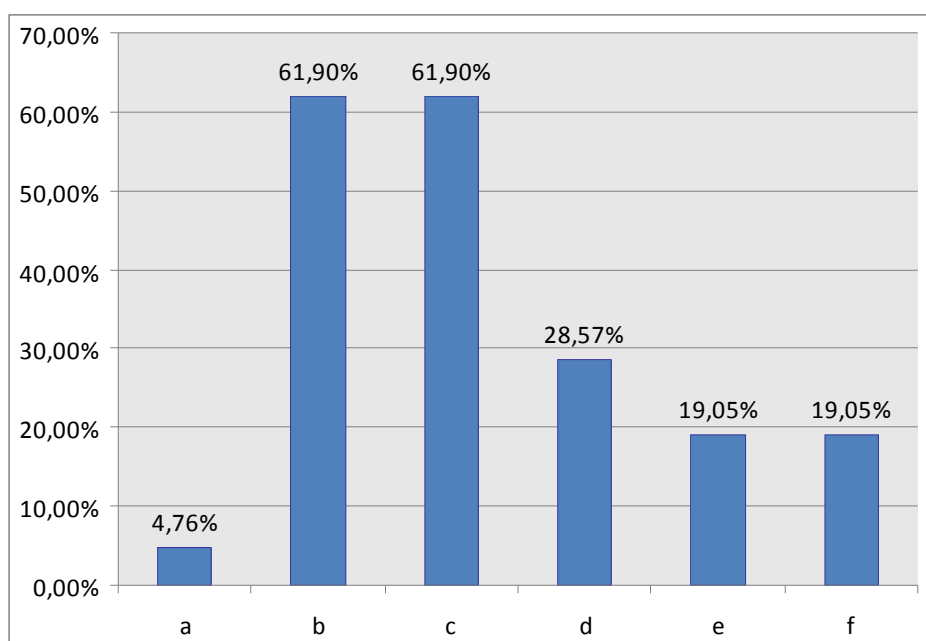


Graph 1 – Data management

Out of 21 analyzed municipalities, 4 municipalities do not have basic information about the state of the local economy. It is notable that half of the municipalities do not have complete or up to date information on local economy. It is interesting that only one in five municipalities have established a mechanism of regular collection of data on the structure of the local economy, employment and unemployment. One quarter of municipalities has established mechanisms for collecting and analyzing data, and preparation and review of relevant reports on the state of the local economy.

3. Registration of businesses

a.	The municipality does not provide any information, or services that can facilitate the registration
b.	The municipality provides basic information and forms for registration of activities
c.	The municipality provides detailed information on conditions and procedures for registration of shops and enterprises, and provides all the necessary forms for registration of shops
d.	The municipality provides detailed information on conditions and procedures for registration of shops and enterprises, and provides all the necessary forms for registration of shops and registration enterprises
e.	Municipality additionally provides legal advice and information on operating costs (fees, taxes etc.)
f.	Municipality provides complete assistance for registration at relevant institutions

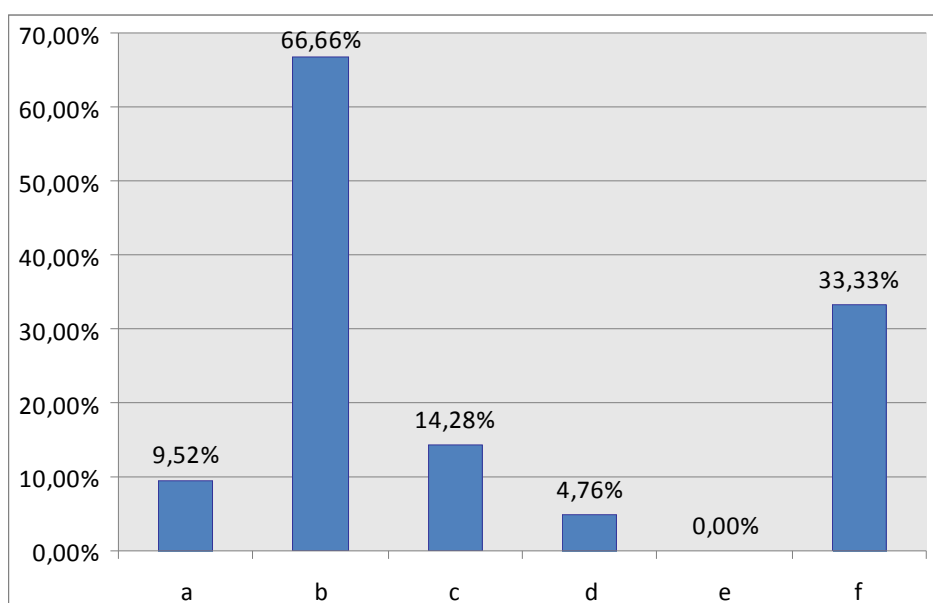


Graph 2 – Registration of businesses

The analysis showed that most of the municipalities provide basic information and forms for registration activities. Detailed information on conditions and procedures for registration of shops and enterprises, and provision of registration forms, provides only a small number of municipalities. Every fifth municipality provides legal advice and information about costs of operating a business, and the same percentage of municipalities provides full assistance with registration at the relevant institutions.

4. Investment opportunities

a.	There are no information on investment opportunities
b.	The municipality provides information on investment opportunities, verbally at meetings with municipal management
c.	The municipality has a website with updated economic indicators and opportunities for investment
d.	The municipality has a guide for investors in English or another foreign language
e.	Municipality additionally has an attractive and clear presentation of investment opportunities, in English or another foreign language
f.	Municipality additionally has a database of available sites for opening of new facilities, or rearrangement of the old ones

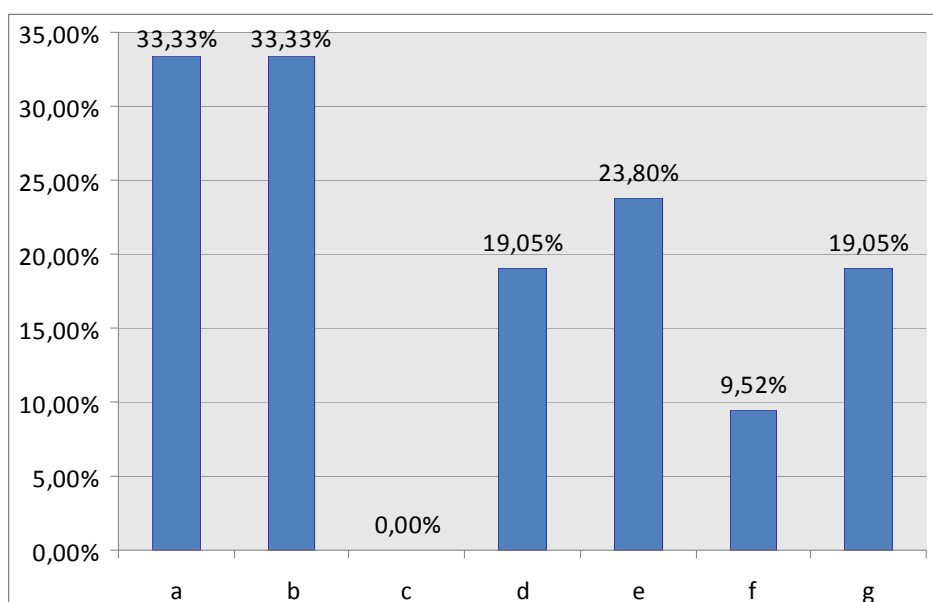


Graph 3 – Investment opportunities

From the data it is noticeable that the two municipalities do not have any information on investment opportunities. A very bad situation in the investment aspect is visible in the fact that only three municipalities have a website with updated economic indicators and opportunities for investment. Only one municipality has a guide for investors in English, German or another foreign language.

5. Marketing and promotion

a.	The municipality does not have marketing and promotional materials
b.	The municipality has marketing / promotional materials related to the local economic development
c.	The municipality has provided an item in the annual budget for marketing and promotion
d.	The municipality has established a constant communication with the state agency for investment promotion (FIPA)
e.	The municipality uses different channels to distribute their promotional materials
f.	The municipality has a plan of promotion that includes investment promotion activities to attract foreign investment
g.	The municipality has actively participated in at least one investment fair in the past year

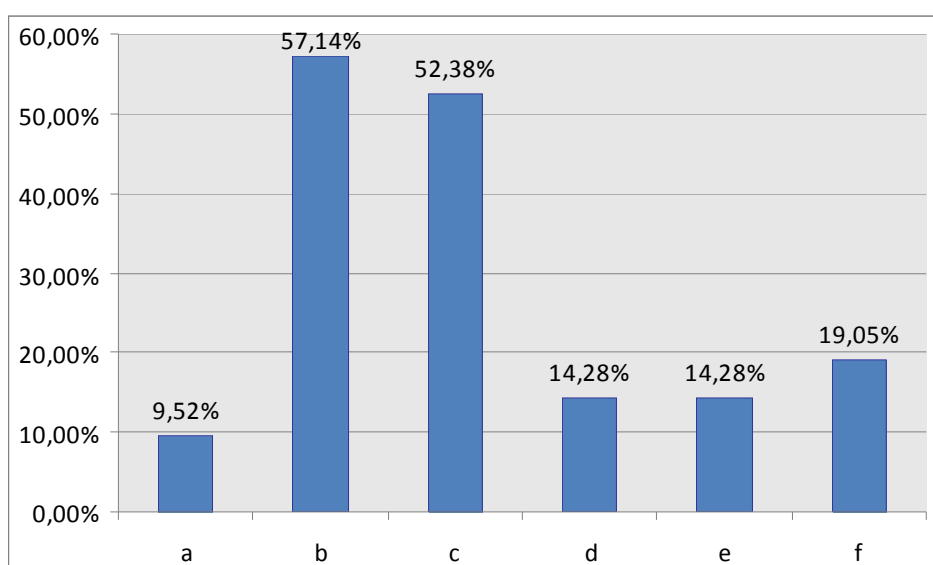


Graph 4 – Marketing and promotion

One-third of the municipalities do not have marketing and promotional materials. It is interesting that none of the 21 municipalities analyzed, provided an item in the annual budget for marketing and promotion. Only four municipalities have constant communication with the state Foreign Investment Promotion Agency (FIPA), while only two municipalities have a plan that includes investment promotion activities to attract foreign investment.

6. Labor force

a.	The municipality does not provide any information or services in connection to the labor force market
b.	The municipality has up to date statistics on the structure of the unemployed
c.	Municipality cooperates with the Employment Agency and has initiated at least one activity in order to reduce unemployment
d.	The municipality helps the unemployed through vocational training programs
e.	The municipality offers training programs for unemployed, tailored to the needs of employers
f.	The municipality has already proposed changes to the program and profiles of schools, according to the needs of employers

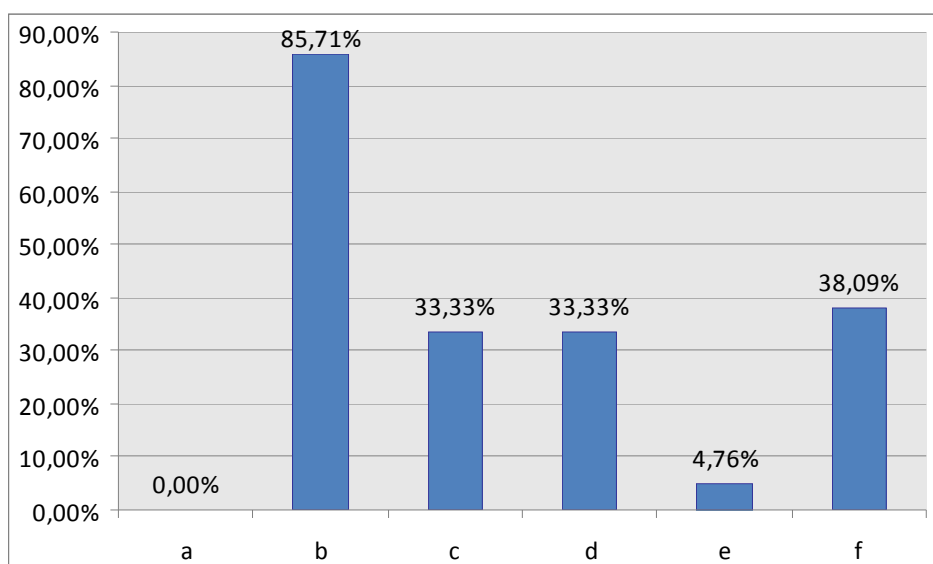


Graph 5 – Labor force

Most of the municipalities have basic information and statistics on the structure of the unemployed and the labor force market. On the other hand, only 3 municipalities provide unemployment vocational training programs and training programs for unemployed, tailored to the needs of employers. 4 municipalities have proposed changes to the program and profiles of schools according to the needs of employers.

7. Spatial planning, permits and land availability

a.	The municipality has not prepared presentation of land and available locations for business development
b.	A municipality can demonstrate / show the location of available land for business development
c.	The municipality has an updated Spatial Plan with specified areas for business development
d.	The municipality has done the priority control plans for construction of business zones
e.	The municipality has an updated overview of the information on the costs of starting the business with the operating costs
f.	Information, written instructions and forms for planning consent and building permits can be provided in one place

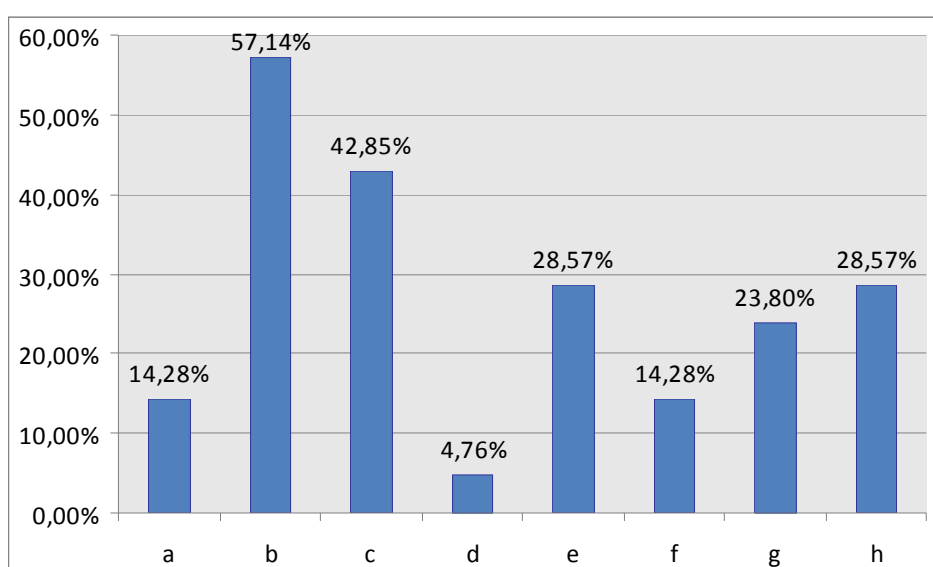


Graph 6 - Spatial planning, permits and land availability

All responding municipalities have prepared a presentation and location of land available for business development. One in three municipalities has updated Spatial plan with specified zones for business development. Also every third municipality has prepared priority regulatory plans for construction of business zones, while only one municipality has an updated overview of information on the costs of starting a business with the operating costs.

8. Assistance to businesses

a.	The municipality does not offer any sort of assistance to businesses
b.	The municipality has established mechanisms of cooperation / communication with local business associations, and local businessmen
c.	The municipality has allocated some funds for loans / subsidies to the economy
d.	The municipality has established a development / loan / guarantee fund to support SMEs
e.	Municipality on institutional level supports / organizes various forms of training for SMEs
f.	The municipality has supported the formation of business incubators
g.	The municipality is organized to promote the potential of local businesses
h.	The municipality undertakes analysis of businessmen's needs and satisfaction with public services

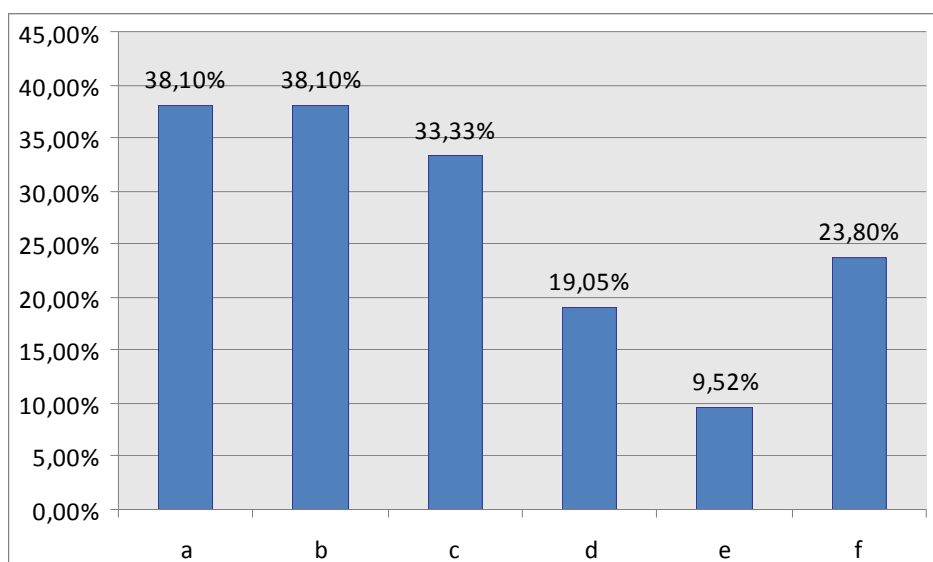


Graph 7 – Assistance to businesses

Nearly 60% of municipalities have established mechanisms of cooperation / communication with local business associations and businessmen. However, a smaller number of municipalities provide concrete assistance to the economy. Only one municipality has established a development / loan / guarantee fund to support Small and Medium Enterprises. Three municipalities have endorsed the formation of business incubators in their area.

9. Incentives for investors

a.	The municipality has no incentives for investors
b.	A municipality can clearly present the incentives which are provided to investors at higher levels of government
c.	The municipal assembly has adopted a decision on local incentives for investors
d.	The municipality provides additional incentives to investors - for the equipping of infrastructure sites
e.	The municipality provides additional incentives to investors – for editing of construction land
f.	A municipality can show at least one example of an investment which was realized as a result of good policies for encouragement of investments

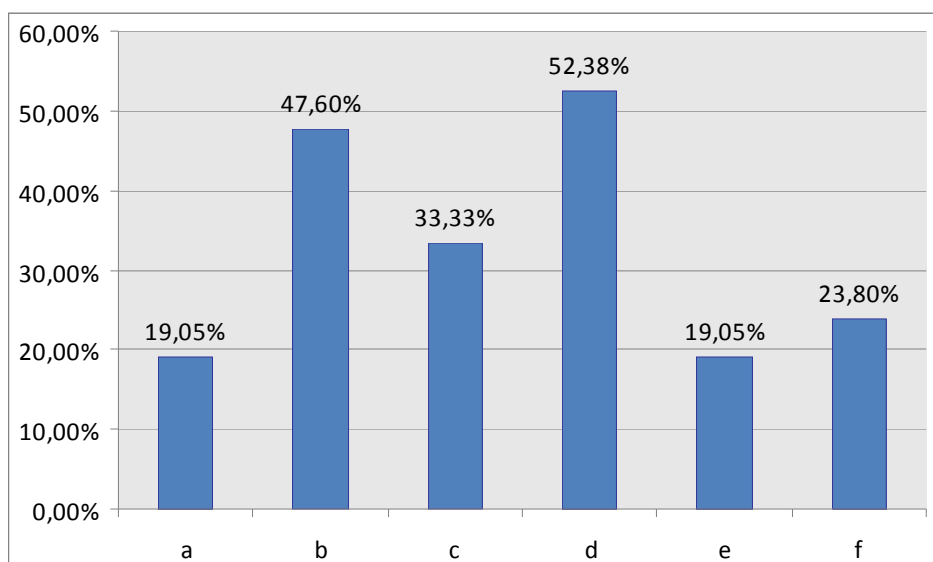


Graph 8 – Incentives for investors

This part of analysis also indicates a particularly poor state of the investment in the region. Nearly 40% of municipalities do not have any incentives for investors, while a small portion of municipalities provides some incentives for infrastructural equipping of locations and for editing of construction land. Every fourth municipality has at least one example of an investment, realized as a result of good investment policy.

10. Public Private Partnership

a.	The municipality maintains only minimal contacts with the private sector
b.	The municipality has established a mechanism for taking into account the views of the private and NGO sector in relation to important issues of local economic development
c.	Municipal management has regular meetings with major private employers
d.	Municipality financially supports projects of local organizations that contribute to economic development
e.	Municipalities and the private sector have jointly invested funds to address local economic / development / communal issues
f.	There is at least one local capital project that has been successfully implemented in the form of public-private partnership of the municipality and private investors

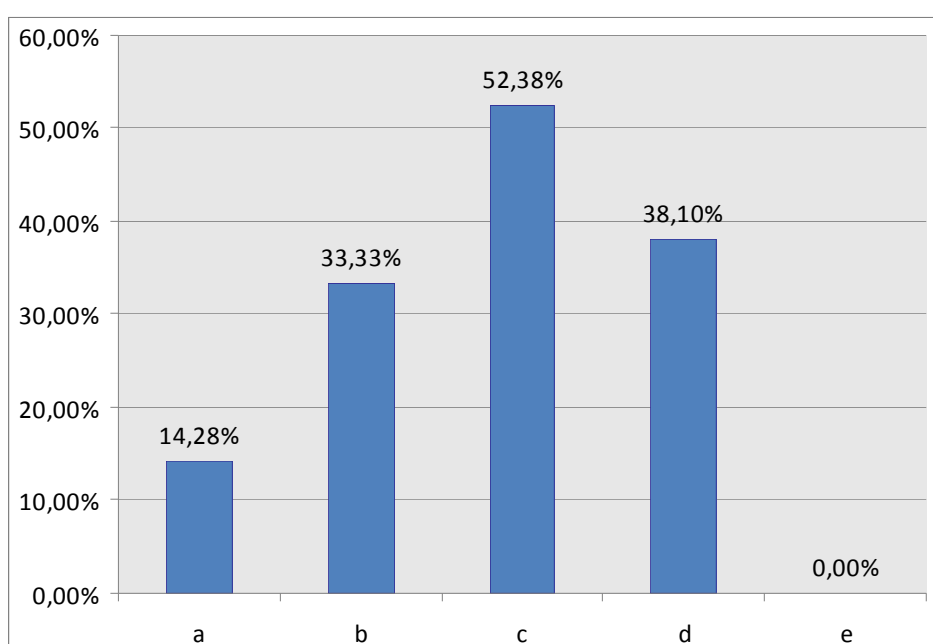


Graph 9 – Public Private Partnership

The data show that half of the municipalities have established a mechanism for taking into consideration the views of the private and non-governmental organizations sector in relation to important issues of local economic development. Half of the municipalities financially support projects of local organizations that contribute to economic development. As for the joint investment of resources in solving local problems, only every fifth municipality conducted such solutions with the private sector.

11. Environmental protection

a.	The municipality has no defined policies and procedures concerning the environmental protection
b.	A municipality can clearly demonstrate procedures and approvals that need to be provided during the licensing process
c.	Elements of environmental protection are included in the strategic plan for local development
d.	The municipality has adopted LEAP - Local Environmental Action Plan, which is updated
e.	The municipality has developed and adopted procedures and maintains a register to monitor the negative impact of projects on the environment



Graph 10 - Environmental protection

Half of the municipalities included elements of environmental protection into their strategic plans for local development.

8 municipalities adopted LEAP - Local Environmental Action Plan, which has been updated.

12. Concluding observations

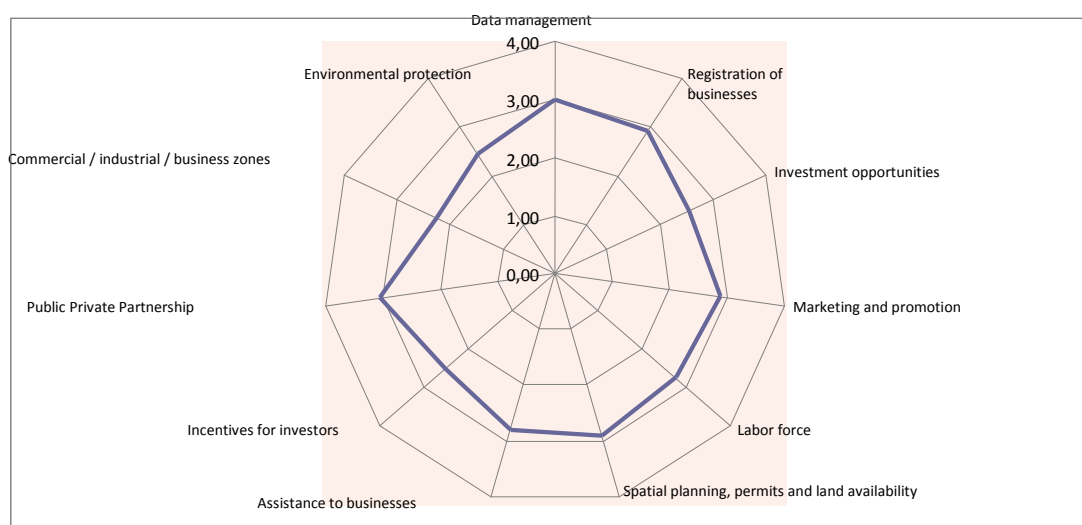
The analysis shows that certain aspects of business environment in municipalities are particularly bad and need special attention. This applies primarily to the incentives for investors and investment opportunities. It is obvious that the municipalities in the region of Herzegovina aim the least at potential investors. Therefore, the aspects that are important for attracting investors should be the focus of future projects of local and regional economic development.

After weighting responses, following average ratings were obtained, and the best examples were selected, that could serve as a kind of best practices in the region:

Aspects:	Average grades:
Data management	3,00
Registration of businesses	2,93
Investment opportunities	2,55
Marketing and promotion	2,86
Labor force	2,74
Spatial planning, permits and land availability	2,93
Assistance to businesses	2,80
Incentives for investors	2,50
Public Private Partnership	3,05
Environmental protection	2,45

The above average grades are put together in a chart, so called radar to vividly make a comparison of all the analyzed aspects.

Radar of local business environment in the region of Herzegovina, on the basis of the surveyed 21 municipalities, follows:





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