

DECENTRALIZATION OF AUTHORITY, POSSIBILITIES AND OBSTACLES TO ATTRACTING INVESTMENTS IN AGRICULTURAL PRODUCTION IN THE EXAMPLE OF SERBIA, BOSNIA AND HERZEGOVINA AND CROATIA*

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Summary

The goal of this research was, based on the actual jurisdiction of local governments, assigned after the decentralization of the central government, to analyze the possible assumptions that affect the attraction of investments in agricultural production and to point out the current weaknesses of individual segments of economic policy.

The paper analyzes individual indicators that, according to the Doing business list, make it easier to start a business using an analytical method. The research was conducted for Serbia, Bosnia and Herzegovina and Croatia for the period 2019 and 2020. Furthermore, the research focuses on indicators that are the responsibility of local politics, and which can contribute to a better competitive position in the market.

The general presented data concludes that there is room for reforms and that at all levels of government, and especially at the local level, additional measures must be taken to improve and facilitate business conditions. The analyzed indicators are very significant because they show the willingness of local governments to adapt to market trends. Furthermore, local plans, studies and strategies must facilitate procedures that would prioritize the developing and improving agricultural production.

Key words: decentralization, spatial plan, local policy, investment policy, investments

INTRODUCTION

Decentralization implies transferring duties, jurisdiction and finances from the central level to local authorities. The purpose of decentralization in transitional countries is to prepare all levels of government for better functioning in the global and national environment and to strengthen local and regional authorities and their capacities in order to realize more successfully solving political, economic and social problems. This

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process affects the transformation in the authority structure in society, essentially changing the role of the state because it loses a considerable part of its jurisdiction.

Decentralization can be political, administrative, economic and financial (Đorđević, 2009). Political decentralization strengthens the autonomy of local administration, but also more actively involves citizens in decision-making processes (Cheema and Rondinelli, 2007). Administrative decentralization includes the administrative component of management and implies that the local administration takes over a considerable part of the tasks from the state. Therefore, through decentralization, jurisdictions are divided between state and local administrative bodies, and the previously hierarchical relations between these levels of government are replaced by partnership relations and cooperation. Fiscal (tax) decentralization is an essential component of all forms of decentralization, especially devolution. Decentralized units of local government units cannot carry out their work independently, unless they have sufficient and constant financial resources, as well as the right to autonomously decide on the type of local taxes, on the rate, independently collect taxes and spend the budget. Ferrara (2010) emphasizes type of decentralization implies the strengthening of the political and financial autonomy of local authorities, and it also opens up space for competition between local authorities in the direction of creating the best environment for investments, which as a rule greatly contributes to the development of society (fiscal federalism). Finally, economic decentralization is the process of transition from managing the economy from one political centre to a system in which the influence of the market on economic flows is emphasised (Horwath, 2000).

Spatial planning as activity results from the decentralization of authority that has been transferred to the local level. In the practice of urbanism, spatial plans are internationally recognized documents on the basis of which spatial development is managed and taken care of. Ehler and Douvere (2007) stated that spatial plans focus on public infrastructure: roads, water, electricity, waste removal, transportation, and construction facilities. The increase in capital investment in facilities, equipment, infrastructure, and similar raises business potential (Dunning, 1972). The global experience of using spatial planning should enable more efficient use of public infrastructure. Given the lack of resources, spatial planning provisions should direct the utilization of natural resources toward those directional to enhance the production of new values. Furthermore, spatial plans should be the basis for creating a vision of the future on the one hand, but at the same time, they cannot delimit the existing material and institutional structure. Adopting a spatial plan represents the process of adopting selective decisions about future activities based on defined existing geographic areas of a certain population, often under the jurisdiction of the government (Portman, 2011). It is essentially a planning concept that has been extensively researched, and involves defining priorities and subsequent outcomes; that is, creating, implementing and monitoring the outcome of the plan itself. Spatial plans, respecting socio-economic, natural, cultural-historical and landscape values, elaborate the principles of spatial planning, determine the goals of spatial development, and the organization, protection, use and purpose of space (Holland 2010).

Spatial planning, as a set of activities, guarantees the management of the area of the organized society as a valuable and limited resource. Key components, or aspects, of spatial planning that have to be ensured, are coordination between the plan and infrastructure provision. These components include the following (Hostovsky, 2000):

1. the current state and projections of the future number of inhabitants that should be foreseen in the plan in order to model the development of the appropriate infrastructure,
2. the locations of future infrastructure development must be precisely defined,
3. existing infrastructure capacities must be realistically presented,
4. adaptation of the spatial plan according to the outcomes (state infrastructure construction plans, quality standards, industrial requirements, environmental protection requirements, etc.) that are expected in the future,
5. the responsibility of persons according to the prepared plan,
6. the existence of coordination in the planning of spatial conditions between all interested parties.

Using geomarketing information, economic development projects align population growth with increasing economic power (Hirt and Block, 2005), thereby enabling states to implement the necessary procedures and actions to realize the future's planned vision achieving the goals of regulating the development of agricultural production should protect settlements, infrastructure and landscape at all decision-making levels. At the same time, the polycentric development of the network of municipalities should be planned and carefully directed, and further spontaneous and unplanned construction should be prevented in order to care for the protection of natural values. Since space is becoming increasingly limited by non-renewable resources, in contrast to the increasing dynamics and expansion of the economy and social needs, space is becoming more and more of a limiting element.

Investments represent a very significant generator of the development of business activities, and therefore it is necessary to create prerequisites for their attraction. Considering the powers that local self-governments received through the process of decentralization, creating of an encouraging environment requires a series of actions that must be approached studiously. Precisely because of this, it is necessary to make decisions at the local level that will minimize the effect of negative externalities. The local government must maintain continuous cooperation with expert teams of various profiles with the aim of creating social well-being.

For Serbia, Bosnia and Herzegovina and Croatia, agricultural production constitutes a significant segment of the gross social product. Agricultural production from raw materials to processing has significant opportunities for engaging all production factors. That is why it is necessary to strive for allocative efficiency, that is, the state when no reorganization of production improves the current state of some actors, nor worsens the state of other actors (Samuelson, 1992).

The goal of this research was, based on the actual jurisdiction of local governments, assigned after the decentralization of the central government, to analyze the possible assumptions that affect the attraction of investments in agricultural production, and to point out the current weaknesses of individual segments of economic policy.

MATERIALS AND METHODS

The research in this paper covers the territory of Serbia, Bosnia and Herzegovina and Croatia. Based on the data of the Doing business list, for the years 2019 and 2020, a comparison of the conditions of business complexity was made for all three countries, i.e., the current situation was shown, and then compared with the situation from the previous period. The analyzed factors are grouped into spatial, procedural and fiscal.

Tab. 1. Parameters of ease of doing business according to the Doing business list Rank 190 (WBG, 2022)

Indicator	A score of the implemented reform	DB 2020 Rank	DB 2020 Score	DB 2019 Score	Change in score point
Serbia					
Average		44	75.7	73.9	1.8
Starting a business	Negative	73	89.3	92.6	3.3
Work with building permits	Positive	9	85.3	84.4	0.9
Obtaining electricity	Positive	94	75.2	70.0	3.2
Ownership registration	-	58	71.8	71.2	0.6
Getting a loan	-	67	65.0	65.0	-
Protection of minority investors	Positive	37	70.0	62.0	8
Paying taxes	Positive	85	75.3	74.8	0.5
Trading across borders	-	23	96.6	96.6	-
Implementation of the contract	Positive	65	63.1	61.9	1.2
Insolvency resolution	Positive	41	67.0	60.8	6.2
Bosnia and Hercegovina					
Average		90	65.4	65.4	-
Starting a business	-	184	60.0	59.8	0.2
Work with building permits	-	173	48.6	48.6	-
Obtaining electricity	-	74	79.0	78.9	0.1
Ownership registration	-	96	63.6	63.6	-
Getting a loan	-	67	65.0	65.0	-
Protection of minority investors	-	88	56.0	56.0	-
Paying taxes	-	141	60.4	60.4	-
Trading across borders	-	27	95.7	95.7	-
Implementation of the contract	-	93	57.8	57.8	-
Insolvency resolution	-	37	68.2	67.8	-
Croatia					
Average		51	73.6	73.0	0.6
Starting a business	Positive	114	85.3	82.6	2.7
Work with building permits	Positive	150	57.8	55.7	2.1
Obtaining electricity	-	37	86.8	83.6	3.2

Ownership registration	Positive	38	77.4	73.9	3.5
Getting a loan	Negative	104	50.0	55.0	5
Protection of minority investors	-	37	70.0	70.0	-
Paying taxes	-	49	81.8	81.8	-
Trading across borders	-	1	100	100	-
Implementation of the contract	-	27	70.6	70.6	-
Insolvency resolution	-	63	56.5	56.2	0.3

Furthermore, the accumulation of investments in the year 2020 will be presented and compared with the year 2019 based on data from statistical reports (BHAS, 2022; DZS, 2022; RZS, 2022).

RESULTS AND DISCUSSION

The indicators from Table 1 represent the results of local policy management. The presented indicators show that it is easiest to do business in Serbia; that is, Serbia is the best-ranked country compared to the other two. Also, Serbia has the most positively assessed reforms. Bosnia and Herzegovina has the worst results, followed by Croatia. However, looking at the overall position of both countries, they are above half of the ranking, given that the Doing business list analyzes the business of 190 countries. Furthermore, from the above results show that the most active investment policy is conducted in Serbia. Serbia is ranked 44th on the Donig business list (WBG, 2022). Croatia is in the 51st position, while Bosnia and Herzegovina is in the 90th.

The general conclusion from the presented data is that there is space for reforms and that at all levels of government, and especially at the local level, additional measures must be taken in order to improve and facilitate business conditions. The analyzed indicators are very significant because they show the willingness of local governments to adapt to market trends. Furthermore, local plans, studies and strategies must facilitate procedures that prioritize developing and improving agricultural production.

If the presented indicators are analyzed individually (Figure 1), it could be observed that it is easiest to trade across the border in Croatia (1st position), while Bosnia and Herzegovina is in the 27th position. Compared to other countries, it is easiest to obtain a building permit in Serbia, and it is in the 9th position. In Croatia (150th and 114th position) and Bosnia and Herzegovina (173rd and 184th position), it is the most difficult to obtain building permits and start a business, which is a direct consequence of bad local politics. Serbia has the worst result in connecting to the electricity grid (94th position), which may be a consequence of poorly developed electrical energy infrastructure or a consequence of the cumbersome and sluggish administrative apparatus in the Electric Power Industry of Serbia. However, if one looks at the evaluation of the implemented reforms, it can be seen that there is progress in reforming the economic policy.

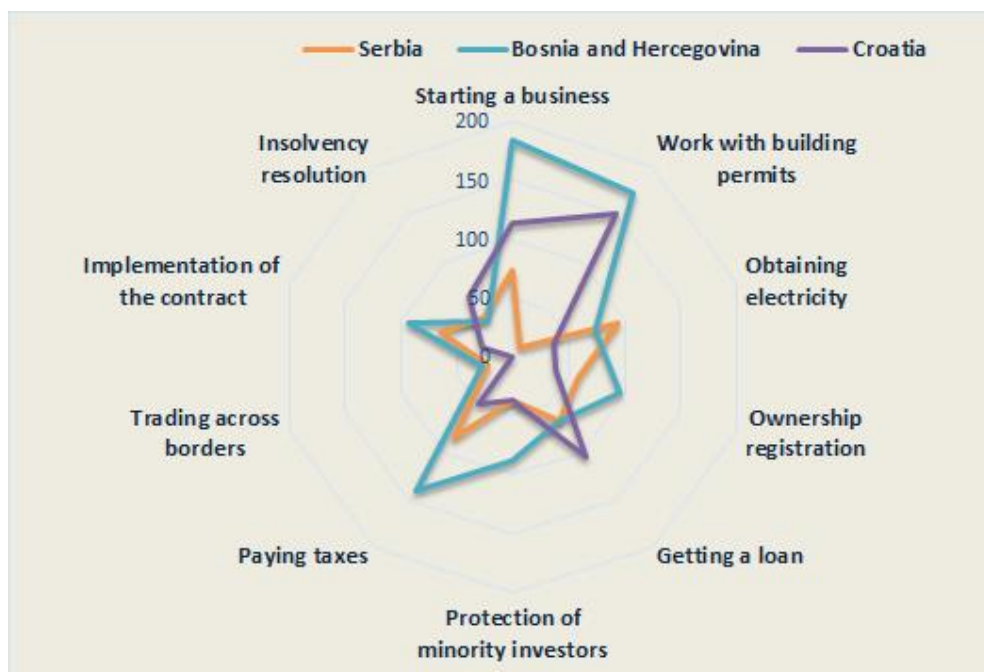


Fig. 1. Indicators of the ease of starting a business in the analyzed countries

In order to get the overall picture and determine the interdependence of the analyzed indicators and the implementation of the investment policy in the direction of attracting investments in agricultural production, below in Table 2, based on the data of statistical reports (BHAS, 2022; DZS, 2022; RZS, 2022), the accumulation of investments in the year 2020 will be presented and compared with the year 2019.

Tab. 2. The volume of investments in agricultural production in 2020 and 2019

State	The volume of investments in agricultural production		The index of change
	2020 (Eur)	2019 (Eur)	
Serbia	204,351,872	202,996,527	1.007
Croatia	187,450,133	187,018,548	1.002
Bosnia and Herzegovina	134,996,901	134,516,573	1.004

The data from the above table 2 show that all three countries achieved an increase in investments in agricultural production, that is, that the index of change ranges from 1.002 in the case of Bosnia and Herzegovina to 1.007 in the case of Serbia.

Although there are positive results in the volume of investments, it is necessary to carry out reforms in those segments that make it difficult to start and develop economic activities.

CONCLUSIONS

The results of the conducted research showed that the concept of decentralization is well designed, considering that each local authority can create the conditions for operating economic policy based on its natural resources and local capacities. In today's era of globalization, for investors, insight into the indicators that affect the complexity of business is very important because they can easily move their business from one area to another. Accordingly, to the value of the indicators, all three analysed states were better positioned in the year 2020 compared to 2019. The reforms that were carried out, which relate to obtaining building permits, protecting minority investors, paying taxes, and improving infrastructure, were evaluated positively, which resulted in an improvement in the ranking list. The implemented reforms had positive implications on the index of changes in the volume of investments in agricultural production. The general conclusion can be drawn that the decentralization process enabled local self-governments to create a positive investment environment that contributes to overall economic development.

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DECENTRALIZACIJA VLASTI, MOGUĆNOSTI I PREPREKE ZA PRIVLAČENJE ULAGANJA U POLJOPRIVREDNU PROIZVODNJU NA PRIMJERU SRBIJE, BOSNE I HERCEGOVINE I HRVATSKE

Rezime

Cilj ovog istraživanja bio je, na temelju stvarnih nadležnosti jedinica lokalne samouprave, dodijeljenih nakon decentralizacije središnje države, analizirati moguće pretpostavke koje utječu na privlačenje investicija u poljoprivrednu proizvodnju te ukazati na trenutne slabosti pojedinih segmenata ekonomske politike.

U radu se analitičkom metodom analiziraju pojedini pokazatelji koji, prema Doing business listi, olakšavaju pokretanje poslovanja. Istraživanje je provedeno za Srbiju, Bosnu i Hercegovinu te Hrvatsku za razdoblje 2019. i 2020. godine. Nadalje, fokus istraživanja je bio na onim pokazateljima koji su odgovornost lokalne politike, a koji mogu doprinijeti boljoj konkurentskoj poziciji na tržištu.

Opći zaključak iz iznesenih podataka je da prostora za reforme ima te da se na svim razinama vlasti, a posebno na lokalnoj, moraju poduzeti dodatne mjere za poboljšanje i olakšavanje uvjeta poslovanja. Analizirani pokazatelji vrlo su značajni jer pokazuju spremnost lokalnih samouprava da se prilagode tržišnim trendovima. Nadalje, lokalni planovi, studije i strategije moraju omogućiti postupke koji bi prioritetno davali razvoj i unapređenje poljoprivredne proizvodnje.

Ključne riječi: *decentralizacija, prostorni plan, lokalna politika, investiciona politika, investicije*