

# Competitiveness of Economy of **Vojvodina**

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AP Vojvodina



# Competitiveness of Economy of **Vojvodina**

INVESTMENTS

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ENERGY

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SURVEY ON COMPETITIVENESS FACTORS

 **LEGAL FRAMEWORK OF THE AP VOJVODINA**

COMPETITIVENESS OF VOJVODINA: FINDINGS AND RECOMMENDATIONS



# Competitiveness of Economy of **Vojvodina**

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# LEGAL FRAMEWORK OF THE AP VOJVODINA

## 8.1 Legal aspects of improving of competitiveness of economy

### 8.1.1 Introduction

Improving of competitiveness of a region is reflected in creation and implementation of law relating to the relevant region. This statement also applies to the Autonomous Province of Vojvodina (hereinafter referred to as: Vojvodina), as a separate territorial entity of the Republic of Serbia regulated by the Constitution of the Republic of Serbia (hereinafter referred to as: Constitution), laws and other regulations of the Republic of Serbia.

Legal relations in economy of Vojvodina are regulated largely in the same way as legal relations in the Republic of Serbia (hereinafter referred to as: Serbia). The Constitution stipulates that Serbia enacts laws and other legal acts of lower legal force, and that an autonomous province cannot enact laws, but that the highest legal acts adopted are the decisions. Considering the above-mentioned fact, the laws enacted by the Serbia regulate legal relations in Vojvodina. Vojvodina has the executive power that affects the enforcement of the law and, thus, enhances the protection of rights and property of persons who exercise economic relations in the territory of Vojvodina, which are based, or have permanent or temporary residence in the territory of Vojvodina, increase the competitiveness of Vojvodina as the territorial community. Competitiveness of Vojvodina is also analysed and through competitiveness of local self-governments units in its territory.

Legal aspects of the competitiveness of Vojvodina is reflected through sources of law and their contents: harmonisation of legal norms, regulating the rights of citizens, regulating the conditions for doing business and foreign and domestic investments, concessions, protection of competition and equality of participants on the market, efficiency of judiciary system and governance and combating corruption are essential elements of increase of competitiveness of economy, transparency of legislation, and their enforcement and availability of justice.

The content of sources of law is only the first prerequisite of competitiveness, because the existence of regulations does not guarantee their implementation. The implementation of positive regulations is another important prerequisite of competitiveness. The implementation of regulations has to be efficient and transparent. This means that in the case of implementation or violation of rights of individual legal and natural persons, the same person can achieve protection with implementation of the principle of equality before the judicial and executive authority, with the possibility of achieving a two-tier decision-making.

The Constitution regulates the power of Vojvodina, to regulate matters of provincial significance in the following fields of business and in accordance with the law: 1) spatial planning and development, 2) agriculture, water management, forestry, hunting, fishing, tourism, catering, spas and health resorts, protection of the environment, industry and crafts, land, river and railroad transport and regulation of roads, organisation of trade fairs and other economic events, 3) education, sport, culture, health and social protection, and public information at the provincial level. The Constitution also stipulates that Vojvodina takes care of exercising of human and minority rights, in accordance with the law. It also proclaims that Vojvodina manages assets of the autonomous province in accordance with the law.

Legal aspect of the competitiveness of Vojvodina, as a territorial community that has no legislative powers, is seen primarily in the sphere of exercising of rights and protection of the rule of law through authorities/bodies of the autonomous provinces and local self-government within the territorial community of Vojvodina, while increasing the efficiency of the decision-making process, general and individual administrative documents, internal procedures and compliance of decisions that have been made in the sphere of discretion evaluation.

Provincial and local authorities are one of the main foundations of a democratic system along with the right of citizens to perform public duties as one of the basic democratic principles common to all Member States of the Council of Europe. The European Charter on Local Self-Government points out that the rights of citizens to perform public affairs can be achieved most directly at the local level and that through local authorities with actual responsibilities it is possible to provide for an efficient and administration close to the citizens. Local authorities are an important form of democratisation and decentralisation of power, if they have a democratically constituted decision-making bodies and a wide degree of autonomy in terms of their responsibilities. It is therefore necessary to set the foundations for instruments and methods for realisation of obligations and responsibilities of local self-government and autonomous province, as well as resources that are required for their implementation.

This paper will analyse legal aspects of possibility of increasing the competitiveness of Vojvodina, as a territorial community, as well as local self-government units in its territory.

## 8.1.2 Sources of law

In addition to the Constitution of the Republic of Serbia<sup>1</sup>, as the highest legal act in Serbia, the basic legislation regulating functioning of the autonomous province include: the Law on Establishing Responsibilities of the Autonomous Province<sup>2</sup>, the Law on Establishing Specific Responsibilities of the Autonomous Province<sup>3</sup>, Law on Territorial Organisation of the Republic of Serbia<sup>4</sup>, Law on Local Self-Government<sup>5</sup>, Law on Local Self-Government Financing<sup>6</sup> and Law on Ratification of the European Charter on Local Self-Government<sup>7</sup>.

In addition to the above-mentioned, the following regulations are also important for the competitiveness of Vojvodina: Statute of Vojvodina<sup>8</sup>, Decisions regulating the organisation of Vojvodina, Decisions regulating the budget of Vojvodina, Decision on the manner and priorities in the execution of the budget of Vojvodina and the manner of execution of transfers to the units of local self-government<sup>9</sup>, Regulations on the standards and criteria for establishing of prices of elaboration of urban planning documents, urban-technical conditions etc., Regulations on the costs of the proceedings, Integrated Regional Development Programme of the AP Vojvodina ("2004-2007")<sup>10</sup>, Decision on establishing the list of programmes for implementation priorities of the Integrated Regional Development Programme of the AP Vojvodina for the period from 2004 to 2007<sup>11</sup> and other general and individual official documents of the Assembly, Executive Council, Secretariats and other bodies of Vojvodina.

The following regulations, although they are not directly or exclusively relating to Vojvodina, namely local self-government, affect their economic development: the Law on Ratification of the Stabilisation and Association Agreement between the European Communities and their Member States, on the one hand, and the Republic of Serbia, on the other hand<sup>12</sup>, Law on Ratification of the Treaty Establishing the Energy Community between the European Union and the Republic of Albania, Republic of Bulgaria, Bosnia and Herzegovina, Republic of Croatia, Former Yugoslav Republic of Macedonia, Republic of Montenegro, Romania, Republic of Serbia and the United Nations Interim Mission at Kosovo in accordance with Resolution 1244 of the UN Security Council<sup>13</sup>, Law on Ratification of the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on Co-operation in Oil and Gas Industry<sup>14</sup>, Company's Law<sup>15</sup>, Law on Company's Registration<sup>16</sup>, Law on Public Enterprises and Execution of Activities of General Interest<sup>17</sup>, Law on Public Utilities<sup>18</sup>, Law on Assets Owned by the Republic of Serbia<sup>19</sup>, Law on Public Debt<sup>20</sup>, Law on Foreign Investments<sup>21</sup>, Law on Protection of Compe-

<sup>1</sup>Constitution of the Republic of Serbia ["Official Gazette of the Republic of Serbia" no. 83/06 and 98/06].

<sup>2</sup> Law on Establishing Responsibilities of the Autonomous Province ["Official Gazette of the Republic of Serbia" no. 99/09].

<sup>3</sup> Law on Establishing Specific Responsibilities of the Autonomous Province ["Official Gazette of the Republic of Serbia" no. 6/02].

<sup>4</sup> Law on Territorial Organisation of the Republic of Serbia ["Official Gazette of the Republic of Serbia" no. 129/07].

<sup>5</sup> Law on Local Self-Government ["Official Gazette of the Republic of Serbia" no. 129/07].

<sup>6</sup> Law on Local Self-Government Financing ["Official Gazette of the Republic of Serbia" no. 62/06].

<sup>7</sup> Law on Ratification of the European Charter on Local Self-Government ["Official Gazette of the Republic of Serbia" no. 70/07].

<sup>8</sup> A new Statute of the AP Vojvodina was declared on 14<sup>th</sup> December 2009.

<sup>9</sup> Decision on the manner and priorities in the execution of the budget of Vojvodina and the manner of execution of transfers to the units of local self-government ["Official Journal of the APV" no. 7/09 and 9/09].

<sup>10</sup> Integrated Regional Development Programme of the AP Vojvodina ("2004-2007), which was adopted by the Assembly of the AP Vojvodina on December 10th, 2003.

<sup>11</sup> Decision on establishing the list of programmes for implementation priorities of the Integrated Regional Development Programme of the AP Vojvodina for the period from 2004 to 2007, which was passed by the Executive Council of Vojvodina ["Official Journal of the APV" no. 10/2004].

<sup>12</sup> Law on Ratification of the Stabilisation and Association Agreement between the European Communities and their Member States, on the one hand, and the Republic of Serbia, on the other hand ["Official Gazette of the Republic of Serbia" no. 83/08].

<sup>13</sup> Law on Ratification of the Treaty Establishing the Energy Community between the European Union and the Republic of Albania, Republic of Bulgaria, Bosnia and Herzegovina, Republic of Croatia, Former Yugoslav Republic of Macedonia, Republic of Montenegro, Romania, Republic of Serbia and the United Nations Interim Mission at Kosovo in accordance with Resolution 1244 of the UN Security Council ["Official Gazette of the Republic of Serbia" no. 62/2006].

<sup>14</sup> Law on Ratification of the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on Co-operation in Oil and Gas Industry ["Official Gazette of the Republic of Serbia" no. 83/08].

<sup>15</sup> Company's Law ["Official Gazette of the Republic of Serbia" no. 125/04].

<sup>16</sup> Law on Company's Registration ["Official Gazette of the Republic of Serbia" no. 55/04 and 61/05].

<sup>17</sup> Law on Public Enterprises and Execution of Activities of General Interest ["Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05].

<sup>18</sup> Law on Public Utilities ["Official Gazette of the Republic of Serbia" no. 16/97 and 42/98].

<sup>19</sup> Law on Assets Owned by the Republic of Serbia ["Official Gazette of the Republic of Serbia" no. 53/95, 3/96, 54/96 and 32/97].

<sup>20</sup> Law on Public Debt ["Official Gazette of the Republic of Serbia" no. 61/05].

<sup>21</sup> Law on Foreign Investments ["Official Gazette of the FRY" no. 3/02 and 5/03].



tition<sup>22</sup>, Customs Law<sup>23</sup>, Foreign Trade Law<sup>24</sup>, Law on Concessions<sup>25</sup>, Environmental Protection Law<sup>26</sup>, Law on Environmental Impact Assessment<sup>27</sup>, Law on Strategic Environmental Impact Assessment<sup>28</sup>, Energy Law<sup>29</sup>, Mining Law<sup>30</sup>, Law on Geological Research<sup>31</sup>, Water Law,<sup>32</sup> Law on Forests<sup>33</sup>, Law on Free Zones<sup>34</sup>, Law on Investment Funds<sup>35</sup>, Law on the Spatial Plan of the Republic of Serbia<sup>36</sup>, Law on Planning and Construction<sup>37</sup>, Labour Act<sup>38</sup>, the laws regulating taxes, organisation of the judiciary system, civil and criminal procedure laws and by-laws of these laws. In addition to these regulations and their by-laws, the Economic Development Strategy of the Republic of Serbia and Development Strategies of certain economic sectors (energy, telecommunications), documents passed for the purpose of enforcement of those strategies, development plans of public enterprises (electricity, oil industry, gas industry, telecommunications), development plans of utility companies, various action plans, etc. are also of significance for economic development of local self-government units.

In addition to the above-mentioned, the following regulations relating to local self-government units, regional networking and urban planning are also relevant for improvement of competitiveness of Vojvodina: Statutes of local self-government units, Decisions on municipal budgets, Decisions on organisation of municipalities, Decisions approving the decisions on associate membership of the local self-government unit in international organisations such as the Association of Towns and Municipalities "Eurocities", Network of fortified cities, "Danube - Kris - Mures - Tisa" (DKMT) Euro region, "Djerdap - Middle Danube" Euro region, etc., Local Environmental Action Plans, Regulations on standards and criteria for establishment of prices for elaboration of urban planning documentation, urban and technical conditions etc., Regulations on the costs of proceedings and other general and individual acts of local self-government units.

Although they have no direct influence on creation of a legal basis for the improvement of competitiveness and economic development of local self-government units, a significant number among regulations governing legal relations within the local self-government unit, belongs to regulations relating to the election, nomination, appointment and dismissal of the bodies of local self-government unit and organising of elections. The most significant among them are the Law on Local Elections<sup>39</sup>, Law on Referendum and Popular Initiative<sup>40</sup> and regulations of general importance for the local self-government unit, such as: the Decree on determining house numbers, building numbers and marking the names of places, streets and squares<sup>41</sup> etc.

### 8.1.3 Instruments of regional and local economic development promoting

Competitiveness and local economic development can be promoted by system solutions in some regulations, as well as by implementation of specific instruments. Vojvodina has no legislative authority and no representatives in the National Assembly of the Republic of Serbia, due to the fact that Serbia has a party, not a territorial electoral system. Therefore, the impact of citizens of Vojvodina, namely the citizens of local self-government units in the territory of Vojvodina, on the contents of laws is institutionalised through the law enactment procedure. Encouraging competitiveness, and thus of local economic development of Vojvodina is achieved through the interests of individual MPs who belong to political options, having their interest to promote and thus exercise the impact on system solutions in different sectors of the economy. The consequence is that the laws of the Republic of Serbia rarely include solutions that affect specifically the development of certain territorial entities, respecting their diversity.

There are different instruments that promote competitiveness, and thus the competitiveness of local economic development and that have proven very successful in the region. Certainly, the success of an instrument is determined not only by the legal framework in which it is implemented, but also by natural, social, and political conditions.

The instruments that foster competitiveness and local development include: 1) support of the Government, assistance of the provincial authorities of executive power, 2) assistance from private sources, 3) programmes of financial nature (loans, revolving loan funds), 4) self-contribution, 5) the issuance of securities, 6) imposing their own taxes, 7) public-private partnerships, 8) foreign investments, 9) free zones, 10) concessions, 11) fostering of employment and other instruments.

22 Law on Protection of Competition ("Official Gazette of the Republic of Serbia" no. 51/09).

23 Customs Law ("Official Gazette of the Republic of Serbia" no. 73/03).

24 Foreign Trade Law ("Official Gazette of the Republic of Serbia" no. 36/09).

25 Law on Concessions ("Official Gazette of the Republic of Serbia" no. 55/03).

26 Environmental Protection Law ("Official Gazette of the Republic of Serbia" no. 135/04 and 36/09).

27 Law on Environmental Impact Assessment ("Official Gazette of the Republic of Serbia" no. 135/04).

28 Law on Strategic Environmental Impact Assessment ("Official Gazette of the Republic of Serbia" no. 135/04).

29 Energy Law ("Official Gazette of the Republic of Serbia" no. 84/04).

30 Mining Law ("Official Gazette of the Republic of Serbia" no. 44/95 and 34/06).

31 Law on Geological Research ("Official Gazette of the Republic of Serbia" no. 44/05).

32 Water Law ("Official Gazette of the Republic of Serbia" no. 46/91, 53/93 and 54/96).

33 Law on Forests ("Official Gazette of the Republic of Serbia" no. 46/91, 83/92, 54/93, 60/93 and 54/96).

34 Law on Free Zones ("Official Gazette of the Republic of Serbia" no. 62/06).

35 Law on Investment Funds ("Official Gazette of the Republic of Serbia" no. 62/06).

36 Law on the Spatial Plan of the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 13/96).

37 Law on Planning and Construction ("Official Gazette of the Republic of Serbia" no. 72/09).

38 Labour Act ("Official Gazette of the Republic of Serbia" no. 24/05, 61/05 and 54/09).

39 Law on Local Elections ("Official Gazette of the Republic of Serbia" no. 33/02, 37/02 and 42/02).

40 Law on Referendum and Popular Initiative ("Official Gazette of the Republic of Serbia" no. 48/94 and 11/98).

41 Decree on determining house numbers, building numbers, and marking the names of places, streets, and squares ("Official Gazette of the Republic of Serbia" no. 110/03, 137/04 and 58/06).

The instrument called "**all permits at one place**" is the practice where an investor can obtain all the necessary permits to start its business at one place, within the shortest possible period and with the minimum costs.

**Marketing** is an instrument that serves to attract investors. Web site is one of the most important instruments of modern marketing that is used for two-way communication between investors and territorial communities (the province or local self-government unit), which, if it is well-organised, makes the first step in selection of investment sites for investors.

**Standardisation and Certification** are the instruments of standardisation of procedures, namely of obtaining of international certificates for procedures and commodities, which show the superiority of the province and local self-government at the international level and ability to organise and respect the established rules.

**Inter-territorial and international co-operation of territorial units** is a very important tool for investors undertaking infrastructure projects that are of significance for several local self-government units or projects in the border area encompassing several local self-government units. A special type of mutual co-operation of local self-government units is inter-regional and interstate co-operation between local self-governments, in which in addition to undertaking joint projects, the exchange of information and practices is also carried out.

**Industrial park** is an instrument under which the investor or the person who wants to start a business is provided with space for a particular job and prepared infrastructure, which makes it easier to start a business.

**Business Improvement District Programme (BID)** is a type of industrial park, which has the features of state and private funding and private management, and which is the realisation of a joint investment in the project and a built structure, managed by the private operator.

**Business incubator** is an instrument pursuant to which, in addition to the above-mentioned elements of an industrial park, the investors are offered the accounting services, assistance with employment, administrative and legal support, office equipment. This instrument is suitable for start up of small businesses.

**Development Strategy of the province, that development strategies of local self-government units should be harmonised with** is a very important instrument, as it defines projects/investments to be implemented in Vojvodina, namely in local self-government unit and the dynamics within which these projects/investments are to be implemented. All types of planning documents, action plans and the spatial and urban plans have a similar function.

**Free Zone** is a part of the territory, which is enclosed and marked, where the usual activities include enriching of imported goods, with a special customs regime and the regime of taxes and fees. The importance of the free zone is that an increased volume of trade with goods and services, employment, technology transfer etc. is accomplished within it.

**Energy efficiency<sup>42</sup> and environmental protection** are the instruments that can be undertaken to reduce energy costs, save energy resources, and in such a way (but also otherwise) to achieve environmental protection and foster sustainable development of a particular territorial community, which contributes to the sustainable development of the surrounding communities.

**Energy Managers** is one of the instruments, suitable for institutionalised environment, which is used to implement energy efficiency measures. Energy managers are persons employed or engaged by territorial communities to monitor the use of energy in Vojvodina, namely in local self-government unit, implement energy efficiency measures in the local self-government unit and propose measures to secure energy supply in Vojvodina, namely in local self-government unit.

**The Executive Council of Vojvodina and the University of Novi Sad established Center for Strategic Economic Studies (CESS)** in 2004, as one of 14 priority programmes defined by the Integrated Regional Development Programme of the AP Vojvodina. This institution aims to promote scientific capacity in the field of analysis of economic trends, economic forecasting, and regional planning and their work tends to support the economic development of Vojvodina and include the key segments of the regional policy in the process of European integrations.<sup>43</sup>

**The Assembly of Vojvodina established Vojvodina Investment Promotion Fund (VIP)** in 2004, with the aim to encourage the inflow of foreign investments, assist the investors to position themselves effectively in the new business environment and promote Vojvodina (and local self-governments in its territory) as an important point on the investment map of Europe. Vojvodina Investment Promotion Agency (VIP-Agency) and Infrastructure Financing Scheme (SIF Fund - development of business incubators) operate within the VIP Fund.<sup>44</sup>

**Joint Fund for Building Business Incubators in Vojvodina (BBI), Agricultural Export Promotion Fund (APF), Business Export Promotion Support Fund (BPF)** are funds established to encourage measures of competitiveness and development of the Autonomous Province of Vojvodina. These funds, together with CESS and VIP make one of the fourteen measures for implementation of priorities of the Integrated Regional Development Programme of the AP Vojvodina.

**Vojvodina Development Bank** is in the process of organising. This bank is intended to finance development projects in Vojvodina.

<sup>42</sup> Principle of energy efficiency or efficient use of energy means reduction of energy consumption for the same effect" - B. Lepotic Kovacevic, International Encyclopaedia of Laws, Energy Law - Serbia, Kluwer Law International, Netherlands - USA - United Kingdom, 2008.

<sup>43</sup> www.vojvodina-cess.org

<sup>44</sup> www.vip.org.rs

## 8.1.4 Aggravating circumstances for achieving competitiveness and local economic development, as the result of the existing legal framework

The main aggravating circumstances for accomplishment of local economic development, which are the consequence of the existing legal framework include limited funding for the province and absence of resources of local self-government units as defined by the Constitution and limited right to dispose with real estate used by local self-government units, and the manner and extent of financing of the local self-government units.

The Constitution stipulates that autonomous provinces are in charge of matters that can be exercised in an effective way within an autonomous province, and that Serbia is not responsible for. In the same way it is regulated the competences of local self-government units. The matters of Republic/national, provincial and local significance are determined by the law, and Serbia is entitled to delegate pursuant to the law to autonomous provinces and local self-government units particular matters within its jurisdiction, and it should provide funding for these activities to the body which is entrusted with the same<sup>45</sup> - the Law on Establishing Specific Responsibilities of the Autonomous Province<sup>46</sup> and the Law on Establishing Responsibilities of the Autonomous Province.<sup>47</sup> In connection with the above-mentioned it is necessary to point out the fact that Serbia has no territorial electoral system, so that territorial communities have no direct influence on the contents of the laws, and thus to determining of issues that are of significance for them.

The Constitution stipulates that a province has original revenues that it uses to finance its competences, the type and amount of which are determined by the law, just as the law determines the share of the autonomous province in the revenues of Serbia, with the obligation that the budget of Vojvodina is at least 7% of the budget of Serbia.<sup>48</sup>

**The Law on Assets Owned by the Republic of Serbia**<sup>49</sup> has established that, in addition to natural resources, goods in general use, goods of general interest, and other resources the assets owned by Serbia also include those that are in accordance with the law, acquired, namely obtained by the bodies and organisation units of territorial communities. Pursuant to this Law, the property of Vojvodina and property of local self-government units became the property of the Republic of Serbia. In addition, the assets that were acquired and the assets obtained by public services (public enterprises and institutions) and other organisations founded by Vojvodina or local self-government units will become the assets owned by Serbia.

The same Law<sup>50</sup> has regulated the way of managing resources and assets used by Vojvodina and local self-government units. It was determined that the Government decides on the acquisition and disposal of real estate used by Vojvodina and local self-government units. The decision on granting of real estate to the use, namely lease, of placing a mortgage on real estate used by the local self-government bodies are to be approved by the Property Directorate of the Republic of Serbia.

In addition, it is set forth that the Government may decide to take away the property owned by the state from the user when using of the same property: a) is not the function of exercising powers of local self-government unit, b) is not directly exercising functions of bodies of territorial communities, and the competent authority of the local self-government unit entrusted or assigned it to the management of a public enterprise or other organisation which was founded for this purpose by the subject unit, c) is conducted in a manner contrary to the law or nature and purpose of real estate, as well as to provide concessions in accordance with the law regulating concessions. The government is entitled to take away the assets from the territorial community using them for other reasons, but in that case, it has an obligation to provide the use of other appropriate real estate to the same unit of local self-government.<sup>51</sup>

Such provisions according to which the territorial community does not have its original property, but only uses the property of the Republic of Serbia and the complex process of disposal and leasing etc. of property used by the local self-government unit, namely the right of the Government to take away the property used by the territorial community, even under the condition that the user will be provided the use of other suitable assets, have negative impacts on all forms of stimulating competitiveness and local economic development in which the territorial community participates in the way that it gives the right to use or lease the assets or other right to property, or to guarantee/provide security for fulfilment of duties by placing a mortgage on real estate it uses.

The Law on Assets Owned by the Republic of Serbia<sup>52</sup> also applies to public companies that are established by the autonomous province, and public-utility companies that are established by the local self-government unit. Due to the same law, those companies do not have their own assets, but they use the assets of the Republic of Serbia and thus a limited the right of disposal with the same.

45 Art. 177 and Art. 178 of the Constitution of the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 83/06 and 98/06).

46 Law on Establishing Specific Responsibilities of the Autonomous Province ("Official Gazette of the Republic of Serbia" no. 6/02).

47 The Law on Establishing Responsibilities of the Autonomous Province ("Official Gazette of the Republic of Serbia" no. 99/09)

48 Art. 184 of the Constitution of the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 83/06 and 98/06).

49 Art. 1, Alinea 1, and Par. 3 of the Law on Assets Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 53/95, 3/96, 54/96 and 32/97).

50 Art. 8, Par. 1 and Par. 3 of the Law on Assets Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 53/95, 3/96, 54/96 and 32/97).

51 Art. 8b of the Law on Assets Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 53/95, 3/96, 54/96 and 32/97).

52 Art. 1, Alinea 2, Sub-alinea (3) of the Law on Assets Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia" no. 53/95, 3/96, 54/96 and 32/97): "Assets owned by the Republic of Serbia (hereinafter referred to as: state owned assets) include: 2) assets that are acquired, namely will be acquired in accordance with the Law by: public services (public companies, institutions), and other organisations founded by the Republic, namely territorial unit, except for assets that are used by organisations of obligatory social insurance and assets that are owned by other organisation in accordance with a specific law."

The Law on Planning and Construction<sup>53</sup> provides that the property right over the construction land that is the public (state) property belongs to the Republic of Serbia, the autonomous province or local self-government unit. This Law came into force by the middle of September, f 2009. It is necessary to point out that this provision cannot be implemented, because there is no specific law that defines the meaning of public property. The Government is preparing the draft law that would regulate the issue of public property, but this text has not yet come to the stage of official proposal.

**The Law on Financing of Local Self-Government**<sup>54</sup> established the way of securing funds for local self-government units to perform the original and delegated tasks. Budget funds of the local self-government unit shall be provided from the original and ceded revenues, transfers, revenues based on loans and other revenues and incomes. When it comes to original revenues, they are managed by local self-government unit itself. It determines the amount and purpose. As for the indirect revenues, the local self-government units cannot influence their amount and manner of their collection. A local self-government unit cannot influence the dynamics of transfer of funds from the Republic either, which aggravates planning of utilisation of the budget of local self-government unit and the use of these funds. This Law applied to local self-government units in the territory of Vojvodina directly affects the competitiveness and local economic development of Vojvodina.

## 8.1.5 Relationship between regulations and implementation of certain instruments for promotion of competitiveness and local economic development

Many instruments of fostering of competitiveness and local economic development can be applied in the existing legal framework.

Some of those instruments require the adoption of general and individual acts of authorities of Vojvodina and local self-government units in Vojvodina, or a change in the organisation of Vojvodina or local self-government unit.

As the third option appears the change of some provisions of some of the existing regulations, which could provide more autonomy to Vojvodina, namely local self-government units in implementation of a particular instrument, and therefore the effectiveness of implementation of the same instrument. In the same way, the change in allocation of income from such instruments in favour of Vojvodina, namely local self-government unit could be affected as well, when it comes to projects that are related to its area.

### 8.1.5.1 Instruments for fostering of competitiveness and local economic development that can be applied in the existing legal framework

The following instruments for fostering of competitiveness and local development can be applied in the existing legal framework: 1) support of the Government, namely the support of provincial bodies of executive power, 2) assistance from private sources, 3) programmes of financial nature (loans, revolving loan funds), 4) self-contribution, 5) issuing of securities, 6) imposing own taxes, 7) public-private partnerships, 8) foreign investments, 9) free zones, 10) concessions, 11) certifications, 12) marketing, 13) elaboration of development strategies of local self-government units and other planning documents.

### 8.1.5.2 Instruments for fostering of competitiveness and local economic development that can be applied along with the adoption of general and individual acts of the province, namely local self-government unit, or along with the change in organisation of the province or local self-government unit

#### 8.1.5.2.1 Strategies, planning - development and urban development documents and institutional infrastructure

**Strategies and planning-development and urban development documents of territorial communities** are documents passed by Vojvodina, namely local self-government unit, in which they plan their development, meaning investments. However, due to their nature and a long-term character, those documents should be adjusted to the needs of new development from time to time. To make those documents drafted and developed, it is necessary for Vojvodina and local self-government unit to have an organised organisational unit that deals with those issues. Since such documents are the starting point

<sup>53</sup> Art. 83, Par 3 of the Law on Planning and Construction ("Official Gazette of the Republic of Serbia" no. 72/09).

<sup>54</sup> Law on Financing of Local Self-Government ("Official Gazette of the republic of Serbia" no. 62/06).

in decision making on potential investments, namely the construction of structures, it is essential that such department is efficient, high-quality staffing structure and to communicate with clients on strategic, development and zoning issues.

Special significance in economic development belongs to planning documents of public and utility companies. For the development of Vojvodina and local self-government units, it is very important what public enterprises of the Republic of Serbia plan in their long-term plans and programmes of business activities for the following year from the relevant region. This refers to PTT, electrification, construction of gas infrastructure, etc. Diversification of supply sources and quality energy supply is an extremely important element in the design of any feasibility study or business plan. In parallel with that, there are also significant plans and programmes of operations of public and utility companies, the activities of which make the basis of infrastructure of Vojvodina, namely local self-government unit. Because of all this, it is necessary to establish a relationship of co-operation and co-ordination between Vojvodina, as well as local self-government units with those companies, such as signing of, for example, Agreements on co-operation.

It is also very important to establish co-ordination between the activities of general interest and utilities, since in cases such as heating of the population and industries (electricity, natural gas, or heating energy), proper planning should be in place in order to avoid overlapping or non-covering of certain areas.

The Law on Establishing Specific Responsibilities of the Autonomous Province<sup>55</sup> stipulates that Vojvodina passes regional spatial plans, spatial plans for special purposes, and spatial plan of the network of infrastructure and network of areas or structures with special functions for the regions in the territory of the autonomous province.

## Integrated Regional Development Programme of Vojvodina and implementation measures

As a practical measure that is applied in Vojvodina in terms of passing of Strategic plans and methods and measure for their fulfilment, that was implemented in 2003, the Executive Council of Vojvodina passed the Integrated Regional Development Programme of Vojvodina for the period from 2004 to 2007 (IRDP APV), EX POST (overview of the current status), SWOT analysis (analysis of advantages and weakness, opportunities and threats), priorities and development strategies. IRDP APV is structured as a European Union pre-accession programme with decentralised form of implementation. The co-ordination group was also established, as a working body that co-ordinates and works on preparation of implementation of the IRDP APV and as the result of its work, the Assembly of Vojvodina adopted the Decision on establishing the list of programmes for fulfilment of priorities from the IRDP APV in 2004. Fourteen programmes were selected as priority measures for implementation of the IRDP APV, as follows:

- 1) New Technologies Transfer Support Scheme – **BNT**
- 2) Joint Fund for Building Business Incubators in Vojvodina – **BBI**
- 3) Business Standardisation and Certification Scheme – **BSC**
- 4) Agricultural Export Promotion Fund – **APF**
- 5) Agricultural Land Consolidation Scheme – **ASC**
- 6) Business Export Promotion Support Fund – **BPF**
- 7) E-Vojvodina
- 8) Energy Efficiency Programme – **EEP**
- 9) Water Supply Pilot Project – **WSP**
- 10) Vojvodina Investment Promotion Fund (Vojvodina Investment Promotion Agency) (**VIP**)  
+ Infrastructure Financing Scheme (**SIF**)
- 11) Nautical Tourism Development Programme – **NTD**
- 12) Integrated Qualification Scheme – **IQS**
- 13) Labour Costs Subsidy Scheme – **LSC**
- 14) Centre for Strategic Economic Studies (**CESS**).

In order to implement the IRDP APV in the best possible way, the Executive Council of Vojvodina has organised a special organisational unit of Expert services for implementation of the Integrated Regional Development Programme of the Autonomous Province of Vojvodina, the main task of which is to carry out activities related to fulfilment of the above-mentioned priorities of the IRDP APV. In addition to that, Expert department, they also established the Technical Support Office, that will provide technical support to provincial administration bodies involved in implementation of the IRDP APV.<sup>56</sup>

<sup>55</sup> Art. 30 of the Law on Establishing Specific Responsibilities of the Autonomous Province [Official Gazette of the Republic of Serbia" no. 6/02]

<sup>56</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

The above-mentioned measures can be grouped in: 1) specialised investment funds and projects (BNT, BBI, APF, BPF, VIP), 2) activities aimed at improving the quality of business operations and activities (BSC, ASC, EEP, WSP, NTD), 3) activities aimed at stimulating the quality of human resources and employment (IQS, LSC), 4) development of communications (E-Vojvodina) and 5) institutionalisation of strategic development activities - as the basis for elaboration and implementation of strategic development programmes, the above-mentioned and new measures and development and competitiveness of Vojvodina (CESS).

Since its establishment, CESS elaborated the following Studies: Integrated Regional Development Programme of the AP Vojvodina - updated ex post analysis of economy of the AP Vojvodina (2006), Analysis of the sector of small and medium-sized enterprises and entrepreneurship in the AP Vojvodina (2006), Analysis of large industrial systems in the AP Vojvodina (2006), Municipal Development Plan of Senta (2006), Sustainable development strategy of Žitište the municipality from 2008 to 2013 (2007) etc. CESS has launched the Magazine for regional policy and development "CESS Magazine", participated in various projects, and organised trainings in connection with the subject of activities that it has been established for.<sup>57</sup>

In the implementation of the BNT measures the strategic document titled "Main directions of technological development of the AP Vojvodina" was elaborated, which is the basis for all future activities specified in the plan of this programme.<sup>58</sup> The "Programme of Implementation of the Strategy of the Main Directions of Technological Development of the AP Vojvodina" was also elaborated.<sup>59</sup>

### 8.1.5.2.2 Tax system

**Tax system** in Serbia is at the Republic level. Vojvodina has no authority to influence the creation and implementation of the tax system in Serbia.

### 8.1.5.2.3 Legal status of employees and employment

**Legal status of employees** is regulated by the Labour Act, which governs the rights, duties, and responsibilities based on employment, or based on labour. This Law regulates in a unique way the legal relations in the field of labour for the entire territory of Serbia. However, this Law provides that the rights, duties, and responsibilities based on employment are also regulated by collective agreement and employment contract. In exceptional cases set forth by this Law, these relations can be regulated in a different way – by the Labour Rules and employment contract.

The employment contract is a contract between an employee and employer. It must be in compliance with the Labour Act and collective agreement. As it has been mentioned above, the Labour Act applies to the whole territory of Serbia, while the collective agreement may be general (for the territory of Serbia), special (branch - for the whole territory of Serbia or territorial – for the level of territorial communities or local self-government units) and with the employer (individual).

A special collective agreement for the territory of units of territorial autonomy or local self-government units is concluded between the representative association of employers and representative union for the territorial unit for which a collective agreement is concluded. Vojvodina could improve the legal status of employees by encouraging the conclusion of the Special Collective Agreement for its own territory. It is also set forth that the Collective agreement and employment contract can not give fewer rights to employees or establish less favourable conditions compared to the rights and conditions determined by the Law.<sup>60</sup>

**When it comes to employment**, Vojvodina has established the Provincial Labour Market Office, as an organisational unit of the Republic Labour Market. The responsibilities of the Provincial Office include approving of general documents of the company for work incapacitating and employment of disabled people and providing funds for their financing, self-programming of employment and conducting of preparations for employment and career guidance, and setting up of an information sub-system, as part of unique information system of the Republic in the field of employment.

. When it comes to employment, Vojvodina could affect the increase in employment in the way that encourages private initiative in its territory. Another measure could be the organisation of public works, or, for example, in case of concession granting, prescribing the condition to the concession company to hire local labour for certain jobs or in certain percentage.

As a measure related to the development and capacity building of human resources, the IRDP of the APV envisages the measures of Integrated Qualification Scheme (IQS) and Labour Costs Subsidy Scheme (LSC). IQS activities are directed towards the organisation of basic and specialised IT training and training for entrepreneurs-start ups with the aim of professional training and additional training. IT trainings and trainings for entrepreneurs to conduct and promote their own business have been held. The co-operation with Regional Chambers of Commerce and the Na-

<sup>57</sup> [www.vojvodina-cess-org](http://www.vojvodina-cess-org) and [www.spriv.vojvodina.gov.rs](http://www.spriv.vojvodina.gov.rs)

<sup>58</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

<sup>59</sup> [www.apv-nauka.ac.rs](http://www.apv-nauka.ac.rs)

<sup>60</sup> Art. 8 of the Labour Act ("Official Gazette of the Republic of Serbia" no. 24/05, 61/05 and 54/09).

tional Employment Service has been established.<sup>61</sup> With regards to implementation of the LSC programme, the subsidies for self-employment have been approved, as well as those for employers who hire the unemployed persons.<sup>62</sup> The Labour and Employment Strategy was adopted in Vojvodina in 2007.<sup>63</sup> In addition, as another measure of encouraging employment, the Executive Council of Vojvodina adopted the Decision on the implementation of public works in the territory of the Autonomous Province of Vojvodina. Public works refer to humanitarian, social, cultural, and other activities, activities related to maintenance and protection of the environment and nature, and restoration and maintenance of public infrastructure.<sup>64</sup>

#### 8.1.5.2.4 Efficiency of courts and administration

**Efficiency of courts** is analysed through the judiciary system and regulations governing the proceedings before the courts. Exercising of rights also plays an important role in the efficiency of courts.

Judiciary system is regulated by the Law on Organisation of Courts<sup>65</sup>, Law on Judges<sup>66</sup>, Law on High Judicial Council<sup>67</sup>, Law on Public Prosecution<sup>68</sup>, Law on State Prosecutors' Council<sup>69</sup>, Law on Seats and Jurisdictions of Courts and Public Prosecutors<sup>70</sup>. The reform of regulations governing the organisation of judiciary system began in 2008 with the adoption of the above-mentioned package of laws.

The proceedings before the courts is regulated by the Law on Court Proceedings<sup>71</sup>, Criminal Procedure Code<sup>72</sup>, Law on Economic Offences<sup>73</sup> and the Law on Torts<sup>74</sup>, as well as the Law on Administrative Procedures<sup>75</sup>. Although there are prescribed deadlines within which the courts should take specific action to resolve the case, it is evident that the proceedings before the courts last for a long time<sup>76</sup>, with the exception of the petty crime offences and economic offences. Although the organisation of courts is of territorial type, the selection of judges and public prosecutors is the responsibility of the Republic authorities. Taking into account that the laws are the jurisdiction of the Republic, Vojvodina has no formal possibilities to directly influence the efficiency of the courts, or to increase its competitiveness in that field.

The proceedings before administrative bodies are regulated by the Law on General Administrative Procedure<sup>77</sup>. **The efficiency of completion of administrative proceedings** before the provincial authorities is nothing higher than the efficiency of administrative bodies of the Republic or local self-government unit. Since that it has its own provincial authorities, which apply the Law on General Administrative Procedure, Vojvodina could exert stronger moral influence on them to keep in mind to speed up the resolving on the rights and obligations of persons in administrative proceedings, as much as a particular case allows. One way of increasing the efficiency of the administrative bodies is the implementation of the instrument "all permits at one place".

#### 8.1.5.2.5 "All permits at one place"

The instrument called "**all permits at one place**" can be applied in Vojvodina, namely in each local self-government unit, but it is necessary for their bodies to pass general regulations for its implementation. The implementation of this instrument can be carried out in one step, through passing of the document on organisation of an organisational unit - "reception desk", which would be the place where investors submit their applications. The employees of the "reception desk" would provide legal assistance and assistance to investors in further applying to the competent authorities.

This instrument would be more efficiently implemented if, in addition to establishment of the "reception desk", Vojvodina, namely local self-government unit passes the rules that would regulate the work of the "reception desk" and obligation of other organisational units of the relevant local self-government unit to act promptly on the demand of the "reception desk". In the case that it is necessary for the investor to address Republic authorities or bodies of other local self-government unit, the employees of the "reception desk" would provide necessary legal assistance in that direction. In Vojvodina, this instrument is applied in Subotica and in Indjija<sup>78</sup>.

61 Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

62 [www.psrzrp.vojvodina.rs.gov.rs](http://www.psrzrp.vojvodina.rs.gov.rs)

63 [www.psrzrp.vojvodina.gov.rs](http://www.psrzrp.vojvodina.gov.rs)

64 [www.psrzrp.vojvodina.gov.rs](http://www.psrzrp.vojvodina.gov.rs)

65 Law on Organisation of Courts ["Official Gazette of the Republic of Serbia" no. 116/08].

66 Law on Judges ["Official Gazette of the Republic of Serbia" no. 116/08].

67 Law on High Judicial Council ["Official Gazette of the Republic of Serbia" no. 116/08]

68 Law on Public Prosecution ["Official Gazette of the Republic of Serbia" no. 116/08]

69 Law on State Prosecutors' Council ["Official Gazette of the Republic of Serbia" no. 116/08]

70 Law on Seats and Jurisdictions of Courts and Public Prosecutors ["Official Gazette of the Republic of Serbia" no. 116/08]

71 Law on Court Proceedings ["Official Gazette of the Republic of Serbia" no. 125/04]

72 Criminal Procedure Code ["Official Gazette of the FRY" no. 70/01, 68/02 and ["Official Gazette of the Republic of Serbia" no. 58/04, 85/05, 115/05, 49/07 and 72/09125/04]

73 Law on Economic Offences ["Official Gazette of the SFRY" no. 4/77, 36/77, 14/85, 74/87, 57/89, 3/90 and ["Official Gazette of the FRY" no. 27/92, 24/94, 28/96 and 64/01].

74 Law on Torts ["Official Gazette of the Republic of Serbia" no. 101/05 and 116/08]

75 Law on Administrative Procedures ["Official Gazette of the FRY" no. 46/96]

76 Republic Institute for Statistics keeps records on criminal proceedings and economic offences - <http://webzrs.stat.gov.rs/axd/drugastrana.php?Sifra=0012&izbor=tabela>.

77 Law on General Administrative Procedure ["Official Gazette of the FRY" no. 33/97 and 31/01].

78 S. Savanović and A. Stevanović: «Inovativne prakse u oblasti lokalnog ekonomskog razvoja», Studija pripremljena za Stalnu konferenciju gradova i opština, Beograd, 2007.

Vojvodina has jurisdiction related to registration of business entities that are domiciled in its territory, privatisation of socially owned companies, responsibilities in the field of planning and construction (passing of regional spatial plans of the autonomous province, issuing of approvals for spatial plans and general regional plans of the local self-government units and adoption of spatial plans for special purposes, issuing of site and building permits for structures of strategic significance located in the territory of Vojvodina, technical inspection of such facilities, as well as issuing of occupancy permit for the same, etc.) .

#### 8.1.5.2.6 Marketing

**Marketing** as an instrument can be successfully implemented if Vojvodina and local self-government units organise within their structures a special organisational unit which will deal with marketing, hosting of a web site for two-way communication between investors and territorial communities, as well as detailed information on investment opportunities in Vojvodina and in the subject local self-government unit. In addition to a two-way communication, the web site of Vojvodina should also contain the list and texts of regulations adopted by the Assembly of Vojvodina.

E-Vojvodina is one of the measures planned within the implementation of the IRDP APV. The implementation of this measure enabled the accomplishing of the following results: adopting of the document "Policy and Standards of ICT Use in Provincial and Municipal Institutions in the AP Vojvodina", elaboration of the project documentation for the following projects: Intranet system for the Assembly and Executive Council of the APV and Software support for the E-Vojvodina, Specification of information requirements of public service systems of E-Vojvodina, development of the local area network facilities of the Assembly and Executive Council of the APV and undertaking of activities related to introduction of the Public Service Portal System of Vojvodina and BISIS library software system in the library of the Executive Council of Vojvodina.<sup>79</sup>

Marketing practice has been also successfully implemented in local self-government units.<sup>80</sup>

#### 8.1.5.2.7 Standardisation and certification

**Standardisation and certification** are instruments that Vojvodina and local self-government units in its territory should anticipate in their strategic documents, in order to apply them. As a form of concretisation of the strategic document, it is possible to develop an Action Plan detailing the activities and steps to be undertaken, in order to implement standardisation, namely certification.

At the level of the Republic of Serbia, there is a Standardisation Bureau that adopts standards. Standards are not binding before they are enacted in the form of technical regulations – the Rules passed by the Government. This field is regulated by the Law on Standardisation<sup>81</sup>, Law on Technical Requirements for Products and Evaluation of Compliance of Products with the Prescribed Requirements and the Law on Accreditation.<sup>82</sup>

Standardisation in the narrow sense of the word means unification of procedures, documents, products, and activities that can be implemented. Business Standardisation and Certification Scheme (BSC) was implemented as a measure of implementation of the IRDP APV. This programme started with a seminar for employees of the Executive Council on Standardisation, and after that the consulting agency was selected that would conduct training of representatives of small and medium-sized enterprises in Vojvodina for implementation of ISO 9001 and ISO 14000 standards. The co-operation was established with Chambers of Commerce from Subotica, Sombor, Sremska Mitrovica, Novi Sad, and Kikinda within which the trainings were held for certification according to ISO 9001 standards. This programme has continued with trainings for small and medium-sized enterprises. Certification of several companies from Vojvodina has been successfully completed.<sup>83</sup>

The implementation of IRDP APV measure relating to the activities of the Agricultural Export Promotion Fund (APF) is a special certification measure. Its first measure was the introduction of NASSR certification of food safety system in food processing industry (frozen products, canned food, dried food, including organic production), to support recognised standards and systems, which are the condition of international trade with agricultural products.<sup>84</sup>

#### 8.1.5.2.8 Inter-territorial and international co-operation of territorial communities

**Inter-territorial and international co-operation of territorial communities** is a very important instrument that is already implemented in many local self-government units in the Republic of Serbia. Municipalities were making the decisions

<sup>79</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

<sup>80</sup>S. Savanović i A. Stevanović: «Inovativne prakse u oblasti lokalnog ekonomskog razvoja», Studija pripremljena za Stalnu konferenciju gradova i opština, Beograd, 2007.

<sup>81</sup> Law on Standardisation ("Official Gazette of S&MG" no. 44/05)

<sup>82</sup> Law on Accreditation ("Official Gazette of S&MG" no. 44/05)

<sup>83</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

<sup>84</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006



on association and membership or organising into international organisations of cities and municipalities such as the Association of Towns and Municipalities "Eurocities", Network of fortified cities, "Danube - Kris - Mures - Tisa" (DKMT)<sup>85</sup> Euro region, "Djerdap - Middle Danube" Euro region, etc. Vojvodina is also co-operating with regions in the European Union. A special form of mutual co-operation between territorial communities is the co-operation between Vojvodina and local self-government units in its territory, because it enables better vertical interaction and co-operation between the administrative authorities.

DKMT Euroregion was established in 1997. The Protocol between Vojvodina and three counties in Hungary (Bacs-Kiskun, Békés and Csongrád) and four counties in Romania (Arad, Hunedoara, Caras-Severin and Timis), was signed in order to promote the development of local communities in the field of economy, education, culture, science and sports, reduce regional inequalities along the shared borders, create an authentic space of micro European integration, achieve better understanding of problems of minorities and integrate into modern European trends<sup>86</sup>. DKMT was very important in the early stages of the CBC co-operation. The Strategy of DKMT development was elaborated in co-operation with CESS, which is a curiosity for a Euro-region to have its own development strategy. The topics for projects are derived from the Strategy. Members of the DKMT participate with those projects in open calls for submission of projects within the cross-border programme funded by the European Commission.

#### 8.1.5.2.9 Environmental protection plan

The Law on Establishing Specific Responsibilities of the Autonomous Province<sup>87</sup> sets forth that Vojvodina passes the programme of environmental protection and development in the territory and determines measures for its implementation in accordance with the basic principles and directions defined at the level of the Republic.

**Local environmental protection action plan** is an instrument at the level of the autonomous province or local self-government unit that lowers the costs caused by environmental pollution and increases revenues reduced due to environmental pollution. These costs are varied. They reduce the quality of air, water and soil, which affects the reduction of yield and quality of yield, which consequently affects the reduction in quality of animal meat, and all together affects human health. The revenues are lower due to reduced quality of flora and fauna, and also because of the deteriorated health of the population. The costs are proportionate to the pollution - medical treatment of humans and animals, investments in facades of buildings, etc.

Local environmental protection action plan is a set of measures and activities that should be implemented in order to prevent further pollution of the environment and eliminate harmful effects caused by environmental pollution. This document Vojvodina, namely local self-government unit can pass within the existing legal framework.

Local action plan receives a special aspect in the light of ratification of the Kyoto Protocol by the Republic of Serbia, after which the conditions would be created for trading with pollution rights. These conditions would allow investments in environmental protection projects, and thus in an increase of all positive environmental protection effects on increase of competitiveness and economic development of Vojvodina and specific local self-government unit.

#### 8.1.5.2.10 Free zones

**Free zone** is part of the territory, which is enclosed and marked, where the usual activities include enriching of imported goods, with a special customs regime and the regime of taxes and fees. The importance of the free zone is that an increased volume of trade with goods and services, employment, technology transfer etc. is accomplished within it. Assigning of a free zone area is the responsibility of the Government<sup>88</sup>. The request for establishing a free zone area should be submitted by the company that manages the zone. Vojvodina and local self-government units can establish a company for free zone management and apply for establishing the free zone area in its territory. To confirm the economic feasibility of establishing a free zone, Vojvodina, namely local self-government units may decide on measures to encourage the development of the zone<sup>89</sup>, and the established company can apply and initiate the procedure for establishment of a free zone. These are the activities that local self-government units should undertake to set up a free zone.

However, in order to create conditions for higher economic feasibility of the free zone and increasing of attractiveness of free zones for investors, amendments to the Law on Free Zones could be proposed, which would develop multifold forms of fee exemptions and reliefs for activities that are performed within the free zone.

<sup>85</sup> [www.euroregion.dkmt-reehosting.net](http://www.euroregion.dkmt-reehosting.net)

<sup>86</sup> Integrated Regional Development Programme of the AP Vojvodina, updated EX POST analysis of economy of the AP Vojvodina, Executive Council of the AP Vojvodina, Novi Sad, 2006

<sup>87</sup> Art. 29 of the Law on Establishing Specific Responsibilities of the Autonomous Province [Official Gazette of the Republic of Serbia" no. 6/02

<sup>88</sup> Art. 4, Par. 1 of the Law on Free Zones ["Official Gazette of the Republic of Serbia" no. 6/02].

<sup>89</sup> Art. 6 of the Law on Free Zones ["Official Gazette of the Republic of Serbia" no. 6/02].

### 8.1.5.2.11 Cross-border trade

The basis for **cross-border trade** is defined by the Law on Foreign Trade, Customs Law, and Law on Customs Tariffs,<sup>90</sup> in a unique way for the whole territory of Serbia. Vojvodina has no jurisdiction with respect of foreign trade operations and customs procedures. However, the Decision on the seasonal tariff rates for import of certain agricultural produce determines the additional seasonal tariff rates on agricultural produce that are not imported from the European Union Member States, if they are imported in the period when the fruit picking season of those produce is in progress in Serbia. In this way, the domestic agricultural production, which is very important in Vojvodina, is partly protected from imports of the same kind of agricultural produce from outside the European Union. This measure could encourage competitiveness of agricultural production of Vojvodina in the period in which the tariff rates referred to in the above-mentioned Decision are implemented. It is necessary to point out that there are 35% of arable land of Serbia in the territory of Vojvodina, as well as that the share of agriculture accounts for 29.6% of national income of Vojvodina.<sup>91</sup>

The Business Export Promotion Support Fund (BPF), which is a measure of the IRDP APV, was established in support of cross-border trade and export of products and services from Vojvodina.

### 8.1.5.2.12 Public-private partnership

**Public-private partnership** is an instrument of encouraging competitiveness of Vojvodina and local regional development, which is very often used in the European Union Member States, in the way that the resources of private and public sectors are used to the best possible extent. The European Commission has identified four key benefits for investors in public-private partnership: partnerships are sources of additional capital, partnerships provide alternative management and implementation capacity, partnerships provide added value for customers and the public in general, partnerships allows better identification of needs and optimum use of resources.<sup>92</sup>

Public-private partnership is a form of partnership between private persons (legal or natural) and holders of public power in which both subjects earn profit, namely bear the risk. Public-private partnerships can be contractual or status (participation in a joint economic/business entity).

There are many different models of public-private partnership. Concessions may be a form of public-private partnership, since they are exercised by concluding the concession contract between the state or territorial community (as holders of public power or public service providers) and a private legal or natural person. Industrial Park, BID and business incubator, which will be discussed in one of the following chapters, are also forms of public-private partnerships.

In addition to the European Union legislation regulating the issue of public-private partnership, there are national regulations on public-private partnership. Germany adopted a regulation on public-private partnerships, and in Croatia, the Government adopted the Guidelines for implementation of contractual forms of public-private partnership and the Law on public-private partnership.<sup>93</sup>

Implementation of the model of public-private partnership does not require passing of a special law, since public-private partnerships can be accomplished in the existing legal framework. The significance of special legislation would be in establishment of records on public-private partnerships, institutional monitoring, and control of effects of this partnership. The autonomous province, i.e. local self-government units are entitled to organise contractual or statutory public-private partnership for building of infrastructure for industrial parks, BID, business incubators and other above-mentioned and forms of public-private partnerships that have not been mentioned. It is important to point out that in those cases it is the matter of public-private partnerships only when the territorial community authority acts as a holder of public power or public service provider, rather than as a holder of a commercial function.

Public-private partnerships in Vojvodina were established in Kikinda (parking service), Novi Becej and Vrsac (waste disposal), in Sombor (establishment of the company Sombor-Gas Ltd.).<sup>94</sup>

<sup>90</sup> Law on Customs Tariffs ("Official Gazette of the Republic of Serbia" no. 62/05, 61/07 and 5/09), decision on seasonal tariffs rates for import of certain agricultural produce ("Official Gazette of the Republic of Serbia" no. 9/09) and Decree on harmonisation of nomenclature for Customs Tariffs for the year 2009 ("Official Gazette of the Republic of Serbia" no. 33/09).

<sup>91</sup> Opštine u Republici Srbiji 1998. godine – Statistički podaci (Municipalities in Serbia in 1998 – Statistical data), Republički zavod za statistiku Srbije [Statistical Office of the Republic of Serbia], Belgrade, 1999

<sup>92</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/ppp/intro\\_fiche.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/ppp/intro_fiche.pdf)

<sup>93</sup> <http://narodne-novine.nn.hr/clanci/sluzbeni/314973.html>

<sup>94</sup> Publication of the Guidebook for local development planning, published by the Center for Strategic Economic Studies "Vojvodina-CESS". It is possible, taking into account the scope of the form of public-private partnership, to establish more public-private partnerships in the territory of Vojvodina than it was mentioned above. Since there is no *lex specialis* in Vojvodina that regulates the issues of public-private partnerships, nor the register of public-private partnerships, the author could not list other possible forms of public-private partnership based on the available data.

### 8.1.5.2.13 Concessions, foreign investments

**Concession** is the right to use natural resources, goods in general use or perform services/activities of general interest that the competent national authority (hereinafter referred to as: grantor/concedent) gives to domestic or foreign entity (hereinafter referred to as: the concessionaire) to use them, for a limited time, under the conditions set forth by this Law, and with payment of concession fee.<sup>95</sup> Concession is a form of investment in a particular activity, which is always tied to a specific area. There are several models of concessions.

In connection with the above-mentioned, it is necessary to point out that subject of concession may be the number of different activities, which include explicitly, among other things, construction, maintenance and use of utility facilities for the execution of public utility and other services of general interest<sup>96</sup>. In addition to utilities, the subject of concessions may be other activities<sup>97</sup>, which by their nature are related to a specific location and the life of residents in the area of a territorial community.

The procedure for concession granting is the procedure that is held mainly in front of the Government of the Republic of Serbia, but the assemblies of autonomous province, or local self-government units also have certain roles. For example, the assembly of the autonomous province, as well as the assembly of the local self-government unit may submit to the Government the proposal for concession granting for the subject of concessions in its territory. The procedure that follows includes: determining the need for concession granting, granting the of the concession document and implementation of a public tendering procedure for granting of concessions and concluding of the concession contract – carried out by the Government or the competent Ministry, regardless of the area in which the concessions will be executed. The autonomous province in the territory of which the concession activities are be carried out, is entitled to 30%, and local self-government unit in the territory of which the concession activities are be carried out, is entitled to 5% of funds from the concession fees that are paid to finance the development and infrastructure of the subject local self-government unit<sup>98</sup>, while the remaining 65% belong to the Republic of Serbia.

The exception to the general rule established for concession awarding procedure is the case when exploration and exploitation of all kinds of mineral resources in the territory of autonomous provinces or execution of public utility services make the subject of concession. In the first case, Vojvodina, and in the second the local self-government units are authorised representatives for passing of the concession document, proposing of one member of the tender committee, and concluding of the concession contract. In that case, the concession fee as a whole is the revenue of the local self-government unit. Vojvodina is also entitled to give its opinion on the Report of the Commission on the conducted public tender procedure in the event that the subject of concession is located in its territory.

Vojvodina, as an autonomous province, should have a greater role in awarding of concessions for the execution of activities of general interest carried out in its territory, except for public utilities. The procedure of awarding concessions for the execution of activities of general interest that are related to the whole territory of Vojvodina could also be held and completed in front of its bodies, and the text of the Law on Concessions could be changed in that direction.

For subjects of concessions that are related to the area of one or more local self-government units in the territory of Vojvodina (such as the construction of sports centres, health care facilities, spa resorts, ports, etc.), the role of Vojvodina in the concession awarding should be much greater, and consequently the percentage of funds that are paid for the development of Vojvodina and local self-government unit in the territory of which the same concession activities are carried out. This proposal is justified by provisions of the Law on Public Enterprises and Execution of Activities of General Interest, which provide that the assembly of the autonomous province is entitled to establish a public company<sup>99</sup>, and in that case, it has all the rights of the founder of a public company.

The change of the role of local self-government unit (in its territory) in the process of concession awarding would be in the function of increase of competitiveness of Vojvodina. A local self-government unit should play the leading role in awarding of concession for execution of public utility services, and the procedure of awarding of concession for execution of public utility services could be entirely delegated to the local self-government unit pursuant to the Law on Concessions. This proposal is also justified by the solution that exists in relation between the Law on Public Enterprises and Execution of Activities of General Interest and the Law on Public Utilities. The Law on Public Enterprises and Execution of Activities of General Inter-

<sup>95</sup> Art. 3 of the Law on Concessions [“Official Gazette of the Republic of Serbia” no. 55/03].

<sup>96</sup> Art. 5, Par. 1, Alinea 9) of the Law on Concessions [Official Gazette of the Republic of Serbia” no. 55/03].

<sup>97</sup> The subject of concession may be, among other things: 1) research and exploitation of all kinds of mineral resources; 2) construction, reconstruction, maintenance and use of facilities of river transport and ports and their reconstruction, modernisation, maintenance, and use; 4) construction, maintenance and use of energy and other facilities for the purpose of production, keeping, transfer and distribution of heating energy or their reconstruction, modernisation, maintenance, and use; 5) regulation, renewal and use of river and lake banks; 6) construction, maintenance and use of health care institutions or their reconstruction, modernisation, maintenance, and use and providing of health care services; 7) construction of sports-recreational facilities, sports grounds and spaces for sports and recreation, including structures/facilities for recreation, sports and cultural activities; 8) use of thermal sources in health care and production purposes; 9) construction of facilities, reconstruction, modernisation and use of the existing facilities in spas, areas with natural-healing properties and other natural properties for the purpose of their use; 10) construction, maintenance and use of facilities of touristic infrastructure or their reconstruction, modernisation, maintenance and use; 11) execution of other activities that are set forth by the law as activities of general interest etc. – Excerpt from Art. 5 of the Law on Concessions [Concessions [Official Gazette of the Republic of Serbia” no. 55/03].

<sup>98</sup> Art. 28, Par. 2 and 3 of the Law on Concessions [“Official Gazette of the Republic of Serbia” no. 55/03].

<sup>99</sup> Art. 4, Par. 4 of the Law on Public Enterprises and Execution of Activities of General Interest [“Official Gazette of the Republic of Serbia” no. 25/00, 25/02, 107/05 and 108/05].

est provides that the public utility services<sup>100</sup> - are activities of general interest, but unlike other activities of general interest, the performance of which and entrusting the responsibility for the execution of which are the responsibility of the Republic authorities, the execution of public utility services and entrusting with the execution of public utility services are the responsibility of a local self-government unit<sup>101</sup>. This rule is in accordance with the Law on Public Utilities.

Because of the above, concrete changes and amendments to the Law on Concessions should be proposed that would regulate: 1) entrusting the autonomous province with conducting the procedure of awarding of concessions for exploitation of mineral resources in its territory, and the procedure for awarding of concession for subjects of concession located in its territory, other than public utility services; 2) entrusting the local self-government unit with implementation of the procedure for awarding of a concession for the execution of public utility services; and 3) the right of the autonomous province, namely local self-government units to act as authorised proponents for passing of concession document on the occasion of launching the initiative for awarding of concession in its territory (for example, activities referred to in reference no. 67), participate in the work on compiling of the concession document, participate in the tender committee for contract awarding and to establish a higher percentage of concession fee that is used for financing of autonomous province, namely local self-government units, in accordance with the significance of the same activity for an autonomous province, namely local self-government unit and for the general interest of citizens living in its territory, as well as citizens living in other local self-government units.

Concessions may be the form of foreign investments. **Foreign investments** are investments that are 100% foreign capital, and investments that are the form of joint ventures with local business entities (joint venture), namely the establishment of economic entities in the territory of Vojvodina, namely local self-government unit - that are 100% or partially the investment made by non-residents. Foreign persons may also purchase shares or interests in the domestic business entities.

#### 8.1.5.2.14 Industrial park, business improvement programme and business incubator

**Industrial Park, BID, and business incubator** will be most usefully implemented, if the autonomous province has previously elaborated the Action Plan of all the activities with the implementation dynamics of these same. It is necessary to change of urban plans of these business units and facilities, preparation of infrastructure and appointing or organising of a body for providing assistance to persons who will organise their business within the industrial park or business incubator. These instruments can be implemented as a form of foreign investment.

Autonomous province, namely local self-government unit could be organise contractual or statutory public-private partnerships to build infrastructure for such business units, which is realised on the basis of a contract. It is important to point out that in the above-mentioned cases it is the matter of public-private partnership only when the territorial community authority acts as a holder of public power or public servant – public service provider, rather than as a holder of commercial function. As for the BID, it is necessary for this agreement to regulate the obligations of the private operator who will manage the project and the facility, the management method, and method of participation in financing of the project and the facility and participation in the implementation thereof.

Depending on the size and diversity of tasks to be performed in these business units, Vojvodina, namely local self-government unit, should decide whether to organise a special working group or committee or a special department that will provide legal advice and assistance to investors who are interested in such business venture.

The increase the competitiveness of Vojvodina can be carried out successfully when the Industrial Park, BID, and business incubator instruments are implemented by the local self-government unit in its territory. The Joint Fund for Building Business Incubators in Vojvodina (BBI) is one of the measures of the IRDP APV. Under this measure, business incubators were established in Zrenjanin (support to entrepreneurs in the IT sector)<sup>102</sup>, in Subotica (focused on the manufacturing and service sectors) and in Senta.<sup>103</sup>

#### 8.1.5.2.15 Activities of general interest and public utility services

**Activities of general interest** are activities that are prescribed by the law as such in the following fields: production, transmission and distribution of electricity; coal production and processing; research, production, processing, transport and distribution of petroleum and natural and liquid gas; trade with petroleum and oil derivations; railroad and air transport; telecommunications; publishing of the Official Gazette of the Republic of Serbia; public information; publishing of school

<sup>100</sup> Art. 2, Par. 1 of the Law on Public Enterprises and Execution of Activities of General Interest ("Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05).

<sup>101</sup> Art. 4, Par. 3, Art. 8, Par. 1, 2 and 4, Art. 12, Par. 1, Art. 14, Par. 1, Art. 15, Par. 1, Art. 19, Par. 3, Art. 25, Art. 27 etc. of the Law on Public Enterprises and Execution of Activities of General Interest ("Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05).

<sup>102</sup> S. Savanović i A. Stevanović: «Inovativne prakse u oblasti lokalnog ekonomskog razvoja», Studija pripremljena za Stalnu konferenciju gradova i opština, Beograd, 2007.

<sup>103</sup> Integrated Regional Development Programme of the AP Vojvodina, Review of implementation of priority measures of Integrated Regional Development Programme, publication of the Centre for Strategic Economic Studies "vojvodina-CESS"

books; use, management, protection and improvement of goods of general interest (water, roads, mineral resources, forests, navigable rivers, lakes, coasts/banks, spas, game); and utility services, as set forth by the Law on Public Enterprises and carrying out activities of general interest.<sup>104</sup> Public enterprises, which can be founded by Serbia, autonomous province and local self-government units, are established for the execution of activities of general interest. The same law further stipulates that the activities of general interest and services of strategic importance for the Republic are defined by the Law as activities necessary for functioning of public administration bodies and local self-government bodies<sup>105</sup>. Analysing these provisions of the Law on Public Enterprises and execution of activities of general interest, it can be concluded that Vojvodina is entitled to establish only a public enterprise for the execution of activities of general interest, which are defined as such by a special Law, except for activities necessary for functioning of public administration bodies and local self-government bodies, set forth by the Law. However, in addition to some of these activities (the use, management, protection and improvement of water, forests, etc., for example, the Public Water Management Company "Vode Vojvodine", Public Enterprise "Vojvodinašume"), Serbia has established public enterprises that execute the activities of general interest throughout its territory. This meant the centralisation of management, as well as pricing and tariffs for services provided by public enterprises established at the national level for the whole territory of Serbia.

**Utility services** are activities of general interest carried out in order to meet the needs within the territory of the local self-government unit, but they can be also organised for the territories of two or more local self-government units. Utility services include 1) water treatment and distribution; 2) treatment and discharge of storm and waste water; 3) production and supply with steam and hot water; 4) transport of passengers in urban communities; 5) maintenance of cleanliness in towns and settlements in the municipality; 6) development and maintenance of parks, green and recreational areas; 7) maintenance of streets, roads and other public spaces in cities and other settlements and public lighting; 8) maintenance of landfills; 9) regulation of cemeteries and burials. In addition to the above-mentioned activities, the Municipal Assembly is entitled to define other activities of local interest as utility services, and prescribe the conditions and methods of their execution (chimney sweeping services, maintenance of public toilets, maintenance of public bathrooms, animal disposal facilities, public car parks, maintenance and provision of market services to them, maintenance of public wells and fountains, and other activities of local interest)<sup>106</sup>. The question of the nature of public utilities could be considered, in particular in terms of production of steam and hot water, that implies<sup>107</sup> production, collection and delivery of hot water and steam from the remote centralised source or individual sources for heating of residential buildings and apartments, as well as of business premises, via hot-water network/pipeline to sub-stations belonging to consumers, or to the measuring instrument, including the sub-station, namely the measuring instrument itself.

The supply with steam and hot water, which is regulated by the Law on Public Utilities, is the matter regulated on the market principles pursuant to the Law on Energy, which divides those activities onto several energy related activities: 1) heating energy production, 2) distribution of heating energy, and 3) supply of tariff customers with heating energy. The Law on Energy provides that all of these activities related to heating energy are of general interest, which is in accordance with the Law on Public Utilities.

In terms of pricing for those services, the Law on Energy stipulates that the tariff system establishes elements for calculation of tariffs and power supplied to tariff consumers, as well as the components and methods for calculation of tariffs and performed services for qualified buyers<sup>108</sup>, and that the tariff elements for calculating the energy and services include reasonable costs of doing business that consist of the following costs: depreciation, maintenance, construction, reconstruction and modernisation of facilities, insurance, fuel, environmental and other costs of business activities ensuring the appropriate rate and period of return on investments in energy structures/facilities<sup>109</sup>. This way of pricing of the execution of activities in the fields of heating energy is cost based, while the Law on Public Utilities sets forth that municipality provides an organised and permanent execution and development of utility services, including, among other things, material, technical and other conditions for construction, maintenance and functioning of utility facilities and providing of technical and technological unity of the system.<sup>110</sup> The established possibilities for municipalities to provide material conditions for construction and maintenance and operation of utility facilities, is not in accordance with the cost-based pricing of energy that is set forth by the Law on Energy.

Not only that subsidising of production costs is contrary to provisions of the Law on Energy, but it also disturbs the principle of equality of citizens in the territory of local self-government unit, except in the case that all the citizens in the relevant territory are connected onto the district heating system. Naturally, the municipality does not have to subsidise production

104 Art. 3, Par. 1 of the Law on Public Enterprises and Execution of Activities of General Interest ("Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05).

105 Art. 2, Par. 2 of the Law on Public Enterprises and Execution of Activities of General Interest ("Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05).

106 Art. 4 of the Law on Public Utilities ("Official Gazette of the Republic of Serbia" no. 16/97 and 42/98).

107 Art. 5, Alinea 3) of the Law on Public Utilities ("Official Gazette of the Republic of Serbia" no. 16/97 and 42/98) sets forth the definition of activities related to steam and hot water supply.

108 The Law on Energy stipulates the division of buyers (consumers) of electricity, natural gas, and heating energy into tariff and qualified buyers. Tariff buyers are those who buy energy according to the tariff systems. Qualified buyers are those that can select themselves who they are going to buy the energy from and to negotiate on tariffs with the entity selling energy. The condition for a buyer to become a qualified one is an annual consumption of energy that exceeds the one set forth by the Law on Energy, namely the official document of the Agency for Energy of the Republic of Serbia and entering into the Register of qualified buyers that is kept by the Agency.

109 Art. 67, Par. 1 and 2 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04).

110 Art. 6, Par. 1, Alinea 1) of the Law on Public Utilities ("Official Gazette of the Republic of Serbia" no. 16/97 and 42/98).

costs of heating energy, although they often do it in practice, subsidising in such a way the category of citizens that are connected onto the district heating system. In order to prevent disturbing of the principle of equality of citizens, the municipality should not subsidise production of heating energy in practice but those funds could be used instead for other utility services.

### Energy prices

The analysis in each sub-field of energy sector is the best way to analyse the method of determining the **price of energy**, i.e. in the field of electricity, petroleum products, natural gas and heating energy, coal and wood. In the analysis of prices of energy, it is necessary to distinguish between prices of energy as commodity (electricity, natural gas, petroleum products, and heating energy) and costs of energy transport services, such as transmission, transport, and distribution of energy. Prices of services of transport of energy in the case of network energy (electricity and natural gas) are included in the price of electricity that the tariff buyer - consumer pays in the calculation of consumed energy.

The method of determining the price of energy is regulated by the Law on Energy, Law on Public Enterprises and Execution of Activities of General Interest, and Law on Public Utilities, as well as by the relevant by-laws of the subject Laws. It is necessary to point out that the price of firewood and coal are not subjects to these Laws, but that they are treated as any other commodity on the market.

The Law on Energy stipulates that prices of energy and services are free and regulated. It also sets forth that the prices under which the energy is supplied to tariff buyers, as well as prices of energy related services are regulated and determined by energy entities with the previous opinion of the Agency for Energy. Considering that majority of energy services – are activities of general interest<sup>111</sup>, they are executed in accordance with the Law on Public Enterprises and Execution of Activities of General Interest and the Law on Public Utilities, pursuant to which the founder of a public or public utility company (Government, province, local self-government unit) approves prices or tariffs for the execution of the subject activities. If the tariff includes the price of energy, the founders of public or public utility companies approve the prices of energy through issuing of approvals to the tariff systems.

When it comes to the price of electricity, the cost of electricity production, the price of electricity transmission and distribution are the regulated ones. The energy supplier is the entity that determines the price of electricity and energy services for tariff buyers based on the previous opinion of the Agency for Energy.<sup>112</sup> Since it is the matter of the Public Enterprise "Elektroprivreda Srbije"<sup>113</sup> (Electric Power Industry of Serbia) (hereinafter referred to as: JP EPS), the public enterprise determines the price of electricity for tariff customers. The decision on electricity prices for tariff customers shall take effect after it is approved by the Government.<sup>114</sup> Although, the possibility of opening the electricity market in Serbia has been formally created, it is not an open market yet, because there are no qualified buyers of electricity. All the buyers are tariff buyers and they pay a unique price for the consumed electricity in the whole territory of Serbia because the Law on Energy sets forth that tariff items for the supplied electricity for the same category of tariff buyers are equal in the whole territory of the Republic of Serbia. JP EPS executes all the activities of general interest in the field of electricity in the whole territory of Serbia.

Natural gas prices are determined in a similar way as the prices of electricity since about 90% of natural gas is imported in the territory of Serbia, and that the import is from a single source while the remaining 10% of natural gas is produced also only by one manufacturer. The prices of natural gas as commodity are the same, but the cost of transport and distribution of natural gas vary. The natural gas supplier is the entity that determines the price of natural gas and services to tariff customers based on the previous opinion of the Agency for Energy. Taking into account the fact that there are two natural gas transporters in Serbia and that there are several distributors of natural gas that deliver natural gas to tariff buyers, the prices that tariff buyers – consumers pay for the consumed natural gas are different. Since it is the matter of public enterprises at the level of the Republic, the Government issues the approval for prices of transport of natural gas and prices of distributors of natural gas. There is only one natural gas transporter in Vojvodina, but there are many distributors. Depending on the costs of the system for natural gas distribution, the prices paid by tariff buyers – consumers for the consumed natural gas depend on the distribution network they are connected onto.

According to the Law on Energy, the prices of oil derivations are free.<sup>115</sup> Oil derivations are produced in oil refineries, both owned by the "Oil Industry of Serbia" Inc. (hereinafter referred to as: NIS a.d.), which is a joint stock company owned by the Republic of Serbia and the Russian "Gazprom" 49:51%. The Decree on conditions and methods of petroleum, namely oil derivations import and processing,<sup>116</sup> sets forth that import only of certain oil derivations (Euro diesel) is free since the refineries cannot manufacture the required quality. Other derivations have to be manufactured in refineries in the Republic of Serbia

<sup>111</sup> Art. 41 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04).

<sup>112</sup> Art. 66, Par. 5 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04).

<sup>113</sup> www.aers.org.rs

<sup>114</sup> Art. 66, Par. 6 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04) and Art. 27 and 28 of the Law on Public Enterprises and Execution of Activities of General Interest ("Official Gazette of the Republic of Serbia" no. 25/00, 25/02, 107/05 and 108/05), which set forth that for the Government of the Republic of Serbia, local self-government unit or autonomous province approve the tariff (the Decision on tariffs, tariff systems etc.) for the purpose of protection of general interest in public enterprises, as well as in all other forms of enterprises performing the activities of general interest for the Republic, namely local self-government unit or autonomous province.

<sup>115</sup> Art. 66, Par. 3 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04).

<sup>116</sup> Decree on conditions and methods of petroleum, namely oil derivations import and processing ("Official Gazette of the Republic of Serbia" no. 92/07 and 93/07).

from imported or domestic petroleum. Prices of oil derivations are prescribed by the Decree on prices of oil derivations<sup>117</sup> and they cannot be higher than prices set forth by the subject Decree, namely the official document of the Ministry of Mining and Energy, which is in compliance with the Decree. Considering that there are 379 persons registered for the execution of activities of retail trade with engine/motor fuels (fuel supply stations for motor vehicles), the prices of oil derivations are not entirely uniform, but they are roughly equal, having in mind the Decree on prices of oil derivations.

The Law on Energy and Law on Public Enterprises regulate prices of heating energy. The Law on Energy stipulates that the tariff systems determine the tariff rates for calculation of heating energy distribution, and management of distribution systems for heating energy supply. It also provides that tariff systems for calculation of the supplied heating energy, namely services performed, are passed by the competent authority of the local self-government unit, city, i.e. city of Belgrade.<sup>118</sup> The Law on Public Utilities stipulates that a public utility company decides on the price of utility products and utility services that are paid by direct consumers, with the approval of a body of local self-government unit. Since the systems for heating energy supply are of local character, the prices of the consumed heating energy paid by tariff buyers-customers are determined at the local level and they depend on the particular system.

Based on the above, it can be concluded that Vojvodina cannot affect the price of consumed electricity paid by tariff buyers, because it is the activity regulated by JP EPS, with the approval of the Government.

Vojvodina could possibly affect prices of natural gas in its territory, in the way to cut costs of energy entities that deal with distribution of natural gas, the systems of which are located in its territory. In terms of prices of oil derivations, it could exert influence through persons/entities dealing with retail trade with oil derivations, in the way to cut down their expenses, which does not mean that the same influence would extend to all energy entities. It is similar with heating energy, but in this case, those costs can be cut down through energy entities directly or through local self-government units. The above-mentioned influence could be exercised through a system of taxes or subsidies of the autonomous province, namely local self-government unit.

Starting from the fact that in some areas in the territory of Serbia (taking into account Vojvodina) different forms of energy are consumed (depending on the availability of specific energy), the average price of energy paid by consumers of energy is different depending on the fact where they are located with a place of consumption. Indicators of this claim can be seen in Chapter 5.

### 8.1.5.2.16 Energy efficiency

Efficient use of energy is the measure that is very important for accomplishment of savings in energy and financial resources. These measures are achieved by selection of energy-efficient technologies in economy, as well as in building industry during construction of structures in the way that reduces losses of energy for heating etc. In the world, for example, there are standards of marking devices in the household in terms of energy efficiency rate. Energy efficiency measures are constantly evolving and special knowledge is required for their understanding and implementation.

In Vojvodina, Energy Efficiency Program (EEP) is one of the IRDP APV measures. This programme is implemented in several ways: training through conferences and seminars, purchase of equipment for energy consumption measuring (electronic meters for households, updated measurement groups), elaboration of studies in the field of use of new and renewable energy sources, as well as allocation of non-refundable incentive funds for co-financing of procurement and installation or reconstruction of power equipment for the use of waste biomass from agriculture for energy purposes of Vojvodina<sup>119</sup>.

#### *Energy managers*<sup>120</sup>

Improvements of competitiveness of Vojvodina can be also achieved through implementation of an element of promoting the development of local self-government units in its territory, using the institution of energy managers. This instrument is localised to the costs of territorial entities and is best achieved when applied locally, i.e. at the level of local self-government unit, although it can be organised for Vojvodina as a whole.

A local self-government unit may hire or employ experts to execute the tasks of **energy manager of a local self-government unit**. Those persons have the obligation to monitor the energy use in a local self-government unit, implement energy efficiency measures in a local self-government unit, and propose measures for secure energy supply of the local self-government unit.

A local self-government unit can anticipate in its organisation the tasks of energy manager or it can organise a special organisational unit that would be managed the energy manager. The tasks of the energy managers include collecting of data

<sup>117</sup> Decree on prices of oil derivations ("Official Gazette of the Republic of Serbia" no. 42/05, 111/05 and 77/06).

<sup>118</sup> Art. 68 and 70 of the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04).

<sup>119</sup> [www.psemr.vojvodina.gov.rs](http://www.psemr.vojvodina.gov.rs)

<sup>120</sup> Energy managers, as the measure of stimulating and accomplishing energy efficiency can be implemented in public administration, and local self-government bodies and public services, as well as in economic entities, private buildings etc. The implementation of this measure is highly developed in Japan, although it is largely implemented in the European Union etc.

for the development and production of energy development plans of local self-government unit<sup>121</sup>; collecting and monitoring of data on energy consumption in public consumption buildings under the jurisdiction of local self-government units; proposing, preparation and implementation of measures aimed at improving energy efficiency of public consumption buildings under the jurisdiction of local self-government units; other tasks determined by the law, i.e. documents of local self-government units. Local self-government units can co-operate in terms of organising the work of energy managers so that they can agree that one energy manager performs tasks for several local self-government units. Test procedure for professional qualifications necessary to perform the subject tasks can also be determined for energy managers.

The effects of work of energy managers in the local self-government unit are multifold: 1) energy saving, 2) cost savings of the local self-government unit itself, 3) savings in institutions in the area covered by the local self-government unit and utility companies established by local self-government units, 4) cost savings of citizens. For example, savings accomplished based on passing of regulations or programmes of energy efficiency through investments in the "cost-saving light bulbs" greatly contribute to saving of energy and resources and reducing the cost of local self-government unit and citizens.

The significance of planning of energy needs is increasing in the conditions of opening of the energy market, because this is the way to achieve rational development of energy networks and use of energy resources.

The introduction of energy managers in local self-government units can be carried out in several ways: 1) organisation under the existing conditions, with the authority to pass programmes and propose local regulations related to energy saving - which would be carried out in a diverse way in the whole country; 2) amendments to the Law on Energy, which would prescribe the introduction of energy managers in a unique way for the whole territory, define their authorisations and tests for professional incapacitating and determine the basis for passing of unique by-laws, with leaving the right to local self-government units to regulate their specific needs through local regulations; 3) amendments to the Law on Local Self-Government, which could produce the same effects as in item 2).

In the event that this instrument is applied to Vojvodina, it would have had the biggest effects in the implementation of energy efficiency measures and in public buildings used by bodies and organisations of Vojvodina, or passing of regulations at the provincial level, which would regulate the energy efficiency measures for the whole territory of Vojvodina.

### 8.1.5.2.17 Fees for the use of natural resources

**The fees for the use of natural resources** are the form of revenues ceded in favour of Vojvodina, namely local self-government units that thus constitute an instrument for improving competitiveness and economic development. The existing legal framework of the Republic of Serbia provides for compensations for the exploitation of mineral resources, concessions, environmental pollution etc. These fees are not always the original sources of revenues of territorial communities, and the use of some natural resources does provide a legal basis for determining such fees.

The Environmental Protection Law stipulates that local self-government units are entitled to several types of fees. One form of fee is based on the Decree of the Government that prescribes the types of pollution, criteria for calculating fees and fee payers, amount and method of calculation and charging of the pollution fee<sup>122</sup>. It is envisaged that 40% of the revenue from fees for the use of natural resources – are the revenues of the local self-government unit<sup>123</sup>. The same Law stipulates that local self-government units can determine the types of pollution and polluters themselves as well as the amount of pollution fee, and that all revenues earned on this basis are the revenues of a local self-government unit<sup>124</sup>. Local self-government units have to use the revenue they have acquired from the pollution fee for improvement of the environment.

The Environmental Protection Law also proclaims other forms of fees for the use of natural resources, and points out that the user of natural property pays the fee for its use; the funds collected on that basis are the revenues of the Republic budget, namely budget of the autonomous province, namely local self-government unit, in accordance with a special Law<sup>125</sup>. This instrument is not further elaborated in the text of the Environmental Protection Law.

The Decree on the amount of fee for the use of mineral resources<sup>126</sup>, which was passed based on the Law on Mining, sets forth the amount of fee for the use of concrete mineral resource. The Law on Mining itself stipulates that 50% of revenues from the fee for exploitation of mineral resources belong to the local self-government unit where the exploitation is carried out, 10% to the autonomous province and 40% to the Republic of Serbia<sup>127</sup>.

The Law on Forests does not anticipate that the fee for exploitation of those natural resources is the revenue of the autonomous province or local self-government unit. The Water Law sets forth that 40% of the fee for material extracted from water-courses is paid on the account of the municipality in the territory of which it is extracted, and 60% is paid on the account of

121 Passing of such development plans is set forth by the Law on Energy ("Official Gazette of the Republic of Serbia" no. 84/04), but their role and harmonisation of data and the form are not defined clearly enough.

122 Decree on types of pollution, criteria for calculating fees and fee payers, amount and method of calculation and charging of the pollution fee ("Official Gazette of the Republic of Serbia" no. 113/05 and 06/07).

123 Art. 85 of the Environmental Protection Law ("Official Gazette of the Republic of Serbia" no. 135/04 and 36/09).

124 Art. 87 of the Environmental Protection Law ("Official Gazette of the Republic of Serbia" no. 135/04 and 36/09).

125 Art.84 of the Environmental Protection Law ("Official Gazette of the Republic of Serbia" no. 135/04 and 36/09).

126 Decree on the amount of fee for the use of mineral resources ("Official Gazette of the Republic of Serbia" no. 28/02).

127 Art. 16a of the Law on Mining ("Official Gazette of the Republic of Serbia" no. 44/95 and 34/06).



the public water management company<sup>128</sup> (in the present case, the Public Water Management Company "Vode Vojvodine" was established in the territory of Vojvodina). It should be also pointed out that when revenues are realised from the use of forests and water resources, Vojvodina, or local self-government units should also play the role in their protection and rational use.

The Law on Concessions, as it has been mentioned above, except in cases of concessions for the execution of utility services, sets forth that 30% of the concession fees make the revenue of the autonomous province, and 5% of the concession fee make the revenue of the local self-government unit.

There is the disharmony in the method of determining the amount of fee for the use of natural resources in Serbia. There is also a difference in the amount of part from the above-mentioned fees that belongs to the autonomous province, namely the local self-government unit. It is necessary to point to the fact that the right to use the same natural resource can be acquired on the basis of the Law on Concessions and the Law on Mining, and that percentage of the share of fee that belongs to the autonomous province, namely local self-government unit within the territory of which is located the subject of concession, namely the exploitation of mineral resources is carried out – is different.

When it comes to pollution fee, the local self-government unit is entitled to prescribe its own pollution fee and even the additional pollution fee although it is prescribed by the Decree of the Government. There is no such possibility for Vojvodina.

Since fees for the use of natural resources, except for the concession fee, the revenues ceded in favour of local self-government units, aimed at providing revenues from fees that are prescribed to be charged for the use of natural resources, it is necessary to make changes and amendments to the Water Law and the Law on Forests - in order to determine the percentage of fees for the use of those natural resources that should be the revenues of a local self-government unit in the territory of which the watercourses, lakes, etc. and forests are used. It is also useful to anticipate that the revenue from the share of fee for the use of natural resources is direct revenue of Vojvodina, namely local self-government unit and that it is paid directly onto their accounts. In accordance with the above, changes need to be made to the Law on Mining and Law on Financing of Local Self-Government so that the share of revenues from fees for environmental pollution acquired based on the Decree of the Government could become a direct revenue of a local self-government unit.

In connection with the regulations on environmental protection against products generated through exploitation of natural resources, the Law on payment and directing of funds from fees for the use of goods of general interest in production of electricity and production of petroleum and gas<sup>129</sup> sets forth that aimed at "providing of material and other conditions for protection, use and improvement of goods of general interest and natural and man-made environmental values in the municipality in the territory of which those goods are used, namely exploited, the companies that deal with production of electricity, production of coal with surface exploitation (quarrying) and production of petroleum and gas, are obliged, in accordance with this Law, to pay the fee for the use of coal, water, petroleum, and gas". The same Law establishes the criteria based on which these fees are calculated, as well as that funds collected from that fee are to be paid onto a special account of the fund established by municipal assembly within the territory of which the power plant, exploitation field or flooded land for the needs of hydro-electric power plant are located. The procedure for the use of resources from that fund and supervision method is also prescribed. To use the above-mentioned resources, local self-government unit should establish the fund in accordance with the Law.

The Law on payment and directing of funds from fees for the use of goods of general interest in production of electricity and production of petroleum and gas does not determine the possibility of the province to establish such a fund and acquire revenues from fees for the use of goods of general interest in production of electricity and production of petroleum and gas. In this way, Vojvodina cannot acquire revenues based on the provisions of the Environmental protection Law and the rights of the autonomous province to revenues from fees for the use of natural resources. In that case, Vojvodina can only acquire a part of the concession fee if a concession was granted for the use of goods of general interest in production of electricity, petroleum, and gas. If exploitation of petroleum and gas, namely if exploitation of mineral resources (ores) for production of electricity is derived from the Law on Mining, Vojvodina can acquire significantly lower revenues. In addition, if production of electricity is realised with water power, Vojvodina cannot impose either taxes for issuing of water management conditions, water management authorisation or water management permit through its public enterprise, because issuing of those documents for construction of dams and reservoirs is under the jurisdiction of the Republic of Serbia.

## 8.1.6 Conclusion

Competitiveness of Vojvodina, through promoting of local economic development of Vojvodina and local self-government units in its territory, may be accomplished by implementation of measures of encouraging competitiveness and local economic development in the existing legal framework. In certain cases, the implementation of measures of competitiveness of Vojvodina and local economic development would be better achieved by changing the existing legal framework.

<sup>128</sup> Art. 105, Par. 2 of the Water Law ("Official Gazette of the Republic of Serbia" no. 46/91, 53/93 and 54/96).

<sup>129</sup> Law on payment and directing of funds from fees for the use of goods of general interest in production of electricity and production of petroleum and gas ("Official Gazette of the Republic of Serbia" no. 16/90).

Measures to encourage the competitiveness of Vojvodina and local economic development are very numerous: strategies, planning – development and urban planning documents and institutional infrastructure, tax system, legal status of employees and employment, effectiveness of courts and governance, "all permits at one place", marketing, standardisation and certification, mutual and international co-operation of territorial communities, local action plan for environmental protection, free zones, cross-border trade, public-private partnerships, concessions, foreign investments and public-private partnerships, industrial parks, business promotion programme and business incubators, activities of general interest and public utility services, energy prices, energy efficiency, fees for the use of natural resources.

As a starting measure of encouraging competition, we should single out planning and adoption of strategic documents and measures for their implementation. Vojvodina adopted the Integrated Regional development Programme of the AP Vojvodina (2004-2007), which was later developed and implemented through a series of measures and creation of infrastructure for implementation of those measures in order to enable the process to continue.

However, it is necessary to point out that Vojvodina and local self-government units in its territory that could be the holders of local development, and thus the competitiveness and development of the Republic of Serbia, have a very narrow circle of original revenues, which they would use to finance their activities, and they do not have clearly defined property from which they would derive revenues. Such legal framework can be changed through changes to the Constitution, Law on Assets Owned by the Republic of Serbia, and Law on Financing of Local Self-Government. Amendments to these laws could define the property of Vojvodina and local self-government units and expand the circle of revenues of those territorial communities.

Competitiveness and local economic development can be more encouraged with the amendments to the Law on Concessions, Law on Free Zones, Law on Energy, Law on Public Utilities, Law on Mining, Environmental Protection Law, and other laws. The Constitution stipulates that the right to propose laws, and thus the amendment to the existing laws belongs to every Member of Parliament, Government, Assembly of the autonomous province, and 30,000 voters. Hence, Vojvodina is entitled to submit the proposal - an initiative to amend these laws through: the Assembly, the Government (Ministry of Public Administration and Local Self-Government or the relevant Ministry for a specific law), Member of the Parliament, or if signatures or 30,000 voters are collected.

The procedure for changing of laws is very complex and takes a long time, and for that reason, Vojvodina, namely local self-government unit may choose to use those instruments to encourage competitiveness and local economic development that can be implemented based on changes to the regulations of Vojvodina itself, or local self-government unit in its territory, since pursuant to the Constitution - autonomous provinces in accordance with the Constitution and the Statute, and local self-government units in accordance with the Constitution and the Law, prescribe independently the regulation of responsibilities of their own bodies and public services.

Taking into account the above-mentioned, in order to encourage competitiveness and economic development, Vojvodina and local self-government units in its territory should work continuously on creating of conditions for implementation of instruments for promotion of competitiveness and local economic development, undertaking the activities - to develop their own legal framework and to invest efforts to change the regulations at the Republic level creating additional conditions and resources to increase competitiveness, and thus for faster economic development.

## 8.2 AP Vojvodina after the adoption of the Statute and the Law on Establishing of Responsibilities

The enactment of the Law on Establishing of Responsibilities of the Autonomous Province of Vojvodina and proclamation of the Statute of the AP Vojvodina on December 14<sup>th</sup>, 2009 completed largely the concept of autonomy of Vojvodina envisaged by the Constitution of Serbia.

To what extent does the enactment of those two legal documents affect, and whether it affects at all, the enhancing of competitiveness of Vojvodina? The answer to this question is much more complex than the analysis of regulations establishing the legal framework of autonomy. There is no doubt that the above-mentioned legal documents provide for new instruments for creating and implementing the development policy, but it is also important that they contribute to better recognition of Vojvodina as specific legal, economic, social and cultural area within Serbia. In addition, the decentralisation of power, which in this particular case is reflected in the transfer of certain responsibilities from the republic to the provincial level, can significantly affect the formation of strong financial and commercial centres, which, by the rule, follow the vertical of administrative power.

Here, we will try to identify new powers and responsibilities that Vojvodina was entrusted with based on the Law on Establishing of Responsibilities and the Statute and the way in which they can contribute to enhancing of competitiveness of Vojvodina.

### 8.2.1 Sources of law

The Constitution of Serbia establishes the basis of autonomy of Vojvodina. Namely, the provisions of the Constitution do not determine directly the responsibilities of the Province. The Constitution specifies only the areas in which the Province is entitled to regulate matters of provincial significance: 1) spatial planning and development, 2) agriculture, water management, forestry, hunting, fishing, tourism, catering, spas and health resorts, environmental protection, industry, crafts, land, river and railroad transport and maintenance of roads, organising fairs and other economic events, education, sports, culture, health and social protection, and public information at the provincial level. Specific responsibilities of the Province in the above-mentioned areas are regulated by a special law that determines the matters of provincial significance. For its part, the Province adopts Statute that regulates responsibility, election, organisation, and work of bodies and services established for the purpose of exercising powers transferred onto them by the law.

Responsibilities of Vojvodina determined by the Constitution (hereinafter referred to as: the "Province") contain not only the executive but also the normative authorisation. The Constitution allows provincial authorities to pass general legal documents that "regulate" certain matters in the territory of the Province, naturally, within the law and Constitution.

In a similar way, the Constitution defines the property of the Province. It is envisaged that the Province manages provincial assets in the way provided by law. The Constitution does not enter into the question of defining the provincial property, but it leaves it to the law. It also provides that the provinces have their original revenues. The law shall determine the type and amount of revenues.

### 8.2.2 Legal status

The Statute provides that the Province has the status of legal entity. As such, it has the legal personality, namely it can be the holder of rights and obligations in the legal relationship, namely it has a legal, business and tort capacity.

The Law on Establishing of Responsibilities and the Statute stipulate that the Province has limited international legal personality. It is entitled to conclude inter-regional agreements within its responsibilities. As a region, the Province may be a member of the European and international associations of regions and within its responsibilities it is entitled to establish representative offices in the regions of Europe, namely in Brussels, in accordance with the Law and Statute. The law explicitly states that inter-regional co-operation must be within the frameworks of the foreign policy of Serbia, observing the territorial integrity and legal order of Serbia.

The provisions on the legal status and inter-regional co-operation are of special significance in the process of accession of Serbia into the European Union. Based on those provisions, the Province acquires appropriate instruments that enable it to lobby actively and affect formulation and implementation of the EU assistance programmes in its territory, as well as better access to funds for pre-accession assistance. The possibility of opening of representative offices in the regions of Europe also contributes to easier recognition of the Province and promotion of its economic, scientific, educational, and cultural and tourist capacities.

### 8.2.3 Territory

The Law on Establishing of Responsibilities defined the territory of the Province, which is composed of the territories of local self-government units in its geographic areas (Backa, Banat, and Srem). The Law and the Statute stipulate that the territory of the Province cannot be changed without the consent of its citizens expressed in the referendum.

### 8.2.4 Responsibilities

The Law on Establishing of Responsibilities defined new responsibilities in the whole range of areas. The extending of responsibilities is not only quantitative, but it is rather qualitative by nature. Namely, apart from the executive powers, the Province was also granted the normative powers in the fields defined by the Law as matter of provincial significance. The Province regulates the matters of provincial interest with its official documents in accordance with the Constitution, ratified international agreements, the Law and Statute of the Province. In accordance with the Statute, the Decision of the provincial Assembly regulates the issues that are directly, pursuant to the Constitution, the responsibility of the Province or those that have been set forth by the Law as issues of provincial significance.

It is of particular significance that the Province got the authority to regulate the enforcement of laws in its territory based on its own official document, if the competent Republic authority fails to pass the regulations for enforcement of laws within the period defined by those laws. This provided an appropriate legal instrument to the Province for elimination of potential harmful consequences that may arise due to untimely passing of documents that are necessary for enforcement of laws. In addition to that, such possibility contributes to better legal security of citizens and economic entities (companies) in the territory of the Province and efficient implementation of regulations.

#### 8.2.4.1 Spatial planning and construction of facilities

Pursuant to the former Law on Establishing of Responsibilities of the Autonomous Province from 2002, the Province also had certain responsibilities in the fields of spatial and urban planning and construction, but the tasks belonging to the two last fields it executed as entrusted/assigned ones. Thus, in the field of urban planning, the Province adopted regional spatial plan, the plan for special purposes and spatial plan of network of infrastructure and network of regions or structures/facilities with special functions for the regions within the territory of the Province, issued planning permits and planning authorisations, executed inspection supervision and resolved claims against the first-instance decisions of municipal administration from the territory of the province.

Based on the new Law, along with the existing responsibilities, the Province was also granted new ones in the fields of spatial and urban planning. The province does no longer execute those responsibilities as entrusted/assigned ones. Current, in accordance with the Law, the Province:

1. Passes the Decision on the development of regional spatial plans and spatial plans for special purposes for regions in the territory of the AP Vojvodina;
2. Passes regional spatial plans and spatial plans for special purposes for regions in the territory of the AP Vojvodina;
3. Establishes the Commission to perform expert/professional control of regional spatial and spatial plans for special purposes for regions in the territory of the AP Vojvodina;
4. Suggests one-third of the members of the Commission that executes expert/professional control of spatial and urban development plans in local self-government units in the territory of the AP Vojvodina;
5. Approves spatial and urban development plans of local self-government units in the territory of the AP Vojvodina;
6. Proposes measures and activities for the Programme of implementation of the Spatial Plan of the Republic of Serbia for the territory of the Autonomous Province of Vojvodina;
7. Monitors the execution of the Programme of implementation of the Spatial Plan of the Republic of Serbia for the territory of the Autonomous Province of Vojvodina;
8. Passes the programme of measures and activities for implementation of the regional spatial plan of the AP Vojvodina;
9. Monitors the implementation of the programme of measures and activities for implementation of the regional spatial plan of the AP Vojvodina;
10. Passes the programme of measures and activities for implementation of spatial plans for special purposes for regions in the territory of the AP Vojvodina;
11. Monitors the implementation of the programme of measures and activities for implementation of spatial plans for special purposes for regions in the territory of the AP Vojvodina.

## 8.2.4.2 Regional development

The new Law on Establishing of Responsibilities, the Province was entrusted/assigned for the first time the responsibilities in the field of regional development. The Law sets forth that, in accordance with the Law, the Province:

1. Regulates the development planning in line with economic policy and development strategy of Serbia;
2. Monitors implementation of the programme of measures and activities for equal regional development;
3. Established the Development Bank of the AP Vojvodina, in accordance with the Law regulating the establishment, operation and organisation of banks;
4. Develops the administrative capacities of the provincial administration and local self-government with the aim to use successfully the EU structural and cohesion funds.

The Statute of Vojvodina emphasises in particular the importance of regional development of the Province. According to the Statute, the Province is responsible for sustainable development as a whole and the balanced development of its geographic regions. The Statute further elaborates the provisions of the Law on Establishing of Responsibilities and sets forth that the Province regulates and ensures equal regional development and capital expenditures from the funds of the Province, in accordance with the Constitution, international treaties and the Law. In addition, the Province passes strategic documents related to regional development, in line with the Strategy of Regional Development of Serbia. The Statute also provides for an authority that is not explicitly provided for by the Law on Establishing of Responsibilities: the right to establish organisations dealing with the establishment of balanced regional development. Finally, the Statute sets forth that the Province monitors and evaluates the regional development policy of the Province, and collects and processes statistical data of interest for the Province.

Expanding of responsibilities in the field of regional development planning, meant that the Province acquired an important instrument for planning, development, and implementation of the balanced development of its territory. The possibility of establishing the Development Bank of Vojvodina is of particular significance. The establishment of this bank should contribute to overcoming of the existing constraints related to development funds and opening of a much wider area of financial management in accordance with the banks related legislation.

In practice, the issue could be raised on relations of the above-mentioned provisions of the Law on Establishing of Responsibilities and the Statute, on the one hand, and the Law on Regional Development, on the other hand. The Law on Regional Development provides very limited competences of the Province in terms of regional development. According to the Law on Regional Development, the territory of Vojvodina is designated as a special region. Pursuant to the Law, the Province passes the Strategy of Regional Development for its territory in accordance with the national development plan. Except that, the role of the Province is brought down to giving opinions on development funding programmes that are implemented in its territory, and the right to have representatives in the National Council for Regional Development (President of the Government of the province) and the Regional Development Council<sup>130</sup>. Both of those bodies, as well as the National Development Agency and the Regional Development Agency are established by the Government of the Republic of Serbia. Of particular importance is the existence of regional development agencies, which are entrusted with tasks related to preparation, monitoring, and implementation of development documents and projects for the relevant region, as well as certain administrative powers<sup>131</sup>. Since the Government of the Republic of Serbia establishes this body, it is of crucial importance to regulate its relations with the relevant provincial authorities. In that sense, there is an interesting provision that relates to financing of regional development and that stipulates that it is partly financed from the provincial budget. Namely, it is envisaged that the issue of funding from the provincial budget will be regulated by special agreements that will be concluded by the Regional Development Agency for the region of Vojvodina and the Province, leaving some room for the Province to influence planning, implementation and financing of development in its territory.

As it can be seen, according to the Law on Regional Development, the responsibilities of the Province are very limited. Therefore, the question may be asked to what extent is this law harmonised with the Law on Establishing of Responsibilities and the Statute. In particular, if we take into account the provisions of the Statute according to which the Province is responsi-

<sup>130</sup> According to the Law on Regional development, the Regional Development Council, executes inter alia, the following tasks: promotes publicly the objectives of regional development and fosters their implementation in the territory of the region; issues opinions related to regional strategy for the region that the Regional development Council was established for; issues opinions on development funding programmes for the region it was established for, which is financed from the Republic resources; issues opinions on proposals of other development documents at a regional level; establishes working groups at the level of the region for certain issues of significance for the region.

<sup>131</sup> In accordance with the Law on Regional Development, the Regional Development Agency executes, inter alia, the following tasks:

- Participates in preparation and implementation of development documents and monitors their implementation at a regional level;
- Monitors and undertakes measures and implements development projects for improvement of infrastructure, development of companies and entrepreneurship, building and strengthening of institutions and organisations in its region, included in the programme of financing of development of the region;
- Renews accreditations of the regional/county association and issues public documents on renewal of accreditation;
- Co-ordinates the work of county/regional associations in its region;
- Prepares and implements training programmes for the needs of development of companies and entrepreneurship, development of infrastructure and development of institutions and organisations in its region;
- Plans and proposes development projects in the fields of regional development and projects of interest for its region and provides conditions for access and implementation of projects that are financed from the European funds, grants and other forms of development assistance for its region;
- Executes tasks of international and inter-regional co-operation within its responsibilities;
- Keeps the information system of significance for the region;
- Organises and executes publishing activities.

ble for sustainable development as a whole and the balanced development of its geographic areas, as well as that it regulates and provides for balanced regional development. Those provisions are based on the provisions of the Law on Establishing of Responsibilities that entrust the Province with development planning activities. In connection with that, it should be pointed out that the Statute of Vojvodina is confirmed with the appropriate Decision of the National Parliament of the Republic of Serbia. Therefore, the question may be rightfully asked about the sense of provisions of the Statute on responsibility of the Province to plan, regulate, and provide for balanced regional development if we bear in mind that the Law on Regional Development grants those responsibilities to national and regional development bodies. We believe that when dealing with this problem we should start from the fact that the Law on Establishing of Responsibilities determines the issues of provincial significance. Accordingly, the solution could be found in the interpretation that the Province can regulate independently and provide for balanced development in the fields that have been, as such, determined as issues of provincial significance. Such an interpretation is the result of the fact that the Law on Establishing of Responsibilities and the Statute were enacted after the Law on Regional Development, namely based on implementation of the rule that newer laws derogate older ones. In any case, it will be interesting to see how the above-mentioned issues will be addressed in practice and what will be the relationship between provincial authorities and development bodies defined by the Law on Regional Development.

### 8.2.4.3 Agriculture

In the field of agriculture, the Province was granted much wider powers. Thus, the Province passes, implements and monitors measures of agrarian policy and rural development measures. In addition, the Law on Establishing of Responsibilities provides for original revenues for the development of agriculture. It is set forth that the Province collects funds from the use of agricultural land in the territory of Vojvodina, in accordance with the Law and prescribes the conditions and methods of distribution and use of those funds. The Province uses the generated funds to establish a separate budget or funds. In the end, which is especially important, the Province takes over the founding rights over agricultural services established in the territory of Vojvodina, and founds its own forecasting-reporting service. The Statute of the Province provides that the Province manages agricultural land that belongs to it.

In the field of animal husbandry and veterinary service, the Province passes a long-term programme of measures for the implementation of a breeding programme for the territory of Vojvodina, in accordance with a unique Republic programme, and establishes Scientific-expert Council for animal husbandry.

### 8.2.4.4 Water management

Water management is one of the fields of exceptional significance for the development of the Province. Bordered with major international Sava and Danube rivers, intersected with a wide network of canals between the Tisza and Danube rivers, as well as a number of smaller canals, Vojvodina is a unique part of Serbia. Water management is of vital importance to provision and exploitation of drinking water, agricultural development (irrigation, drainage, and flood protection), waterway transport, river tourism ... The new Law on Establishing of Responsibilities recognises a special interest of the Province in this field and entrusts it with important normative responsibilities. The Province has been returned the right to manage water resources and natural and artificial watercourses within its territory. It also regulates water management activities for its territory, except in the area of water protection from pollution for the purpose of protection of health of general population, animal and plant life, and environmental protection and passes the Water Management Master Plan for the territory of the AP Vojvodina, in accordance with the Water Management Master Plan of the Republic of Serbia. In accordance with the Statute, the Province manages waters and watercourses within its territory.

### 8.2.4.5 Forestry

Vojvodina is the area with the minimum coverage of forests in the territory of Serbia. It is one of the most urgent problems of the Province, which is related to environmental protection, soil erosion, and reduction of air pollution. In accordance with the previous legal solutions, the Province had the right to establish a public enterprise for forest management, but not to regulate this field. The new Law provides that the Province regulates forestry in its territory and ensures the fulfilment of public interest in this field.

The Statute stipulates that the Province manages forest land, forests, and forest products that belong to it.

### 8.2.4.6 Hunting and fishing

Hunting and fishing are important potentials for the development of Vojvodina. In addition to administrative powers, Vojvodina also got legislative powers in both of the fields. Namely, it is envisaged that, in accordance with the Law, the Province regulates hunting and fishing in its territory through its bodies. This is an important power, since the Province will finally get

the possibility to regulate those fields, taking into account the existing natural specific properties and needs, and adopt the appropriate development strategies in compliance with that. In particular, the transfer of powers in the fields of fishing and water management should enable better exploitation of rich natural resources and developed network of canals aimed at more economical use of the existing and creating of new fish ponds.

#### 8.2.4.7 Tourism

The Province regulates planning and development of tourism in its territory, in accordance with the Strategy of Development of Tourism in Serbia. In addition, it is important to mention that the Province regulates the use of mineral and thermal waters, balneological and climate resources, and it can establish spas and health resorts in its territory, in accordance with the Strategy of Development of Tourism in Serbia. It can also establish the Tourist Organisation of Vojvodina and other organisations for tourism promotion.

#### 8.2.4.8 Environmental protection

Environmental protection is one of the areas in which the Province was granted particularly broad powers. In accordance with the previous Law, the Province was able to regulate only certain issues in this area. The new Law provides for the Province to regulate, promote, and provide environmental protection for its territory. In addition, the novelty is that the Province passes the document on placing the natural property under the protection, in accordance with the Law regulating protection of nature, adopts plans and programmes of management of natural resources and assets in accordance with strategic documents; controls the use and protection of natural resources in its territory; provides continuous control and monitoring of the status of the environment and passes monitoring programme in its territory that must be in accordance with the monitoring programme passed by the Government for the period of two years; issues conditions for providing of measures and conditions for environmental protection, at the request of authorities responsible for preparation and adoption of spatial and urban development plans, based on conditions and opinions of the competent professional organisations; participates in drafting and adoption of spatial and urban development plans and other plans, etc.

The Province is also given the opportunity to establish the budget fund in accordance with the regulations on the budget system, which will be financed from the revenues generated in the territory of the AP Vojvodina.

Considering the importance of Fruska Gora as a special environmental units, and revenues from exploitation of its resources, is of exceptional significance that the Province was granted the founder's rights over the public enterprise dealing with management of the National Park Fruska Gora.

In the end, the Province was entrusted with significant management and inspection authorities in the field of environmental protection.

#### 8.2.4.9 Industry and crafts

Industry and crafts are the new fields in which the Province was granted responsibilities. In those areas, the Province adopts the plan and programme of balanced economic development in accordance with the development plan of Serbia. It is the matter of significant responsibility that enables the Province to take an active development policy, taking into account specific needs of certain areas in its territory.

The province has also got the power to determine old crafts that are unique for the territory of Vojvodina and providing of measures for their improvement and development. Identification, preservation, and encouraging of development of old craft does not have only a cultural value, but may have a direct economic effect, in particular in a well-designed tourist offer.

#### 8.2.4.10 Land, river, and railroad transport

The Law on Establishing of Responsibilities entrusted the Province with the authority to regulate, maintain, and manage land, navigable and railroad routes of the second rank in its territory. Taking into account the rich network of navigable waterways within its territory, the Law transferred onto the Province wide powers in terms of regulation and providing of internal navigation, safety of navigation, maintenance of navigable waterways, ports, anchorages, and winter ports.

#### 8.2.4.11 Organising of fairs and other economic events

The responsibility of the Province to regulate trade fairs, as well as to regulate the establishment of fair and other economic events in its territory, provides the Province with an important instrument for promotion of its natural, economic, agricultural, and touristic potentials.

### 8.2.4.12 Science and technological development

The Law on Transfer of Responsibilities transfers significant responsibilities in the fields of science and technological development onto the Province. In accordance with provisions of the new Law, the Province passes the Strategy of Technological Development in accordance with the Strategy of Technological Development of Serbia. In addition, the Law provides for the possibility that the Province establishes funds or participates in establishment of funds aimed at financing of science and technological development. It is envisaged that the Province determines and funds programmes in the field of science and technological development of provincial significance and provides project financing.

An important novelty is that the Province is entitled to set up or participate in the establishment of research and development centres in order to accelerate the technological development. In this regard, the Province was granted explicit authorisation to establish fund for innovation activities that will be financed from the revenues generated in the territory of the Province.

The Statute further elaborates the provisions of the Law in the field of science and technological development. It is envisaged that the Province shall specify the particular issues in science, innovation, and technological development in accordance with the Constitution, international treaties and the Law. It is also stipulated that, in addition to research-development centres, the Province is entitled to establish or participate in establishing of innovation centres, business-technological incubators, science-technological parks and institutes, as well as encourage innovative activities and development of scientific-technological creativity through appropriate funds. In this way, the Province can actively participate in creating, and increasing and expanding of scientific-research base, which can significantly contribute to increasing the competitiveness of its economy.

### 8.2.4.13 Mining and energy

In accordance with previous Law and Statute, the Province executed only the entrusted/assigned responsibilities of the managerial supervision and establishing of committees for professional exams in the fields of mining and energy. In accordance with the new Law on Establishing of Responsibilities, the Province is entitled, inter alia, through its bodies to:

1. Propose a part of the Programme for Energy Development in its territory in accordance with the IRDP APV, which is an integral part of the Implementation Programme of the Strategy of Development of Energy of the Republic of Serbia;
2. Pass the energy development plans setting out the needs for energy in its territory, as well as the conditions and methods of providing the required energy capacities in line with the strategy and programme of the Republic of Serbia;
3. Propose a part of the Energy Balance of the Republic of Serbia that refers to the AP Vojvodina;
4. Monitor the implementation of Energy Balance and, if necessary, propose measures to the Government that ensure its fulfilment.

In the field of mining, the Province, exercise, just as it has until now, certain responsibilities it was entrusted with, but the circle of responsibilities has changed pursuant to the new Law. This refers in particular to exploitation of mineral resources and execution of mining works. Namely, according to previous decisions, the Province was resolving under the requests/applications for issuing of authorisations for exploitation of mineral resources and execution of mining works. Currently, its responsibilities are extended to include signing of contracts with companies that were granted the authorisation for exploitation, as well as resolving under applications for issuing of authorisations for the use of mining facilities and trial start up.

The Province was granted similar powers in the field of geological research, but now, except for resolving under applications for issuing of authorisations for such researches, the Province keeps records in research sites and cadastre of approved research sites, finances the basic geological researches in its territory, determines the method and deadlines for payment of the fee for the use of data and documentation on basic geological researches based on the contract with the beneficiary and elaborates balance of reserves of mineral resources and ground waters in the territory of the AP Vojvodina.

The responsibility granted to the Province to conduct inspection supervision over energy facilities for transport of oil and its derivations, transport and distribution of heating energy, production and processing of petroleum and gas in accordance with the Law is of exceptional significance, and it is closely connected with environmental protection.

### 8.2.4.14 Planning and implementation of the National Investment Plan (NIP)

The Law on Establishing of Responsibilities transfers onto the Province certain responsibilities related to NIP, which should enable the efficient use of significant resources in projects of interest for the Province. This institutionalises the role of the Province in planning and implementation of the NIP in its territory. Thus, the Province initiates, co-ordinates, and implements NIP projects in its territory. The Province compiles the proposal of the list of projects for its territory and, the fact that can have exceptional significance, co-operates with the competent Ministry in reviewing and evaluating proposals for the territory of the Province.



#### 8.2.4.15 Other responsibilities

In addition to the above-mentioned responsibilities, the Province was granted the number of new responsibilities in the fields that were partly transferred as its responsibilities according to the previous Law, such as education, culture, sports, health and social care, employment and public information at the provincial level. At this point, it is important to mention the responsibility of the Province in the field of informal adult education. It is an important field, particularly in the transition period, when the need arises for re-training, acquiring of new skills in line with technological and scientific progress. In accordance with provisions of the Law, and in line with the strategy of development of adult education in Serbia, the Province shall regulate the issues related to organised and institutional education outside the school system for vocational training of adults, as a matter of provincial significance.

#### 8.2.5 Financing of responsibilities

The transfer of responsibilities implies the existence of adequate resources for their fulfilment. In this regard, the Constitution provides that the budget of the Province is at least 7% of the budget of Serbia, provided that 3% of the subject 7% are used to fund capital expenditures.

It is envisaged that the Province has original revenues for financing of its responsibilities, providing that the type and amount of original revenues are determined according to the special Law. The funds for the execution of entrusted/assigned tasks are provided by the Republic of Serbia.

#### 8.2.6 Assets of the Province

In terms of property of the Province, the Law on Establishing of Responsibilities contains a general definition that the assets/property of the Province, the method of their use and disposal with the same are regulated by the Law. The Law on Assets Owned by the Province has not been enacted yet. The Law also provides that property of the Province, as a form of public property, includes items used by the bodies of the AP Vojvodina, public enterprises, and institutions founded by it pursuant to the law, as well as other mobile and immobile items in accordance with the law regulating the issues of public property. The Law on Public Property has not been enacted yet. The Statute stipulates that the Assembly of the AP Vojvodina shall pass the Decision that will determine bodies responsible for management and disposal with the property of the Province.

#### 8.2.7 Administration and judiciary

The Law on Establishing of Responsibilities sets forth that the Province shall regulate responsibilities, election, organisation, and work of bodies and services it establishes, in accordance with the Constitution and Statute.

The Statute provides that the provincial administration is independent and that it executes the tasks with its responsibilities in accordance with the Law, Statute, and the Decision of the provincial Assembly. The Government of the Province is responsible for the work of the provincial administration and it supervises the work of provincial administration bodies. The Government of the Province is entitled to annul or suspend any general document that is not in compliance with the Statute, law or the Decision of the provincial Assembly.

Novi Sad is the seat of the bodies of the Province, including the administration bodies. It is the capital, and administrative centre of the Province. The establishment of provincial administrative districts is planned in order to enable performing of certain tasks of the provincial administration outside its main seat. Seven administrative districts will be established in accordance with the Statute and based on the Decision of the provincial Assembly:

- In the territory of Backa in Subotica and Sombor,
- In the territory of Banat in Kikinda, Vrsac, Pancevo and Zrenjanin,
- In the territory of Srem in Sremska Mitrovica.

In the end, it is important to point out that in its territory, the Province supervises the legality of work of bodies of local self-government units. Thus, the Province stands out as a separate administrative and management area in the territory of Serbia.

The Statute anticipates the existence of the institution of the Provincial Ombudsman who performs the control function, i.e. represents the "fourth" branch of government. Provincial Ombudsman specifically protects human rights and freedoms against violations committed by illegal, unreasonable, and ineffective acts of bodies of provincial, city and municipal authorities, organisations and public enterprises and institutions executing administrative and public powers, which are founded by the Province, namely city or municipality in the territory of the Province.

The Province has no judiciary jurisdiction. However, the Statute stipulates that the Province proposes:

- The network of courts in its territory,
- A judge from its territory of the High Judicial Council,
- Public prosecutor from its territory to the State Council of Prosecutors, and
- Candidate for the judge of the Constitutional Court from the territory of the Province.

### 8.2.8 Conclusion

Passing of the Statute and the Law on Establishing of Responsibilities, the Province was granted significant instruments, which enable a greater role in planning and implementing of its own development. Expanding of responsibilities is both quantitative and qualitative: the above-mentioned pieces of legislation deepen the already existing responsibilities and anticipate some that are completely new, such as those in the field of regional development, land, and river and railroad traffic, NIP. The question may be asked to what extent those two pieces of legislation exhaust the provisions of the Constitution. Could the matter of transfer of responsibilities be pushed even further or was it the right measure? This question reveals the limitations of the concept of autonomy anticipated by the Constitution of Serbia. The main problem is that the Constitution leaves the question of specific responsibilities of the Province to be regulated by the Law. In other words, the responsibilities of the Province are not defined by the Constitution itself, which would eliminate all the dilemmas in that respect, but this issue was left to the legislator, the Parliament of Serbia, which will regulate it depending on the will of the current parliamentary majority, which can prove as source of instability in future. Naturally, instability, either political or legal, is not something that encourages economic development of any area. Therefore, the way in which the provisions of the Statute and the Law on Establishing of Responsibilities are going to be implemented in practice will be of exceptional significance, in particular in situations when the same political majority does not exist in the Province and in the Republic.

In the end, we should remind of the fact that with the Statute and the Law on Establishing of Responsibilities only a part (frankly speaking, a larger one) of the task has been completed. In order to enable autonomy to function undisturbed, it is necessary to enact laws that would define the property of the province, as well as sources of its financing. Without that, the provisions on transfer of responsibilities shall have no economic basis. Only when these issues get regulated it will be possible to give more precise evaluations on the extent to which the current concept of autonomy provides opportunities for improving competitiveness and economic development of Vojvodina.



