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CONSTITUTIONAL AND LEGAL ROLE OF LOCAL AUTHORITIES IN ECONOMIC AND INFRASTRUCTURAL DEVELOPMENT OF MUNICIPALITIES AND CITIES IN BOSNIA AND HERZEGOVINA

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Abstract

Basic aim of this article is to present constitutional and legal role of local authorities within economic and infrastructural development of municipalities and cities in Bosnia and Herzegovina. Hence, it presents two models. Basic hypothesis that will be verified in this article is: local authorities, based upon their legal jurisdiction, are able to provide important contribution to the local economic and infrastructural development. Methodology consists of case study method in two cases. The first case study is Municipality of Gračanica in Federation of Bosnia and Herzegovina, and the second case study is City of Bijeljina in Republic of Srpska. Time period of this research is post Dayton period, with distinctive focus on the period 2008–2012. Territorial frame of this research is Bosnia and Herzegovina. Also, in the process of verification of this research, other relevant methods have been used. This article is systematized in six chapters: introductory approach on local community and local self-government; political-legal concept of local self-government in the regulations of European Charter on Local Self-Government; legal and statutory concept of municipality and city jurisdiction in the area of local economic and infrastructural development; main aspects of the role of local self-government unit in the local economic and infrastructural development; model of local economic and infrastructural development in the local communities: case study of Municipality of Gračanica; model of local economic and infrastructural development in the local communities: case study of City of Bijeljina and conclusion.

Keywords: *Legal and constitutional role, Local authorities, Economical and infrastructural development, European Charter on Local Self-Government.*

Introductory approach on local community and local self-government

Human being as an individual satisfies his needs for living and work in his own local community. Those needs as primary needs of human beings in the local community are: housing and management of settlement; work and earnings for economic

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existence; local traffic; water supply and energy products; sewerage; utility services; utility infrastructure; service industries; education of children; health care; social care; culture and sport; informing and security; protection of human rights and protection of environment.

In the sociological theory, *local community is specific social group inhabited in the specific area, whose members are connected by territorial nearness and according to that, mutual needs and activities.*

Among many theoretical assessments about local community, it seems significant to underline opinion by an academician Eugen Pusić, who stated that local community is specific social system with its own elements in interaction with an area, people in the area, needs of people, mutual activities in fulfilling their needs and awareness of belonging to the local community (Pusić 1963 : 21-23).

Mutual needs of people in one settlement, with reference to local community, are conditioned by territorial nearness of people that are living in that particular settlement. Those needs can be fulfilled by mutual activities. According to the opinion of American sociologist T. Parsons, local community is a special aspect of social systems structure which is referred to the territorial accommodation of people and their systems. In that context, four factors are integrating people at the local level into the social system: housing, working place, jurisdiction and communication (Pejanović 2005 : 187).

In order for mutual people's needs in the local community to be fulfilled, various institutions are shaped through which different social activities are organized. One of those institutions, which in the course of historical development of society organized and affirmed itself as democratic institution of citizens in local community, is LOCAL SELF-GOVERNMENT (Pejanović 2005 : 188).

A local unit gains a status of LOCAL SELF-GOVERNMENT (territorial self-government community) when political-legal and systemic institution is formed in one or more connected settlements. That local self-government as political and legal institution constitutes itself in the form of municipality as basic unit of local self-government.

Basic subjects of local self-government are people who live in local communities and their mutual interests which result from their joint living in the same territory. Those interests are attained within institutional structure, which is local government. Activities of local government are an essence of local self-government. Basically, there are two components in local government activities. One is *via* directly elected structures by citizens such as: municipal council, municipal assembly and municipal mayor. The second is *via* indirect participation of citizens. Forms of indirect participation of citizens in public affairs are: civic initiative, local assembly of citizens and

referendum. According to this, *local self-government in political science is defined as political right of citizens to directly, and through their freely elected structures, participate in management of certain public affairs, particularly those of mutual interests of citizens in the units of local government* (Pejanović 2005 : 188).

According to professor Jovan Đorđević, local self-government is characterized by following elements: local citizens have right to elect their own representative bodies and those bodies have certain rights of decision making; elected bodies have their factual and territorial jurisdiction and they perform certain activities as government; jurisdictions of local bodies, according to their content and authority for their implementation, represent those issues which have factual and formal influence on life and local community development (Đorđević 1965 : 621).

In the democratic tradition of Europe of nineteenth and twentieth century, local self-government as political right of citizens is guaranteed by the Constitution and laws of a country. It is guaranteed also in the European Charter on Local Self-Government. In the Charter, Article 2, it is defined that local self-government principle will be determined by legal regulations of the signatory country, and where possible in the Constitutional Law (Anon. 2003 : 4).

All European countries, members of European Council, based upon European Charter on Local-Self-Government have guaranteed local self-government in their legal systems. Bosnia and Herzegovina has ratified the European Charter on Local Self-Government on 12 July 2012. Regulations on local self-government did not find their position within Dayton Constitution in Bosnia and Herzegovina. They are positioned in constitution laws of entities of Bosnia and Herzegovina: Constitutional Law of Federation of Bosnia and Herzegovina and Constitutional Law of Republic of Srpska. Laws on local self-government within entities define the position, jurisdiction and organization of local self-government.¹ According to this, position of local self-government is achieved by act of state. This position is characterized by independent position in management of public affairs, so the local governments have complete discretion right to implement their initiatives regarding all issues that are not excluded from their jurisdiction, neither placed in jurisdiction of some other authorities (Anon. 2003 : 15).

Political and legal concept of local self-government within regulations of European Charter on Local Self-Government

Theoretical concepts and achievements of local self-government ideas implementation in the countries that are members of European Council have received their

¹ Law on Local Self-Government of the Republic of Srpska was adopted in 2004. Law on Principles of Local-Self Government in the Federation of BiH was adopted in 2006.

foundations in the European Charter on Local Self-Government. The Charter was adopted in 1985 and it is the first multilateral legal instrument for definition and protection of local self-government principles. The Charter is consisted of preamble and three separate parts, which define principles of local self-government, followed by obligations of countries members of European Council after ratification of the Charter.

All principles regarding local self-government and European principles on DEMOCRACY AND DECENTRALIZATION are defined in the Charter.²

Considering historical development possibilities in the context of local self-government, these particular principles are defined in the Charter:

The first principle underlines that local authorities are “one of the main foundations of any democratic regime.”³

The second principle stresses out that “the right of citizens to participate in the conduct of public affairs is one of the democratic principles that are shared by all member States of the Council of Europe” (Anon. 2003 : 3).

The third standard refers to the fact that rights of citizens and their management of public affairs in the local self-government “can be most directly exercised at the local level” (Anon. 2003 : 3).

The fourth principle is consisted in definition that “existence of local authorities with real responsibilities can provide an administration which is both effective and close to the citizen” (Anon. 2003 : 3).

Foundation for shaping of principles, or general guidelines, for the development of local self-government is set in the European Charter about theoretical concepts and synthesis of experiences of local government. One of the preliminary principles concerns the legislation and capability of the local authorities to “regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population” (Anon. 2003 : 4). Constitutional, legal and statutory frame for jurisdiction of local authorities provide, based upon autonomy of local self-government unit, an independent regulation of public affairs that are of interest to citizens. Besides that, all locally significant activities are also regulated independently. All the activities in the spheres of interests of citizens and their implementation are conditioned by responsibility of the local self-government institutional bodies:

² In the eighties of the twentieth century all countries of developed democracy in Europe have implemented reforms of the local and regional self-government and strengthened institutional capacities of local self-government and administration.

³ *European Charter on Local Self-Government* (2003) Association of Municipalities and Cities of the Federation of BIH, Sarajevo, page 3.

municipal council, municipal mayor and municipal administration. Members of municipal council and municipal mayor are directly elected by citizens at free elections according to their ethical and management capabilities.

In the scope of local self-government and field of activities, basic rights are determined by Constitution of country and by Statute of the local self-government unit – municipality. In regard to that, the Charter stipulates the principle of discretionary power of local authorities to “exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority” (Anon. 2003 : 4). Right of local authorities to implement initiatives to solve development issues for the benefit of citizens has the broadest basis. Those are interests of local population. Everything that is not excluded from the competence of local self-government or assigned to any other authority represents an activity entitled to local self-government, before all municipal council/assembly, which has the power to start development projects of local interests.

Regulations of European Charter on Local Self-Government are the foundation for *the principle of subsidiarity*. This principle has specific importance for the positioning of local self-government and its institutions.

The principle of subsidiarity as defined in the Charter, states that activities shall be exercised “by those authorities which are closest to the citizen” (Anon. 2003 : 4). This is the way local authority units (municipalities and cities) acquired a primary position in the management of local public affairs.

The Charter also classifies an assignment of jurisdiction to other authorities taking into account nature and scope of activities, efficiency and effectiveness of requests. At the same time, the Charter defines principle in which rights entrusted to local authorities will be “according to the rules, full and exclusive” (Anon. 2003 : 4). These rights may not be limited by other authorities, central or regional. This is possible only in cases that are postulated by law. In cases where jurisdiction is transferred to the central or regional authorities, local government/authorities have right to adjust their implementation to the local conditions and be consulted about the whole procedure.

One of the most important supports in activities of the local authorities is local government. Regulations of the European Charter on Local Self-Government provide space for them to “determine their own internal administrative structures in order to adapt them to local needs and ensure effective management” (Anon. 2003 : 4). Local government is important human and institutional resource for providing services to citizens and shaping development projects within the jurisdiction of local self-government.

One of the very significant segments of local self-government development refers to autonomy in the area of financing the local government bodies. Within the economic policy

of the country, bodies of local authorities have right “to adequate financial resources of their own, of which they may dispose freely within the framework of their powers” (Anon. 2003 : 6). Sources of financing of local authorities are adopted according to their jurisdiction and duties, regulated by the constitution and the law of the country.

European Charter’s regulations uphold the *protection of financially indigent local communities*, i.e. less developed ones compared to the average development of local communities. In that context the need imposes itself to establish adequate “equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance...” (Anon. 2003 : 6). Local authorities are consulted by higher level of authorities regarding the allocation of finance resources. European Charter’s regulations define that the sources allocated to local authorities “shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction” (Anon. 2003 : 6).

The widest needs of municipalities and cities for financial support are related to the capital investments in building and maintaining communal infrastructure: water supply and sewage, regulation of construction land and construction of local roads. Basic financial sources for these activities are located in the budget lines of local self-government. Those sources are insufficient even in the developed local communities. Therefore, the need for *capital investments through credit loans is much expressed*. Bearing in mind this need, Charter defines that “local authorities shall have access to the national capital market” (Anon. 2003 : 6). This part related to access to the national capital market is one of the most important for the communal infrastructure financial segment. Borrowing of municipalities and cities is limited by many obstacles: lack of own participation, difficult procedure of getting approval by parliaments of the higher level of government, difficulties regarding the loan instalments, etc. Beside this, it is important to underline that access of local communities to the national capital market is *institutionally and functionally unsolved and it is one of the most difficult factors in the field of communal infrastructure in all countries of the post socialist transitions*. In that context it is significant to stress out the fact that without communal infrastructure and regulation of construction land it is not possible to use environment as the basic resource in the local community development.

Legal and statutory jurisdiction concept of municipalities and cities in the area of local economic and infrastructural development

According to the Law on Local Self-Government in the Federation of Bosnia and Herzegovina (Anon. 2006), self-government area of the local self-government unit is based upon the concept of full jurisdiction. Basic idea is situated in the fact that local

self-government unit – municipality and city have a right to deal with issues related to the local impact, which are not excluded from their jurisdiction or assigned to any other authority. For the unit of self-government (municipality) in the Federation of Bosnia and Herzegovina, there are 30 questions set up by the Law on Principles of Local Self-Government in the Federation of Bosnia and Herzegovina, which determines self-government segments and independence in the decision making process (Anon. 2006). Those questions are related to important areas of social, economic and cultural local community development. In the area of local economic and infrastructural development, the city and municipality as units of local self-government deliver acts in which all development policies have been formed. Among those acts are: municipality budget, mid-term and annual development plans of the local self-government aimed to create conditions for economic development and employment. Regarding the policy of environment management and protection of environment, municipality and city are delivering urban, environmental and implementation plans. Definition of assignment, allocation and use of the environment is in the full jurisdiction of municipality and city. One of the most important plans regarding the environment as a resource is the plan of arrangement and organization of the construction land. Only after preparation of construction land, it is possible to implement the building plans for housing and building plans for industry and economy.

Area of the local self-government infrastructure development and communal infrastructure improvement primarily belongs to the jurisdiction of the local self-government unit. Bearing that in mind, Law on Self-Government Principles of the Federation of Bosnia and Herzegovina has regulations towards local self-government to manage, finance and improve activities of the local communal infrastructure. The role of the unit of local self-government is very important regarding building and maintaining objects of the local communal infrastructure. In this context, it is provided that units of local self-management have jurisdiction for water supply, assortment and withdrawal of sewage, maintain public sanitation, building local roads, organization of local and public transportation (Anon. 2006).

Law on Local Self-Government in Republic of Srpska (Anon. 2004), defines municipality as basic territorial unit of local self-government. Its jurisdiction is extensive and based upon principle that municipality is self-determining regarding all issues of local interest, which are not excluded from their jurisdiction or allocated to another level of government (Anon. 2004). In the field of economic and social local community development, municipality autonomously develops economic development plans, urban and implementation plans.

Jurisdiction in the segment of communal activities has extensive legislation foundation. This Law sets up that municipality concerns water supply, gas and other energy supplies. Furthermore, municipality is taking care of the public transportation, assortment and withdrawal of sewage, maintenance of cemeteries, streets, parks and green areas (Anon. 2004).

It is observable that concept of the legal jurisdiction of municipality in the field of economic and infrastructural development is the same in both entities of Bosnia and Herzegovina. In statutes of municipalities and cities based upon legal regulations, jurisdiction is maintained in order to shape and implement policy of local economic and infrastructural development. For example, statutes of Municipality of Bihać and City of Banja Luka have very extensive scope of jurisdiction regarding the issues of economic and infrastructural development. Statute of Municipality of Bihać regulates following jurisdictions of this local self-government unit: water supply, assortment and withdrawal of sewage, maintenance of cemeteries, streets and bridges, parks and green areas, street lighting, etc (Anon. 2005a).

Statute of City of Banja Luka regulates jurisdictions in the area of maintenance and development of local communal infrastructure. Besides the regulation of public communal infrastructure objects, City of Banja Luka has other jurisdictions such as to ensure production and deliverance of water, heat energy, assortment and withdrawal of sewage, public sanitation, public transportation, maintenance of streets, roads, parks, cemeteries, public parcels sanitation (Anon. 2005b).

Initiation, creation and implementation of local economic and infrastructural development policy are performed through legal and statutory role of municipality council and municipality mayor. Municipality council/assembly is composed of direct elected councillors, representatives in municipality's councils. They express the will and interest of citizens in all aspects of social, economical and infrastructural local self-government development. Those interests are mostly expressed in the activities of citizens in their territorial community unit. Municipality council, based upon the proposal from municipality mayor, shape the economic development policy through mid-term economic development plans, urban and environmental plans and capital investments plans. Municipalities and cities are establishing various bureaus for all needs concerning the preparation of development plans. The role of municipality mayor in the segment of local economic and infrastructural development has two aspects: the first aspect is to propose development policies and projects, and the second aspect is to implement development policy adopted by municipality council. *Preparation and implementation of development projects are evident in the authority, responsibility and management skills of the municipality mayor. His authority is evident as the highest influence in executive power performance. At the same time, his responsibility for development policy in the local self-government unit is based upon the general will of citizens. Moreover, municipality mayor has two aspects of political power: proposition of local community development policy and policy implementation when confirmed by municipality council/assembly.* Relation towards citizens and their interests creates the institution of municipality mayor as the responsible subject for the local community development dynamics. Examples of successful practices in the context of social, economic and infrastructural development

in Bosnia and Herzegovina verify hypothesis that this kind of development is determined by responsibility and management skills of the municipality mayor.

According to the relevant indicators of local economic and infrastructural development for the period of several decades, these are the municipalities, which are remarkable with their results: Gračanica, Široki Brijeg, Tešanj, Ljubuški, Tuzla, Bijeljina, Centa Sarajevo, Srebrenik, Zenica, Čitluk, Laktaši, Doboj, Živinice, Bosanska Gradiška, Stari Grad Sarajevo, Prijedor, Konjic, Vitez, Bihać, Goražde, Ilidža, Novi grad Sarajevo and Novo Sarajevo.

The main aspects of the local self-government unit's role in local economic and infrastructural development

After the Second World War, many European countries' municipalities and cities have gained important role in the local economic and infrastructural development, particularly as holders of the reconstruction and development processes. This kind of practice has been especially confirmed in Germany after the war, whose leader Conrad Adenauer, initially as the Mayor of Köln, created the model of rapid local economic and infrastructural development in municipalities and cities. Local communal infrastructural development and industry had created a wide-ranging economic and social development in Germany, making Germany one of the most developed countries in Europe in the 60's of the twentieth century.

In the period of communal system reconstruction in the fifties of twentieth century in the Yugoslav socialist federation, local self-government and free initiatives of citizens in the area of local economic and infrastructural development have been initiated. Interest of citizens for their local community development was expressed by introduction of self-contribution for local community development. It was especially articulated in the construction of water supply systems, electric energy supply systems and local roads.

After the Dayton Peace Agreement in 1995, units of local self-government in Bosnia and Herzegovina have had very important role in the reconstruction process of local communal infrastructure. Considerable role was also played by the international community, which contributed greatly with financial support for the reconstruction of the communal infrastructure.

Major aspects of the municipalities' and cities' role within the local economic and infrastructural development are articulated by activities that *provide planning of industrial economy and employment of the population*. Unit of local self-government is able to create conditions for development of industry and employment. Those conditions are visible in policies and measures that can be brought up by the municipality

and city council based upon resources of the city and municipality. Those resources are area itself and management capacities for creating development projects. Beside all this, it is possible to have supporting measures for economic and industry development and service industry development through tax reliefs, favourable conditions for deliverance of construction land and encouraging conditions for loans.

The main aspects of municipalities' role as the unit of local self-government in the area of local economic and infrastructural development are articulated in these elements:

- Unit of local self-government carries out plans for mid-term and annual social and economic development. Within those plans, municipality defines goals for its development according to natural and human resources at her disposal;
- Unit of local self-government: municipality and city carry out urban and environmental plans and plans considering construction land;
- Based upon the preparation of construction land, unit of local self-government defines assignment for industrial zone and the zone for small businesses development;
- Unit of local self-government implements measures regarding employment and economy development, especially towards young people. These measures provide better conditions regarding tax policy and loan conditions;
- Unit of local self-government, with its own resources or in cooperation with other units, establishes and develops bureaus for the local economic and infrastructural development;
- Bureaus of the local self-government unit establish professional capacities for local economic development projects and qualification of municipalities for the donations' applications within the European structural funds.

Ideal of local self-government implied democratic participation of citizens in decision making processes regarding their interest in the local communities. One of the most important interests of citizens is establishment of conditions for employment and industry. In that view, local authorities: municipal council, municipal mayor and municipal administration *have irreplaceable development function in the widest context* of local economic development and democracy development in the whole society. Local self-government has a capacity to develop and promote the role of citizens within the participative and representative democracy.

Local infrastructure development, its conception and function is a precondition of entire social, economic and welfare development of municipality and city as units of local self-government. Provision of water supply, energy supply, treatment of waste and sewage are the basis for the fulfilment of people's everyday needs in their local communities, rural and urban settlements.

The role of local community and its authorities in the segment of infrastructural development have these following aspects:

- Units of local self-government in their institutions, before all in the activities of municipal council, set up goals, policy and instruments for the implementation of endeavours in the segment of infrastructure;
- Unit of local self-government is the carrier of projects' development and capacity building for water supply of entire population in the local community, then collection, treatment and disposal of sewage;
- Unit of local self-government is responsible for the financial conditions for construction of facilities aiming to supply citizens with energy products: gas, electric energy and heat energy supply;
- All inhabited places in the unit of local self-government are connected with the centre of municipality and surroundings by local transportation. Municipality as the local self-government unit obtains local roads and organization of the public transportation for residents.

Construction and maintenance of communal infrastructure determines the dynamic of local community social and economic development. If the local self-government institutions – municipal council and municipal mayor – have no plans and no ensured financial sources for regulation and urban planning, water supply planning, supply of energy products, etc., subsequently all new housing construction and construction of new business capacities are disputed. Due to the inappropriate position of municipalities in the distribution of public profit⁴, units of local self-government in Bosnia and Herzegovina do not operate with adequate financial sources and financial independence for the capital investments in constructing infrastructure. Particular problem is articulated in municipalities that are inadequately developed or undeveloped at all.

Insufficient financial sources in municipalities' budgets for capital investment in local communal infrastructure, especially in undeveloped and poor municipalities, stress out the question of municipalities' and cities' approach towards the capital market in the country. *The fact is that conditions and procedures of credit loans for municipalities and cities considering capital investments are not resolved within national legal regulation.* Because of that, many municipalities have no opportunities for capital investments in the communal infrastructure. They depend on the *grants allocated from higher level authorities.*

Credit loans for municipalities considering capital investments are recommended by Committee of Ministers of Council of Europe (Anon. 1992; Anon. 2003 : 34). Beside the recommendations for approach to the local national capital market, in addition, an approach towards integrated European markets in capital market investments has been recommended (Anon. 1992; Anon. 2003 : 34). This kind of position of the local

⁴ According to the Law on Public Income Allocation in the Federation of BiH, municipalities participate with 8.45%. In the Republic of Srpska, based upon the Law on Public Income and Expenditure, municipalities receive 23% of income.

self-government unit is analyzed through examples of Municipality of Gračanica and City of Bijeljina as models of successful practices.

Model of local economic and infrastructural development: case study Municipality of Gračanica

Municipality of Gračanica has 58.000 inhabitants. It is one of the most developed municipalities in Tuzla Canton. In the area of Municipality of Gračanica there are 9.500 employed citizens. This municipality has had very dynamic economic and infrastructural development in the last ten years and more. Analysed achievements concerning local development projects for the period 2008–2012 offer knowledge that local self-government institutions – municipal council, municipal mayor and municipal administration – primarily direct their legal and statutory role towards the needs of local population in the segments of economic development and communal infrastructure construction.⁵ This municipality defined its strategic goals in the Strategy of Integral Municipality Development. This Strategy was redefined for the period of 2011–2020 (Anon. 2011a : 3). Based upon the Strategy of Integral Municipality Development of Gračanica, programme goals of the municipal mayor, adopted by municipal council for 2008, 2009, 2010, 2011 and 2012 were focussed into three areas:

- Support to the local economic development;
- Functioning of municipality administration as the service for citizens and local business;
- Increasing and improving services of public communal companies and institutions at the higher level for all citizens and their interests.

For the realization and implementations of these goals (economic and infrastructural development), Municipality of Gračanica has designed various economic development and communal infrastructural projects. What especially characterised the validity of this local economic and infrastructural municipality of Gračanica development is the philosophy of developing not only the midpoint of municipality but other communities in the area as well. In this context, development projects were structured as huge projects for the municipality and smaller development projects for the local communities in the area.

Among the most significant municipal development projects are the following:

- Structure of regulation plans for industrial zone and numerous business zones with construction land;
- Support to the self-governing business throughout better conditions concerning allocation of land, and payment of municipal tax and annuity;

⁵ This opinion is result of content analyses of program activities of the Mayor of Municipality of Gračanica for 2008; 2009; 2010; 2012

- Establishment of municipal centre for business, which provides services for businessmen, all necessary documents and permissions for business in seven days;
- Heating of city area and industrial zone. Municipality of Gračanica uses energy from own thermal sources;
- Business promotional project through municipal trade fare “Grapos – expo”;
- Construction of local roads;
- Water supply project;
- Financial support to projects for agriculture;
- Sewerage construction projects in all municipality areas;
- Projects for collection and treatment of sewage;
- Public lighting projects in all municipality inhabited areas.⁶

Financing for development projects is ensured from municipality’s own financial resources. Annual budget in the period 2008–2012 was 10.000.000 KM. Around 40% of Municipality of Gračanica’s budget is allocated to local economic and infrastructural development. Annually, Municipality allocates three to four million KM (Anon. 2012a : 2). Therefore, budget of Municipality of Gračanica has primarily development function. The following presents the dynamic of investments viewed annually. During 2008 in local economic and infrastructural development of Municipality of Gračanica it invested 4.824.716 KM in 85 capital projects (Anon. 2008a : 9-12). The biggest investment was allocated for capital projects: heating system of the city, building of local roads, communal water supply systems and public lighting. In 2009, 46 capital projects were implemented with invested 4.441.800 KM of the budget resources. Mayor projects were: heating system of the city with 815.000 KM, as well as the construction of sports hall “Luke” with the budget of 1.100.900 KM (Anon. 2009a : 12-13). For 2010, the programme of the Mayor of Municipality of Gračanica planned implementation of 57 capital projects. These 57 capital projects required 3.721.716 KM to be invested out of the budget sources. During that year (2010) the biggest investments were allocated to the construction of water supply system in 11 communal units. In the communal unit of Stjepan Polje 533.571 KM was invested for communal infrastructure (Anon. 2010a : 15-16). Moreover, significant investments were allocated to the construction of communal infrastructure in the business zone and local road: Gračanica-Lendići.

General economic crisis had influence on declining of the financial investment for municipality budgets. That is why the budget for capital projects in 2011 was decreased too. During this year, 58 capital projects were implemented with an investment of 1.838.766 KM of budget sources (Anon. 2011b : 22-24).

Increase of the budget sources for investment in the capital projects emerged in 2012. During this year, nearly 5.000.000 KM was invested out of the budget, plus

⁶Implementation of these development projects during 2008, 2009, 2010, 2011 and 2012 is based upon annual activities programme of the Mayor of Gračanica Municipality.

the sources obtained by the loan from commercial bank in the amount of 2.200.000 KM. Those financial resources were used for completion of key roads and streets with investments of 1.329.000 KM. For the capital water supply projects 1.044.000 KM was invested. At the same time, during current year, 2.104.000 KM was invested for the sewerage project (Anon. 2012a : 31).

Dominant allocation of the local self-government capacities of the Municipality of Gračanica in the segment of local economic and infrastructural development made this municipality an example of good practice. This Municipality is affirmed as the one of the most successful models of the local economic and infrastructural development in Bosnia and Herzegovina. Through execution of the discretion power principle for initiating activities in the interests of citizens, local authorities successfully used that possibility in the jurisdiction that is neither out of municipality nor is it allocated to another level of government, which is regulated by the European Charter on Local Self-Government. Therefore, Municipality of Gračanica created local self-government with its own self-organization and responsibility. According to all this mentioned, Municipality of Gračanica as the unit of local self-government effectively achieved and performed the function and the role in the local economic and infrastructural development and it substantiates interests of citizens for economic development and better living conditions.

Model of local economic and infrastructural development: case study City of Bijeljina

According to the analyses of the Activities Report of the Mayor of Bijeljina for the period 2007–2012, it is concluded that this is an example of good practice in the achievement of successful role in the segment of local economic and infrastructural construction and development.⁷ After the period of longer backwardness in the construction of communal infrastructure, there was a turning point in the Municipality of Bijeljina. In the first decade of 21st century, institutions of the local self-government of the Municipality of Bijeljina – municipal assembly, municipal mayor and municipal administration – reshaped the plans and projects concerning communal infrastructure. During 2007 at the Municipal Assembly meeting in June, the Development Strategy of the Municipality of Bijeljina until 2015 was adopted (Anon. 2007a : 5).

Implementation of the Development Strategy of Municipality of Bijeljina is performed through several infrastructural projects:

⁷“Local communities in BIH, according to the recommendations of international institutions, very often use an example of good practice in the City of Bijeljina, so we have had a huge number of visits by representatives of local communities from RS and FBiH, who asked for our assistance in the implementation of some solutions.” See: Activities Programme Report of Mayor and Administrative Service of the City of Bijeljina in 2012, page 3

- Sewerage system;
- Regional landfill;
- Water supply system facilities;
- City traffic junction;
- Local roads;
- Gas supply system;
- Heating.⁸

The design process of these projects was based upon the opinion that construction of communal infrastructure presents an assumption for the general development in Municipality of Bijeljina: economic, social, demographic and cultural. It is also an assumption towards better life and fulfilment of citizens' needs. Vision for the infrastructural development of Municipality of Bijeljina is ensured by the Development Strategy of this Municipality. Excellent management skills and capacities are articulated in the role of municipal mayor and modernization of the municipal administration.

Implementation of capital projects considering communal infrastructure in the Municipality of Bijeljina indicated the new approach towards obtaining financial resources. This approach is ensured by increase of the municipal budget and obtaining financial resources through loans and donations as well as obtaining grants from Republic of Srpska (Anon. 2007a : 6).

Budget of the Municipality of Bijeljina in 2007 was 46.291.971 KM (Anon. 2007a : 14). Resources based on loans amounted to 8.030.000 KM and based on the capital grant of Republic of Srpska 335.000 KM. In 2008, the budget of the Municipality of Bijeljina grew and was 53.460.940 KM. Participation of local capital grants from the other levels of government increased to 1.085.247 KM. Gain from the loans was 7.020.680 KM (Anon. 2008b : 16). Decreasing of budgetary funds came in 2010. Budget resources for 2010 were 47.951.748 KM (Anon. 2010b : 4). For 2011, municipality budget increased to 50.293.379 KM which provided investments for the infrastructure and other premeditated obligations.

Secured financial resources in the budget of the Municipality of Bijeljina for 2012 were 48.567.035 KM. Gains from the loans within the budget structure were 4.900.000 KM (Anon. 2012b : 25).

Since 2012 Municipality of Bijeljina has a status of City of Bijeljina. With this status, Bijeljina gained new opportunities in local self-government capacity building. Cross-city collaborations, including cross-border collaborations with other cities, will create possibilities for the new development projects promotion and their financial

⁸ *Activities Programme Report of Mayor and Administrative Service of the City of Bijeljina in 2007*, page 1-2.

support. City of Bijeljina has significant natural and human resources. Municipality has outstanding soil for food production and its placement in the region.

Local authorities of City of Bijeljina in terms of good practice development for project planning⁹ and communal infrastructural financing have confirmed that success is possible with good self-organization, strategic planning and capacity building, while listening to the will and interests of citizens. City Assembly and the Mayor were the most responsible for the implementation of capital investments in the communal infrastructure. Communal infrastructure construction was an encouragement and stimulation for development expansion concerning economic development, local transportation, health care, education and culture in the City of Bijeljina. Communal infrastructure construction of City of Bijeljina increased democratic participation of citizens in decision making processes about public affairs and encouraged their trust in the local institutions: City Assembly, Mayor and Municipal Administration.

Communal infrastructure development model in this Municipality, or rather City of Bijeljina since 2012, confirmed the importance of legal and statutory regulations within the unit of local self-government. When local economic and infrastructural development of municipalities in Bosnia and Herzegovina attains dynamic improvement, at the same time it means that the whole state of Bosnia and Herzegovina has flourishing development on the entire territory.

Conclusion

In the history of society development, local community emerged in the *form of permanent inhabitancy of people at one particular territory*. Inhabitancy throughout the history has two types: urban and rural communities.

Territorial proximity of people in one settlement sets up mutual needs. Those needs are known as primary needs in everyday living: work, housing, water and energy supply, local transportation, communal and social activities.

Mutual needs of people in the local community are fulfilled by their activities. Citizens in local community create a network of social relations and establish institutions, which by their activities fulfil their needs.

Local self-government within the historical democracy development appeared as political and legal institution of citizens in the local community. *Local self-government is the most suitable form for direct participation of citizens in the management of public affairs*. Local self-government is established and performed in the

⁹ City of Bijeljina started with production of Development Strategy of City of Bijeljina for the period 2015–2023.

municipality as the basic self-government territorial unit. Citizens directly elect the bodies of local self-government units. Municipality has its own statute and autonomy in self-organization and financing of its internal management and administration.

European democratic tradition brought up an adoption of the European Charter on Local Self-Government as the multilateral legal and political document in the Council of Europe in 1985. According to the theoretical basis, as well as according to the synthesis of different experiences in practice of local self-government development in European countries with developed democracy, various standards and principles were set up considering local self-government development. Starting point of the local self-government development is the principle of subsidiarity. Social meaning of this principle in the Charter is defined in a way that public affairs should be firstly obtained by the local authorities that are closest to the citizens. The Charter also provided the principle of discretion power use in order for local authorities to implement their own initiatives regarding all matters that are not assigned in the jurisdiction of any other level of government. In that context, local authorities, based upon their own skills and responsibility, according to the legal regulations, can control and manage significant part of public affairs in the interests of local population.

As the member of Council of Europe, state of Bosnia and Herzegovina has ratified the European Charter on Local Self-Government in 2002. In that manner, principles of the European Charter on Local Self-Government became a property of citizens in their municipalities as the units of local self-government. *Principles of the European Charter on Local Self-Government in Federation of Bosnia and Herzegovina are situated in the Laws on Local Self-Government of Federation of Bosnia and Herzegovina and Republic of Srpska, because the local self-government is guaranteed by the Constitutional Laws of BIH entities.*

Legal jurisdiction concept of municipalities presents their self-management scope within which institutions of local self-government: assembly/council, municipal/city mayor and municipal administration open initiatives and reshape development projects considering various interests of their local community.

In the wider context of legal jurisdiction concept, units of local self-government have a significant position regarding local economic and infrastructural development. Local economic and infrastructural projects are the basis for successful development of entire local community and improvement of quality conditions for living and work.

Municipality with its management capacities reshapes long-term and mid-term economic development projects activating its human and natural resources. At the same time, municipal councils/assemblies as the representative bodies of citizens endorse environmental, urban and regulation plans: construction land, construction of industrial and business zones. Municipality introduces supporting measures for economic and industrial development and employment with its tax policy.

Social, economic and cultural municipality and city development depends on implementation of projects and construction of local infrastructure. Those projects before all are: water supply systems, sewerage systems, heating and electricity systems and treatment and disposal of sewage. Also, those projects are: communal roads construction, organization of local public transportation, public lightning in inhabited areas.

Communal infrastructure construction indicates *financial recourses management*. Own funds from the municipalities and cities are insufficient because the relations considering public income sharing are not suitable for the units of local self-government. In Federation of Bosnia and Herzegovina, municipalities participate with 8.45%. In Republic of Srpska this participation is more suitable for municipalities with 23%. The biggest number of municipalities in Bosnia and Herzegovina belongs to the group of undeveloped municipalities. Near to 10-15 municipalities has a status of extremely undeveloped local communities.

In addition to this, municipalities' and cities' approach towards national capital market is not solved yet. Loans for capital investments are difficult to get for almost all cities and municipalities. Optimal solutions are needed for capital investments financing.

Examples of successful practices considering local economic and infrastructural development are several cities and municipalities in Bosnia and Herzegovina. According to the content analysis that belong to the activities of mayors of Bijeljina and Gračanica in the period 2008–2012, some key elements are defined considering their successful models.

Planning and implantation of local self-government economic and infrastructural development model in Municipality of Gračanica verifies the hypothesis that institutions of local self-government have responsibility for the local community development and interests of their citizens. This can be very important lesson for strengthening the role of less developed local self-government units. *Municipality of Gračanica allocated more than 40% of its annual budget towards capital investments in the communal infrastructure development and industry. What presents the particular characteristic of this Municipality's development model is the equal development of local communal infrastructure in all community units in the area of entire Municipality.*

Municipality of Bijeljina – holding a status of City as of 2012 – according to results achieved in the field of communal construction is also among the most successful units of local self-government. Institutions of local self-government of City of Bijeljina – municipal mayor, municipal assembly and municipal administration – reshaped development projects in the segment of local communal infrastructure.

Those projects are: construction of sewerage system, water supply system, city traffic junction and regional landfill. These development projects became the basis for the general development of City of Bijeljina and for the better living and working conditions of citizens.

The main characteristic of this local communal construction model in City of Bijeljina is *in locating the financial resources for the capital investments* with loans from the World Bank and European Bank for Reconstruction and Development. This development model in City of Bijeljina became an example of successful practice for other municipalities and cities in Bosnia and Herzegovina.

Strengthening the role of local authorities in the field of local economic and infrastructural development considers *more reforms within the legal treatment of the municipality's position regarding the public income and regarding improvement of conditions for an access to the national capital market*. Following reforms should be taken into the consideration:

First, *adjustment is required considering participation of municipalities as units of local self-government in the public income allocation*. Present participation of municipalities should be raised to the European average level of 25% to 30%.

Second, *it is important to provide adjustments in the legal regulations for municipalities and cities to have an access to the national capital market and to obtain loans in the field of local communal infrastructural construction*.

Third, it is vital to *form bureaus for business and economy activities considering development of local communities through association of municipalities*. These bureaus should strengthen municipality management capacities, especially in application capabilities regarding European structural funds. This would also speed up integration processes of Bosnia and Herzegovina in the European Union.

Fourth, municipalities and cities have different level of economic, social and infrastructural development. For the municipalities that are in the group of undeveloped municipalities – 20% out of 140 municipalities in Bosnia and Herzegovina – *it is necessary to establish the Fund for Undeveloped Municipalities in Federation of Bosnia and Herzegovina and in Republic of Srpska*.

Improvement of management quality and skills of municipalities and cities and improvement of their financial position will be important contribution for the strengthening of their development role in Bosnia and Herzegovina in the field of local economic and infrastructural development.

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