

The role of local government in strategic planning and stimulating investments in agriculture sector

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The traditional model of public administration functioned at the minimal presence of the strategy, but due to this the great attention was paid to the planning system. The public sector can learn a lot from the private sector regarding the issue of planning, strategy development, visioning and forecasting. According to Bilas and Franc (2006) the strategic approach enables:

- introduction of new equipment and modern technologies,
- introduction of new production processes and new products,
- higher employment and employee education,
- business modernization and improvement,
- development of production with a higher degree of processing,
- increase in economic activities,
- developing a new service offering,
- energy savings.

The development plan for local government units should consist of several component plans that are functionally linked. These plans most often include: investment projection, personnel, scientific research, model of formation of total revenues, as well as other business indicators. Due to the above, local government units should define their directions of development according to the basic resources at their disposal, as well as the goals, which must be realistic and strategic in orientation.

The aim of this paper was to analyse techniques and methods of strategic concept that can be implemented by carriers of the management structure at the local level in order to improve the entrepreneurial climate and improve the investment environment. Furthermore, the purpose of introducing the strategic concept into local government was also analysed.

Material and methods

This research focuses on countries that are similar in size and area, where agricultural production accounts for a significant portion of GDP. Countries being compared are: Croatia, Hungary, Serbia, Austria, Bulgaria and Slovakia. The analysed indicators presented in the Table 1 have an impact on the creation and implementation of business plans. The values of the analysed indicators refer to year 2019.

Elements of strategic planning	State, values in %					
	Croatia	Hungary	Serbia	Austria	Bulgaria	Slovakia
Mission, goals and priorities						
Focus on priority issues at local government unit meetings	79	81	77	88	76	82
Orientation towards sustainable business direction	81	80	81	92	77	70
Improving employee focus on organizational goals	80	73	75	89	78	84
Defining clear program priorities	72	85	75	91	74	87
Average	78	80	77	90	76	81
External relations						
Maintaining external (regional, state and interstate) support	76	78	77	86	79	81
Communication with citizens and other external interest groups	73	71	75	89	76	77
Maintaining continuous communication with external partners (investors)	69	72	74	81	72	80
Average	73	74	75	85	76	79
Management and decision-making						
Maintaining a functional organizational structure	65	67	63	77	62	72
Implementation of an effective management system	67	70	64	87	61	77
Social responsibility decision making	73	74	72	89	70	81
Average	68	70	66	84	64	77
Supervision and development of employee						
Direction of employee development	61	63	60	79	67	75
Employee attitudes towards interest groups	61	69	62	80	55	72
Continuous training and development of employee	69	71	72	89	69	81
Building a positive organizational culture in local government unit	75	81	73	84	71	79
Empowering employees in public decision making	67	75	70	91	69	82
Average	67	72	67	85	66	78
Performance						
Maintaining a positive financial position in the budget	79	71	78	87	72	83
Effective and simplified business task resolution	71	73	74	89	75	80
Provision of high quality public services	79	74	76	92	75	77
Average	76	74	76	89	74	80
Social Responsibility						
Taking care of the younger generations	78	79	80	95	83	88
Taking care of the socially disadvantaged	82	77	86	90	80	79
Taking care of the environment	83	78	80	89	79	72
Average	81	78	82	91	81	80

Results and discussion

The agricultural development is accompanied by investment. Investors expect a healthy entrepreneurial climate, simple regulations and efficient public administration to handle administrative procedures. In the countries covered by the analysis, agriculture is of strategic importance, with a total employment of about 6% of the working population in the primary production and food processing sectors. Given that market trends are favourable, or global trends in food demand are increasing, local government units in rural areas must take advantage of such circumstances and stimulate not only raw agricultural production but also the processing industry. A comparative presentation of indicators that have an impact on the adoption and implementation of strategic planning is shown in Figure 1.

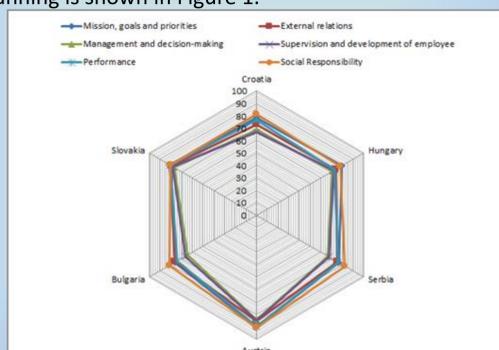


Figure 1. The average values of indicators of strategic planning by analysed countries (WEF, 2019)

The factors that most slow down the construction of commercial building are Supervision and development of employee and Performance which for most states has a value below 70. This indicates a situation that the legal system is slow and inefficient, and potential investors do not want to get into the investment process.

In order to attract as much investment as possible, local self-government units apply economic policy measures that stimulate the economy to invest in:

- production and processing activities,
- R&D activities
- strategic business support activities.

However, it should be emphasized that local self-government units are dependent on state legal measures and must harmonize their legal acts with the laws. The interaction of state and local politics can produce three incentive measures:

- tax benefits,
- incentive measures for job creation,
- incentive measures for the construction of new buildings in the function of production.

Tax benefits reduce the corporate income tax rate depending on the amount of investment costs and the number of job openings. Table 2 shows the interdependence of these variables (the amount of investment and the number of jobs created) and the degree of reduction of income tax (intensity of tax benefit).

Table 2. Tax benefits (WB, 2019)

Investment (000 Euro)	Number of new jobs	Maximum duration of privilege yr.	Reduction of local tax, %	Reduction of local contribution, %
0 - 100	10	10	30%	25%
100 - 500	30	10	50%	50%
500 - 999	50	10	70%	75%
> 1 million	75	10	80%	100%

The intensity of the tax benefit increases with the increase in the amount of investment and the increase in the number of newly created jobs, so it can be seen that this range ranges from a 50% decrease in the prescribed income tax rate to a 100% decrease in the prescribed tax rate.

Incentive measures for the establishment of technological innovation centres and strategic business support activities are two types of additional incentives:

- cash incentives for job creation
- capital incentives for the purchase of technological development and innovation centre equipment. The costs eligible for co-financing by the local government unit are shown in Table 3.

Table 3. Simulation of eligible costs (WB, 2019)

Local unemployment rate, %	Stimulation in relation to job creation costs	Increase for strategic business support activities, %	Increase for technology development and innovation centres, %
< 10	Till 1000	25	50%
10 - 20	Till 1500	25	50%
> 20	Till 2000	25	50%

For strategic business support activities, the incentive measure for job creation was increased by 25% over the same stimulus for industrial-processing investment projects, and the incentive for job creation for investment in technological development and innovation centres was increased by 50%.

The basic criteria for the implementation of incentive measures under the incentive scheme for large investment projects are the following: Construction of a new factory or industrial plant, start-up of a new business, and development of new technologies, Realization of investment in long-term assets of the incentive measure holder in the minimum amount of 150 000 euro, and Creation of at least 100 new jobs.

This incentive measure gives a clear signal that one of the main tasks is to encourage large investment projects, especially in areas of high unemployment and relatively lower economic development, which is a characteristic of rural areas of Serbia and Croatia. These incentive measures seek to motivate the resolution of fundamental economic problems, especially the lack of industrial processing capacities, resulting in low levels of GDP generation and a high unemployment rate as a consequence of the previous problem.

The organizational structure of local government units (JLS) is a component of strategic capability necessary to rationally identify all aspects of the value of space and the structure of changes that may affect it. The strategic concept in JLS is reflected in the purpose of maintaining a balance between JLS itself on the one hand and the environment on the other (Steurer, 2005).

Factors that are important in implementing a strategic approach in municipalities are: budgeting, lifelong education for LGU employees, leadership approaches to municipal governance, total quality management, and drafting strategic documents: local investment plans and municipal spatial plans as documents that can simplify and facilitate investor entry into the JLS area.

Conclusion

The strategic concept of development is specific because, in addition to standard economic analyses, it also includes measures that determine the behaviour in space. The development of agricultural production and other economic activities is based on a dynamic business environment and local government bodies are subject to the laws of external market influences. The inability to respond to external challenges has stalled the development of the local community, which can eventually result in peacetime economic migration (currently happening).

The results of the analysis indicate the need to change the mind-set of both the population and the employees of the local government units inevitably, about its role and its importance. Therefore, the introduction of strategic concepts in the management of the local government a key element in its development. It is important for investors to have information on construction zones and zones intended for business development in one place. Furthermore, procedures need to be simplified. It is necessary for an active economic policy to create an investment environment that will be attractive to investors, which will ultimately contribute to a better competitive position for local farmers.