

**ANALYSIS OF METHODOLOGY AND MODELS OF STRATEGIC PLANNING OF LOCAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA**

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**RESUME**

*The paper starts from the premise that local development policy could be seen as a tool for effective management and usage of comparative and competitive advantages in space and time. By applying the centralized administrative model in managing society and economy, Bosnia and Herzegovina is not capable of handling efficient development at national, regional and local level. We believe that there is a need to change the model of social and economic development, taking into consideration that so far negative effects of the erroneously applied strategies and development policies have reached unexpected limits. Strategic planning is an instrument which the managers of local communities may use to make optimum decisions and their implementation. Models of strategic planning represent the need of local community for internationalization and attracting foreign investors, but also the appropriate public sector support offered to the businesses in a particular community in order to conduct their activities in a more efficient way. Priority aims and their actual application to development of local communities are determined by strategic planning and models of strategic planning. We believe that an appropriately adjusted model of strategic planning provides an advantage for local communities in innovative and cooperative approaches to the problems of local government units, with the tendency for defining priority areas and sectors, while different levels of government, scientific and development institutions at local and other*

*levels and civil sectors should be involved in solving these problems. In this paper, we focused on the presentation of models of strategic planning from the practice worldwide, as an efficient means for the implementation of strategic planning processes and using its positive characteristics in order to improve efficiency and effectiveness of local communities. As an example of balance between acceptance and feasibility, we showed the methodology for integrated planning of local development, which the local communities in Bosnia and Herzegovina seek to adopt and implement.*

**Keywords:** strategic planning, methodology of strategic planning, models of strategic planning, local development

**JEL:** M1, M2, O1, O2

**1. INTRODUCTORY REMARKS**

The issues of general development of a country within the framework of economic development have been studied for many years. Only in 1960 did the study of the essence of local development begin, because it was obvious that the earlier neglect of local abilities was bad not only for economics, but also for local communities. The application of the concept of local development in Bosnia and Herzegovina started with the processes of transition of economy and society. Until 1989, the plans were created at the state level, private initiative was strictly limited, and citizens could have influence on the improvement of the economic position of the

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municipality only through the political process. A special care is taken on observance of the European practices and standards, and on local development strategy which promotes bottom-up approach, with recognizing local government as an important bearer of development. Spread of the concept of local development strategy in local communities in Bosnia and Herzegovina depended on many factors. Achievement of default aim/aims requires that a project passes through several clearly defined phases, and the way in which local development strategy will be implemented depends on the nature and content of programs and projects.

Learning from experiences of the old and new member states of the European Union and other acceding countries, a significant number of local communities in Bosnia and Herzegovina has actively approached strategic planning of local development. Participants in strategic planning of local development have identified three main lines of intervention, which are necessary for constructing the capacities for local development: the "bottom-up" rather than "top-down" approach (it means that projects are not prescribed by the national level and they are left to the local government units) and the transfer method; mechanisms and instruments of strategic planning are generally based on the application of EU assistance for pre-accession and structural funds; establishment of an understandable and coherent system with structures necessary for the implementation of local policies. A significant number of local communities has got developed strategies, and some of them are for the third time implementing local development strategies, which usually include a five-year period.

The purpose of the research is to enable the authorities of local communities a better understanding of the role and importance of strategic planning processes of local development, help them clearly define the most important roles and responsibilities, and

make the key decisions and perform their duties in due time and with high quality.

## **2. A REVIEW OF THE RELEVANT RESEARCH ON STRATEGIC PLANNING OF LOCAL DEVELOPMENT**

In the second half of the 1960s, scientific publications and professional journals were flooded by the articles that advocated the idea of strategic planning, as a modern and progressive approach to successful management (Mintzberg, Ahlstrand, Lampel, 1998, pp. 48). The findings related to various research on strategic planning include specific ways of its defining. For example, it is a process of thinking, making decisions about aims and it is a plan of measures which will be implemented in the future (Bowman, 1994, pp. 12). It is also the recognition of events which will happen in the future (Florijanic, 1997, pp. 106). Heracleous (1998, pp. 482) defines it as a convergent and analytical process focused on the programming of existing strategies, that is a creative process of identifying key areas and agreeing on the most important aims and strategies. According to Mozina (1994, pp. 299) strategic planning is a process of long-term planning which, on the basis of a comprehensive analysis of factors, seeks to exploit, that is, to maximize the strengths and minimize the weaknesses which could positively or negatively affect the business of economic entity. Strategic plan as the main result of this process, presents a general framework for the allocation of always scarce resources for solving economic problems and for gratification of priority needs (Miovic, 2005, pp. 9).

Studies of strategic planning emphasize the difference between strategic planning and traditional comprehensive planning, as strategic planning presents a proactive process through which the community wants to shape their future, and not just to prepare for it (Vojinovic, Treasury, Boric, 2009, pp.

38). It is extremely important to emphasize the difference between strategic and long-term planning, since five-year plans are nothing but mechanistic extra polishing of trends over the next five years (Mintzberg, 1994, pp. 58).

The strategy presents a rational response of the community to the events from its environment in which it performs its primary - business and wider social mission. Starting from a systematic analysis and prediction of environmental factors and vision, mission and aims specified on such basis, formulating a strategy presents a choice of the basic paths and ways for achieving the aims the mission of the community defined in such a way. Formulating the strategy involves identifying different ways, that is different strategic options (their generation, evaluation and selection) for the realization (implementation) of the mission and aims of the organization (Masic, 2009, pp. 218). According to some other authors, formulating the strategy includes: proposing strategic alternatives, evaluating alternatives and making decision, establishing hierarchy of strategies for different levels of strategy (Award Ghaziri, 2004, pp. 309). Local development strategy contains a general vision of life in the local community as well as aims, programs, projects, action plans, etc. By the strategy of the local development it is necessary to solve what the aims are and how to achieve them, who needs to do what, who is responsible for what, how to control the fulfillment of the aims, what the time dimension of the strategy is, etc. The aim of the strategy is to take advantages, overcome weaknesses, exploit opportunities, and get rid of the risks and threats (Swinburne, Kessides, 2004, pp. 14). The most common method of formulating the strategy is when we consider different views, strengths, weaknesses, benefits, as well as possible prediction and manipulation (Moore, 1995, pp. 127). The aim of formulating the strategy is not stable long-

term planning, which will prepare us for the things that future brings, but it gives an opportunity for creating competitive advantage (Feurer, Chaharbagh, 1995, pp. 11) or creating our own diversity (Chaharbagh, Willis, 1998, pp. 1017). In this case, strategy is a form of learning, since the subject of observation (depending on whether it is micro or macro economic level) for which the strategy is formulated, educates during that longer period to which the strategy refers (Fogg, 1999, pp. 29). While formulating the strategy, the direction of planning goes from the bottom to the top, because the formulation of strategic aims and measures for their implementation, which are located on the top of the scale, requires information on the condition and characteristics of the object of observation, which are located at the beginning of the planning considerations (Fogg, 1999, pp. 241).

The process of creating the local development strategy contains a number of elements, which are described and analyzed in numerous books on strategic planning. On the one hand strategic planning does not allow holding and making creative processes, inventions and true changes in a strategic orientation, while on the other hand a good strategy does not need constant shaping. Such strategy provides a framework for continuous solving of problems, and does not provide a way of solving a problem (Rumelt, 1980, pp. 365; Mintzberg, 1990, pp. 182). European experience in the implementation of local development strategy around the world, according to the World Bank, crystallized the local development planning procedure which includes: organizing the forces, assessment of local communities, formulating the local development strategy, and implementing the strategy (Swinburne, Kessides, 2004, pp. 12).

The process of globalization, sustainable development, entrepreneurship, and social security present the thematic areas, which need to be considered by strategic planning in

an optimal way. A number of questions, to which strategic planning has to find the real answer constantly increases, thus requiring development of new and advanced approaches to strategic planning. Modern approach to strategic planning presents the adjustment of strategic plans to modern business environment which constantly changes, and presents challenges to the future.

### 3. SPECIFICATIONS OF METHODOLOGY IN STRATEGIC PLANNING OF LOCAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA

Contribution to the facilitating of planning practice and the accomplishing of local development in Bosnia and Herzegovina is the basic aim of methodology for integrated development planning of municipalities. Methodology for integrated planning of development is one of the most important instruments for proactive and responsible managing of local development, which is one of the most important tasks of local government units in Bosnia and Herzegovina, and it is completely coordinated with the existing legal framework by which development planning is defined at the local level.

According to the methodology, local development strategy includes strategic, tactical and operational level of planning, which are used for adjusting long, medium, and short term. The first level of planning is the strategic platform with the vision and aims of long-term development of a community. The second level is the elaboration of a strategic platform through appropriate plans of economic and social development and improvement of environment, with a high degree of their mutual coordination. A strategic platform includes a ten-year period. The third level is operationalization of the strategic platform and sectoral plans - through development of appropriate financing modalities and

implementation, including timely preparation of organizational and human capacities. The timeframe of sectoral plans is five years. Apart from internal organic interdependence, where the second level stems from the first, and the third from the second (and first), integrated and participated planning of local development is characterized by a full compliance with regional planning spatial planning, on the one hand, and vertical alignment with hierarchically superior strategies and plans on the other hand.

Local development planning in Bosnia and Herzegovina, with sustainability and social inclusion as the leading principles, is also characterized by the following three key features: integrated approach, participation and standardization.<sup>1</sup> Integrated approach emphasizes three dimensions of integration, which are important for local planning: (1) integration of sectors, starting from the basic assumption that interdependence of natural, social and economic systems is such and so large that it requires an integrated approach, (2) integration of horizons of planning (long, medium and short term), (3) integration of subsystems of local development in hierarchically higher systems, by including the European Union support system, which will be an increasingly important source of financial and technical assistance to municipalities.

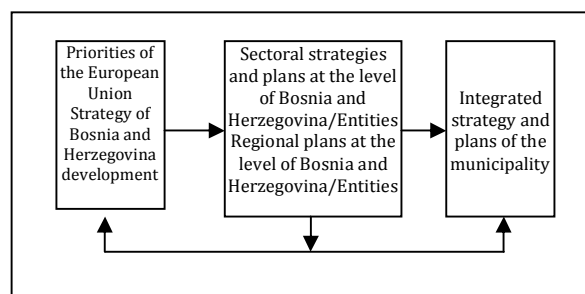


Figure 3.1. The Concept of Integrated Local Development<sup>2</sup>

The concept presented in Figure 3.1. implies that every level and every sector retains its core focus, while in interaction they achieve common synergistic effects in the form of



sustainable and equitable development and a significantly improved quality of life.

#### **4. MODELS OF STRATEGIC PLANNING OF LOCAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA**

The process of modeling and planning local development in Bosnia and Herzegovina started along with a more significant presence of international organizations, especially after 1997 when some municipalities started the activities on the preparation of development strategies, by which they wanted to accelerate economic and social recovery after the war. The first local development strategies and their creation started in those municipalities where the presence of the international community was the largest, and in the municipalities which were affected by the most severe destruction of economic and social infrastructure. Since 2001, the majority of municipalities have initiated activities on the creation of local development plans, within which private and civil sectors were given the opportunity to participate. Since then, 102 local government units have developed their own development strategies. In this period, the model of local development planning included elements of analyzing the conditions, creating partnerships, promoting partnerships and creating development plans.

First strategies of local development plans mainly contained the aims in the field of economic conditions and development issues were mostly reduced to those of economic development. Such models dominantly involved the condition of individual economic sectors in the situation analysis, mainly in those sectors which were the most common economic sectors in years before the war. The main aim and task of modeling a planning process in this period was to identify the way which would result in the shortest return to the economic conditions from the period just before the war. In most development plans, the basic principle of defining development

goals was to connect the aims to the economic situation in the pre-war period. Methodological approaches were project oriented to only one aim - to produce a local development plan through a strategic-planning document. Preparation of these documents indicates that there is an awareness about the importance of application of local development strategy documents, which will lead to an increase of the existing level of institutional and organizational capacities in a municipality and raise the level of their utilization within the local communities.

In our country, a unique model for planning is formally defined neither at the state, entity, cantonal, nor at the level of local government units. However, there is an initiative to standardize and facilitate the practice of strategic planning, and to realize local development through the methodology for integrated planning of municipality development in Bosnia and Herzegovina.

##### **4.1. Revised Minimum Standard Model of the World Bank and more advanced variants of this model (RMSM model)**

The development model of the World Bank was created in 1971 by John Holsen, who then called it the "Minimum Standard Model" (MSM). Four years later, another group of economists of the World Bank made some modifications and renamed it as the "Revised Minimum Standard Model" (RMSM). The objective of the model is to make the relation between medium-term growth and its financing explicit. RMSM was originally created in 1974. The World Bank deals with the financing of growth and local community development in the medium-term period, thus placing more emphasis on savings, influx of foreign capital, investment, and growth. RMSM model of the World Bank is the most commonly used model in developing countries. This model focuses on the relationship between national income and

balance of payments for assessment of financing needs or borrowing.

#### **4.2. OSCE's model of local development**

The approach of OSCE (The Organization for Security and Co-operation in Europe) to strategic planning of local development is based on the activities which enable municipalities to independently develop a five-year strategic plan by promoting the principle of citizen participation through advocacy for the establishment of the Commission for Planning of Municipality Development. The Commission is the forum that is supposed to provide help to local authorities in making, implementing, monitoring, and evaluating the long-term (five-year) development strategies in cooperation with citizens, based on the mandate assigned to them by the municipal council. The goal of the OSCE model of local development is development of the capacities of municipalities and citizens to work in partnership with the aim of identifying and solving development needs of the local community. Many municipalities in Bosnia and Herzegovina have already adopted plans for strategic development and defined the projects precisely according to the OSCE methodology, which should be implemented in order to achieve the aims predicted by the plans.

#### **4.3. OECD's model of local development - "bottom-up" approach**

The model of local development of the European Organization for Economic Cooperation and Development (OECD), based on a "bottom-up" approach, has proven successful in many countries. OECD prefers the following characteristics in the approach to local development: emphasis on development; its ability to generate new activities; basis on highly differentiated processes and paths in different local areas due to variety of economic and historical

conditions; focus and networking of development process; inclusion of a series of local subjects who create, develop, and implement schemes and strategies with the help of institutions; and emphasis on economic and social dynamics of development. While searching for creating an effective approach to local development (according to the OECD) it is necessary to start with the following aspects: strategy - local development strategies provide a logical framework for the implementation of programs and activities; operational structure - scale of operational structures might be responsible for creating a policy, including intervention of local and regional governments as well as for the partnership structures which combine their role in joint actions; activities - a very wide range of actions could be taken by local policy (Federal Institute for Development Planning, Sarajevo, 2008, pp. 7).

#### **4.4. Model of Local Development Programme for United Nations**

The United Nations Development Programme (UNDP) of local development has the aim to bridge the gap between developed and less developed areas in the countries, by encouraging social and economic recovery of war-affected communities, with simultaneously strengthening the capacities of local authorities and providing assistance to the groups at risk. At the center of the activities of this program are municipalities and towns in rural areas that fall under the area of special state interest and the least developed local government units.

The program is coordinated and complements the existing state, entity, cantonal and local development activities, though with an increased focus toward communities, social groups, individuals, and companies that, for various reasons, are not able to participate in development activities.

## 5. EMPIRICAL STUDY ON STRATEGIC PLANNING OF LOCAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA

For the purposes of conducting our empirical research we have created a research plan, by which, among other things, we precisely defined research methodology. This included defining the object of the research, general and operational aims, research tasks, central research hypothesis, sample and method of data collection and data processing, and presentation of the results of the empirical research.

Subject of the research: analysis of the existing practice of the local development strategy and the possibility for its improvement in the local government units in Bosnia and Herzegovina, with the aim of raising efficiency and effectiveness of its implementation.

General aim of the research: based on the analysis of the current practice of the local development strategy of local government units in Bosnia and Herzegovina, by the application of modern scientific methods of strategic management, the aim is to create the methodology whose implementation will improve the process of managing local development. Realization of the general aim will require appropriate research efforts to identify the methodology and application obstacles to the use of scientific methods of the local development strategy. This is necessary for establishing efficient and effective management over these stages of the strategic process and achieving a higher level of realization of projects and programs, as well as reaching identified strategic aims and vision of development of local government units in Bosnia and Herzegovina.

Besides the general aim, in this paper we set several operational research aims. They are:

- to examine how many local communities/municipalities in Bosnia and Herzegovina have so far developed

and adopted the strategy of local development and to which time period the strategy is related;

- to examine the ways of support in making the local development strategy, financing and participation of consultant help in creation of the local development strategy;
- to examine the possibility for inclusion of implementation plans for the development strategy of local communities and what each strategy includes (economic development plan, environmental protection, social development);
- to examine the defined aims of operational plans;
- to examine whether local communities, in the framework of the development strategy, adopt plans and programs for the realization of the strategy on an annual basis and what every action plan contains;
- to examine the ratio between implemented and planned projects.

For the realization of the general aim, it is necessary to implement individual research tasks, and they are: to determine the current status of strategic planning in local government units and the existence of strategic plans and local development strategies; to identify the methodological concepts applied by local government units with an emphasis on their advantages and disadvantages; to provide alternatives and recommendations for further development of strategic planning in Bosnia and Herzegovina.

The central research hypothesis is: by the application of the appropriate methodology for the local development strategy in the stages of planning, designing and implementing, and by using qualitative and

quantitative criteria of efficiency and effectiveness, strategic planning process could be improved. This would result in an increased level of achievement of performance parameters of the local development strategy.

**5.1. Defining a core set and research instruments**

The research field includes the local communities (municipalities) in Bosnia and Herzegovina, and the research was conducted in the period from June 01 to October 01, 2011. Due to the specific characteristics of the field, we divided and focused the research on the Federation of Bosnia and Herzegovina, Republic of Srpska and Brcko District of Bosnia and Herzegovina, taking into account the uniform regional representation of the observed sample. The survey was conducted on representative and directly determined samples. The total sample size was 56 out of 145 local communities, with 50 valid questionnaires and 6 questionnaires which were not valid for the analysis, which we presented in Table 5.1. (Abadzic, 2012, pp. 120). The questionnaires from Sarajevo Municipality, the City of Mostar, Domaljevac, Celic, Neum and Zivinice were not valid for the analysis, because these local communities did not prepare the local development strategies.

Table 5.1. Completed questionnaires

Federation of Bosnia and Herzegovina	Local Communities/ Municipalities	Valid Questionnaires	Percentage of Participation
Una-Sana Canton	8	2	25.00%
Posavina Canton	2	1	50.00%
Tuzla Canton	10	4	40.00%
Zenica-Doboj Canton	13	5	38.46%
Bosnia-Podrinje Canton	3	1	33.33%
Central Bosnia Canton	13	1	7.69%
Herzegovina-Neretva Canton	7	0	0.00%
West Herzegovina Canton	4	2	50.00%
Sarajevo Canton	8	2	25.00%
Canton 10	6		0.00%
Total:	74	18	25.68%

Republic of Srpska	Local Communities/ Municipalities	Valid Questionnaires	Percentage of Participation
Banja Luka Region	22	11	50.00%
Doboj-Bijeljina Region	13	9	69.23%
Vlasenica Region	8	3	37.50%
Sarajevo-Romanija Region	9	2	22.22%
Foca Region	4	1	25.00%
Trebinje Region	7	4	57.14%
Total:	64	31	46.88%
Brcko District of Bosnia and Herzegovina	Local Communities/ Municipalities	Valid Questionnaires	Percentage of Participation
Brcko District of Bosnia and Herzegovina	1	1	100.00%
Total:	1	1	100.00%
Bosnia and Herzegovina	Local Communities/ Municipalities	Valid Questionnaires	Percentage of Participation
Federation of Bosnia and Herzegovina	74	19	25.68%
Republic of Srpska	64	30	46.88%
Brcko District of Bosnia and Herzegovina	1	1	100.00%
T O T A L:	139	50	35.97%
Questionnaires which are not valid	6	6	4.14%
TOTAL: Bosnia and Herzegovina	145	Valid Questionnaires + Invalid Questionnaires (50 + 6 = 56)	38.62%

The purpose of the questionnaire is to collect information on the capacities within administration, evaluate programs, and make preliminary assessment of the process of local development strategic planning. The total number of questions was 33 with a separate section made for any possible comments and recommendations of an interviewed person. The subjects surveyed were the persons in charge of the development strategy of local communities and they completed the questionnaire based on provided answers according to the guidelines of the interviewer. Interview with one person was 15 to 20 minutes long. The questionnaires were mostly distributed by email to the electronic mail addresses of local communities/ municipalities, while a smaller part of the questionnaires was distributed directly, including the questionnaire for the Brcko District. While designing the questionnaire, we took into account the following: that



answers are obtained which are related to the essential research questions; that questions are understandable and unambiguous, and that the total number of questions is not higher than necessary.

## 5.2. Data processing

After collecting and completing the data from the field, we have subjected them to the formal and logical control. A formal review of questionnaires was related to the verification of legibility, completeness, understanding, and coherence of subjects' answers. Logical control was related to the verification of the logical consistency of responses. In that process, our attention was focused on finding potential inconsistencies in the respondents' answers. The answers to each question in the questionnaire were checked, taking into account that the subject was properly guided through the "reminders" which are found in the questionnaires. In those cases where it was established that the subject's answers were not clear enough, we contacted him/her by phone, thus eliminating the possibility for a mistake or irregularity. The next stage is the process of organizing the collected data. It begins with coding, which is performed in order to facilitate the electronic processing of data. Due to the form of questionnaires on which the research was done, the process of coding represented one of the easier stages of research, since most of the questions had the character of "closed questions", i.e. those with the provided answers. The research data are arranged and classified by tabulation and graphical presentation by "IBM SPSS 19" and "Excel 2010", then by description and analysis of the measured phenomena or processes, and by presentation of the research results at the end.

## 5.3. Research results

The research results based on indicators from the questionnaires, which are completed by the relevant persons in the local communities

of Bosnia and Herzegovina, will be elaborated in detail. We will first present the local communities that participated in the research. In order to gain a more detailed insight into the representation of particular local communities, we present them in Table 5.2. From the table one can see their affiliation to the canton, entity and Brcko District, as well as the potential of the local community, measured by the power of budget and number of employees (Abadzic, 2012, pp. 123).

Table 5.2. The basic characteristics of local communities in Bosnia and Herzegovina

Entity/ District	Municipality	Canton/ Region	Municipality Budget (in BAM mn)	Employees
Federation of Bosnia and Herzegovina	Trnovo	Sarajevo Canton	5.6	35
	Novi Grad Sarajevo		26.1	240
	Posusje	West Herzegovina Canton	5.4	65
	Grude		5.5	60
	Fojnica	Central Bosnia Canton	3.0	34
	Doboj Jug	Zenica-Doboj Canton	2.9	24
	Zenica		33.4	225
	Tesanj		10.0	98
	Maglaj		7.9	81
	Tuzla	Tuzla Canton	42.6	492
	Lukavac		15.0	160
	Srebrenik		10.9	118
	Gracanica		11.7	117
	Doboj Istok		1.9	34
	Odzak	Posavina Canton	5.1	50
	Orasje		5.9	69
Bosanska Krupa	Una-Sana Canton	6.6	95	
Bihac		26.5	224	
Republic of Srpska	Trebinje	Trebinje Region	18.6	164
	Nevesinje		4.6	70
	Ljubinje		1.5	30
	Gacko	Foca Region	10.1	70
	Foca		9.1	88
	Visegrad		7.5	68
	Istocno Novo Sarajevo	Sarajevo- Romanija Region	5.3	65
	Rogatica		5.1	74
	Osmaci	Vlasenica Region	1.0	33
	Vlasenica		4.0	56
	Sekovici		2.1	48
	Ugljevik	Doboj-Bijeljina Region	11.6	85
	Teslic		12.5	101
	Samac		6.2	72
	Pelagicevo		2.4	38
	Lopare		3.8	80
	Donji Zabar		1.8	27
	Doboj		31.4	183
Brod	9.5		69	
Bijeljina	48.9		308	
Sipovo	Banja Luka		4.4	44

	Srbac	Region	8.1	82
	Prnjavor		14.1	147
	Petrovac		0.8	16
	Novi Grad		9.3	100
	Gradiska		20.0	165
	Laktasi		22.1	109
	Kotor Varos		5.2	77
	Kostajnica		2.0	40
	Jezero		0.5	12
	Banja Luka		139.7	730

The presented indicators show that the sample included 18 municipalities in the Federation of Bosnia and Herzegovina, 31 municipalities from Republic of Srpska and Brcko District of Bosnia and Herzegovina. The number of local communities, their budgetary potential, and number of employees indicate that they have a high potential for establishment, implementation, and improvement of the process of local development strategic planning in Bosnia and Herzegovina.

A certain number of municipalities presented in Table 5.2. have completed questionnaire, but they gave a negative answer to the question whether they have developed and adopted the local development strategy for the current period. Since this fact is rather important for the subjects, aims, and proving the research hypothesis, Figure 5.1 shows the structure of local communities (by administrative units) that meet the requirements to remain in the sample of local communities which we will analyze in this paper.

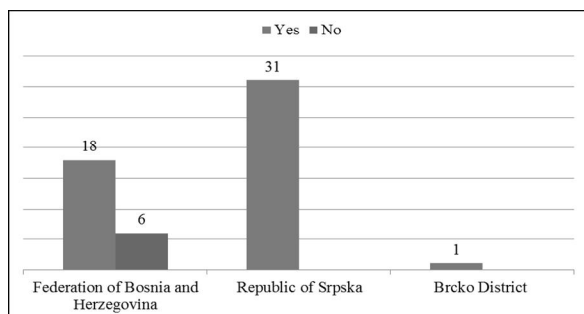


Figure 5.1. Created and adopted local development strategies (Abadžić, 2012, pp. 124)

By analyzing the results of the empirical research, we have concluded that out of 56 municipalities which participated in the

survey and submitted the completed questionnaires, 89% of them have the local development strategy developed and adopted for the current period, while 11% of them have not made the local development strategy yet. Due to these facts, we focused the results of our research on 50 municipalities, and we have excluded the following municipalities: Domaljevac, Celic, Neum, Zivinice, and the cities of Mostar and Sarajevo from a further analysis.

The methodologies presented in the theoretical part of this paper left a possibility for a different period of the span of the local development strategy. The span is relevant from the standpoint of the concept of local development strategic planning. This is why in Figure 5.2. we showed the span and the number of local communities whose strategies belong to that period.

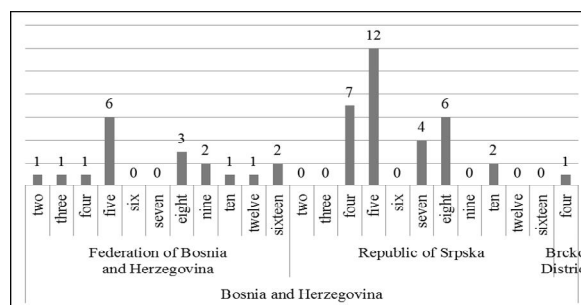


Figure 5.2. The span of the strategy (Abadžić, 2012, pp. 125)

It is evident that out of the total of 18 municipalities in Federation of Bosnia and Herzegovina that completed the questionnaire in the majority of municipalities (33%) the span of the local development strategy is five years. Representation of other spans is much lower. Thus only 17% of the surveyed municipalities have an eight-year span of the strategy. In 39% of the municipalities of Republic of Srpska, the span of the local development strategy is five years, which makes this period dominant in the strategy of local economic development at the state level, that is in 36 % of the municipalities in Bosnia and Herzegovina that completed the

questionnaire. The span of the first local development strategy in Brcko District was four years. By analyzing the span of the second local development strategy, we came to the indicators which show that in 56% of the municipalities in the Federation of Bosnia and Herzegovina, out of nine municipalities which implement the second local development strategy, the span is nine years. The span of the second local development strategy of nine years is also dominant in Republic of Srpska with 57% of municipalities (out of the total of 14) which have completed the questionnaire, and also in Brcko District.

Based on the results of the empirical research, the ways of support in creation of the local development strategy of municipalities in the Entities and Brcko District of Bosnia and Herzegovina are presented in Figure 5.3.

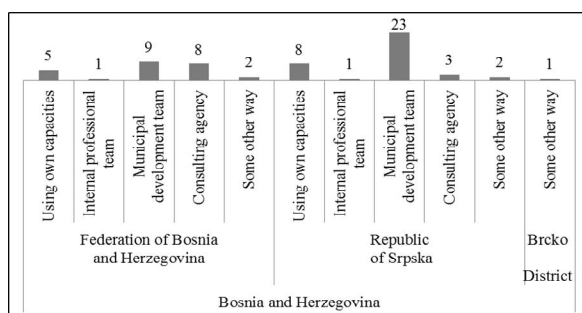


Figure 5.3. The ways of support in creation of the local development strategy (Abadzic, 2012, pp. 126)

In most surveyed municipalities in the Federation of Bosnia and Herzegovina (50%) development strategy was made by the municipality development team, and the consulting agencies participate in the creation of local development strategy in 44% of them. Municipalities which have made the local development strategy with their own capacities cover 27% of the respondents. A number of 11% of the respondents marked “some other way” of support in creation of the local development strategy, as follows: Tuzla Municipality-support of the experts from the Institute of Economics Tuzla; Trnovo Municipality-internal professional team with

the consulting assistance from the regional development agency-SERDA. An internal team was responsible for creation of the local development strategy in 6% of respondents. In most of the surveyed municipalities of Republic of Srpska (74%), the development strategy was made by a municipality development team. Municipalities which made the local development strategy using their own capacities make 26% of respondents. In 10% of the respondents consulting agencies were involved in creation of the local development strategy.. Three percent (3%) of the respondents (3%) marked some other way of support in creation of the local development strategy. They are: Banja Luka Municipality-Consortium-Institute of Economics Banja Luka, Faculty of Economics, Banja Luka, Synergy Association Banja Luka; Gradiska Municipality-Synergy Association Banja Luka with the consulting assistance of EDA Consulting Agency Banja Luka. An internal team was responsible for creation of the local development strategy in 3% of the municipalities. Brcko District of Bosnia and Herzegovina has prepared its development strategy based on the consortium of professional and educated individuals from this local community and other local communities in Bosnia and Herzegovina.

The results of the empirical research helped in determining the percentage of the inclusion of implementation plans in the local development strategy of local communities, which is presented in Figure 5.4.

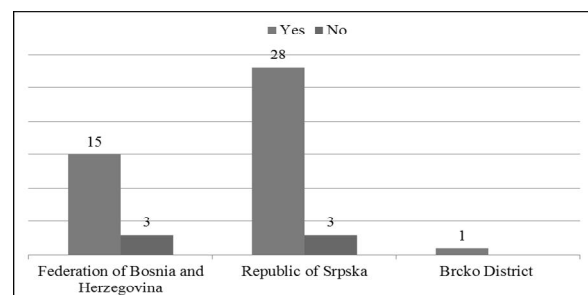


Figure 5.4. Inclusion of implementation plans in the local development strategy (Abadzic, 2012, pp. 132)

The results of our analysis of questionnaires show that inclusion of implementation plans in the local development strategy is done in 83% of the municipalities in the Federation of Bosnia and Herzegovina. In Republic of Srpska this percentage is even higher and the inclusion of implementation plans in the local development strategy is made in 90% of the surveyed municipalities. The inclusion of implementation plans in the local development strategy is also made by Brcko District of Bosnia and Herzegovina.

By the results of the empirical research, we determined the priority plans of local communities in Bosnia and Herzegovina and we showed the level of their representation in Figure 5.5.

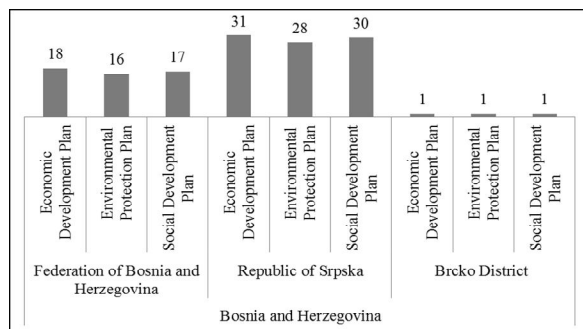


Figure 5.5. Plans within the local development strategy (Abadzic, 2012, pp. 132)

When analyzing these problems, that is the types of plans included in the local development strategy, municipalities from the Federation of Bosnia and Herzegovina (fairly uniformly) include the plan of economic development in their local development strategy (all municipalities, 100%). A number of 94% of the municipalities in Bosnia and Herzegovina include the social development plan in their local development strategy, while 89% of the municipalities has the environmental protection plan included in the local development strategy. The analysis of the municipalities in Republic of Srpska revealed an identical situation. The economic development plan is included in the local development strategy by all municipalities (100% of respondents); social development

plan is included by 97% of municipalities, while the environmental protection plan is included by 90% of the municipalities. After the analysis of responses from the municipalities in Bosnia and Herzegovina entities, we analyzed the responses given in Brcko District, and we have come to identical results. The plans included in the local development strategy in Brcko District of Bosnia and Herzegovina are: social development plan, economic development plan, and environmental protection plan.

The question number 11 in the research questionnaire which was sent to the local communities in Bosnia and Herzegovina entities was: Do local communities have defined operational plans? We analyzed the answers and we obtained the following results which are presented in Figure 5.6.

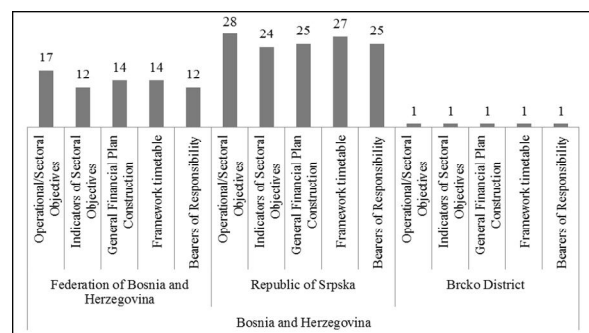


Figure 5.6. Defining operational plans within the local development strategy (Abadzic, 2012, pp. 133)

The analysis showed that responses are fairly uniformed in both entities of Bosnia and Herzegovina and Brcko District of Bosnia and Herzegovina. As for the Federation, 94% of the municipalities (the largest number) said that they have got defined operational/sectoral objectives. Also, 78% of the municipalities of the Federation of Bosnia and Herzegovina reported that they defined the frame structure of the plan and framework timetable. The bearers of responsibility and indicators of sectoral objectives are also defined in the operational plans of the local development strategy in a number of municipalities (67%). As we mentioned, the

results in Republic of Srpska quite match the results of the analysis of municipalities from the Federation of Bosnia and Herzegovina. The largest number of respondents (90%) said that they have got defined operational/sectoral objectives. The framework timetable is defined by 87% of municipalities in Republic of Srpska, while the bearers of responsibility and general financial plan construction are defined by 80% of municipalities in Republic of Srpska which have completed the questionnaire. Brcko District of Bosnia and Herzegovina also defines operational/sectoral objectives, indicators of sectoral objectives, general financial plan construction, framework timetable, and bearers of responsibility within the local development strategy.

Based on the results of the empirical research, we determined whether there is the annual preparation and adoption of plans and programs for implementation of the strategy, and we showed it in Figure 5.7.

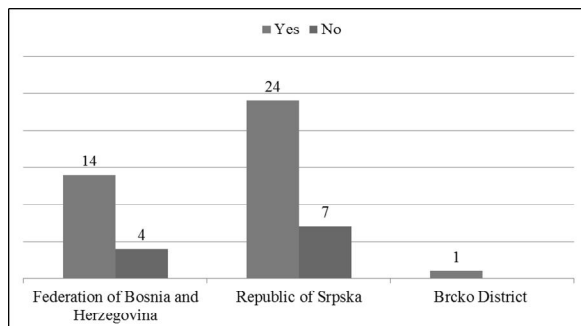


Figure 5.7. Preparation and adoption of plans and programs for implementation of the strategy on an annual basis (Abadzic, 2012, pp. 134)

Preparation and adoption of plans and programs for implementation of the strategy is annually performed by 78% of the municipalities in the Federation of Bosnia and Herzegovina. After the analysis in Republic of Srpska we found the identical situation. Preparation and adoption of plans and programs for implementation of the strategy is annually performed by 77% of the municipalities. Preparation and adoption of plans and programs for implementation of the

strategy on an annual basis is performed by the municipality of Brcko District as well.

Figure 5.8. presents the results of the empirical research on the analysis of the content of the action plan made by the surveyed municipalities in Bosnia and Herzegovina.

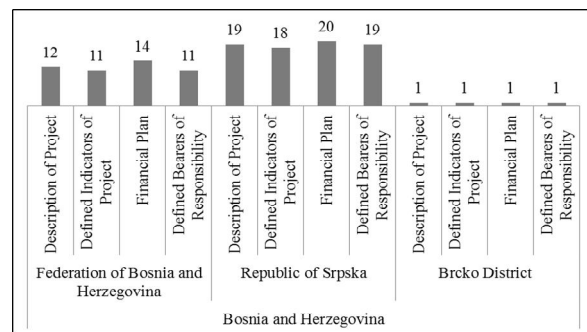


Figure 5.8. The content of the action plan within the local development strategy (Abadzic, 2012, pp. 135).

The financial plan is present in 78% of the action plans, that is in the majority of the respondents in the Federation of Bosnia and Herzegovina. The content of the action plan within the local development strategy includes description of the project in 67% of the municipalities, while the defined bearers of responsibility and defined indicators of the project are present in the action plan in 61% of the respondents. The content of the action plans of the local development strategy of the municipalities in Republic of Srpska is almost identical to the content of the action plan in the Federation. The financial plan is present in the most of the respondents (64%) in Republic of Srpska. The content of the action plan within the local development strategy includes description of the project in 62% of the municipalities, while defined indicators of the project and bearers of responsibility are present in 61% of the respondents.

By the analysis of the results of the empirical research we determined the ratio of implemented projects in relation to the planned projects in previous action plan of the



local development strategy (in percentages) and presented it in Figure 5.9.

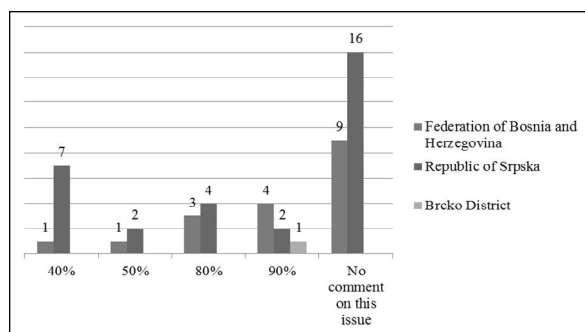


Figure 5.9. The ratio of implemented projects in relation to the planned projects in the previous action plan (in percentages) (Abadzic, 2012, pp. 137)

Analyzing the answers related to the ratio of implemented and planned projects in the previous action plan of the local development strategy in the Federation of Bosnia and Herzegovina, we obtained the following responses: in most municipalities, 22% of them, the ratio of implemented projects in relation to the planned projects in the previous action plan is 90%, while in 17% of the municipalities such ratio is 80%. Half of the respondents (50%) in the sample (municipalities), did not give an answer to this question. The analysis of answers received from the surveyed respondents of the municipalities of Republic of Srpska showed the opposite results. In most municipalities (23%), the ratio of implemented projects in relation to the planned projects in the previous action plan is 40%, while in 13% of the municipalities this ratio is 80%. Municipalities of Republic of Srpska, 52% of them, did not give answers to this question. In terms of Brcko District, the ratio of implemented projects in relation to the planned projects in the previous action plan is 90%.

## 6. DISCUSSION

The local development strategy requires a high level of competence for extremely concrete issues, as well as the sensitivity for

harmonization of different requirements and interests. Local communities are dealing with issues of everyday life of citizens, and effects of its activities are easily and quickly recognized. We believe that this is a very complex task which requires coordination of activities of different departments and institutions, not only at one time interval, but also continuously.

Local development is one of the most important tasks of the local government in Bosnia and Herzegovina, and it is probably the biggest challenge that the local government faces today. We think that the methodology for planning the development of municipalities should contribute to facilitating the practice of planning and implementing local development and be consistent with the existing legal framework by which development planning is defined at the local level. Planning and implementing the local development strategies is a very effective way of creating a unique development perspective in their area, which gives an opportunity for the local community to be oriented to the priorities in more complex and various requirements and to direct allocation of resources and institutional systems to the new group of development aims.

By defining strategic plans, conditions are created for development of programs and activities which will contribute to the realization of the goals. Under the conditions of limited resources for achievement of aims, it is necessary to develop the criteria for determining priorities in terms of plans and activities. In this paper we presented that the local communities include different plans and activities during the preparation of the local development strategy in Bosnia and Herzegovina.

## 7. CONCLUSION

We have confirmed the central hypothesis of the paper. This was done by reviewing, using,

quoting, and analyzing extensive theoretical material. We were guided by the subject and aims of our research as well as by the analysis and the results of our research work. The research was conducted in accordance to the methodology which assumes clarification regarding the usage of methods that will following logical and clear process that should lead to the understanding of the observed research subject and sources and methods of data processing.

The results of the empirical research coincided with the general aim of the paper and we found that, based on the analysis of the existing practice of managing the models of strategic planning of local development in Bosnia and Herzegovina, and by applying modern scientific methods of strategic management, it is possible to create the methodology whose application will improve the process of local development management. We found that the concepts of strategic planning of local development in local communities depend on numerous factors. We realized that an increasing number of local communities use integrated strategic planning, which clearly indicates the existence of new energy for development at the local level in Bosnia and Herzegovina. However, without a certain level of success in the implementation, effectiveness and efficiency of these strategies, will probably have poor results. Based on the results of the empirical research, we determined that the level of implementation of planned projects and programs is low, which results in non-realization of planned strategic objectives specified in local development strategies. The reasons are numerous, but for the purposes of implementing our research, we identified two main reasons: lack of knowledge and experience in managing the projects through all the stages, and incomplete, ignored or superficial processes of strategic planning used in management and implementation of

programs and projects in Bosnia and Herzegovina.

In recommendations and alternatives for further research work, we are able to focus on future work and activities of the local communities on improvement during the proposals for the methodology of local development strategies. Also, we recommend the incorporation of positive lessons, and rejection of bad effects of the strategy. This will insure improvement of the strategic planning process and result in an increased level of achievement of performance parameters related to implementation of the local development strategy. We think that future theoretical and empirical research should be focused on finding the ways to overcome problems in these fields. This primarily refers to finding answers to the following questions: Does the implementation of strategic plans bring great potential benefit to local development?; Could the adjustment of strategic plans to modern business environment, which is constantly changing, increase efficiency and effectiveness and also improve the process of strategic planning?

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