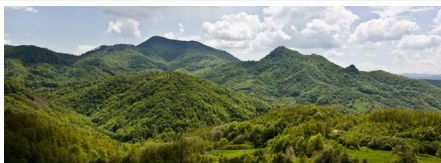




**MUNICIPALITY OF  
ZUBIN POTOK**

**PRIVATE SECTOR  
DEVELOPMENT STRATEGY**

**2013 - 2017**







# Municipality of Zubin Potok

## Private Sector Development Strategy

2013 - 2017

Implemented within the project:  
**New Business Opportunities**  
financed within DFID Programme in Kosovo



British Embassy  
Pristina

Zubin Potok, September 2012



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## Acronyms and abbreviations

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DFID	UK Department for International Development
InTER	Institute for Territorial Economic Development
KRC	Kosovo Relief Committee
LED	Local economic development
NGO	Non-governmental organisation
SMEs	Small and medium-sized enterprises and entrepreneurship
MW	Megawatt
SWOT	S-Strengths, W-Weaknesses, O-Opportunities, T-Threats

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## INTRODUCTION

Strategy for the development of private sector, small and medium-sized enterprises and entrepreneurship in the municipality of Zubin Potok is a document developed within the project “New Business Opportunities” implemented by Kosovo Relief Committee, and funded within DFID Programme. Technical support in the strategy development was provided by the Institute for Territorial Economic Development (InTER).

The Strategy aims at improving strategic planning documents of the Municipality of Zubin Potok, with a special focus on promotion of economic development by creating a better business environment for faster growth and development of small and medium-sized enterprises and entrepreneurs. The Strategy covers the period 2013 - 2017.

This document includes an introduction with general information about the project and used methodology for development of the Strategy, and then provides a brief overview of the municipality of Zubin Potok, analysis of the existing situation in private sector and the SWOT analysis. The strategy is given in the statement on desired vision of development, key principles, strategic sectors, priorities, goals and measures.

## BRIEFLY ABOUT THE PROJECT “NEW BUSINESS OPPORTUNITIES”

Within DFID Programme in Kosovo, Kosovo Relief Committee (KRC) is implementing the project “New Business Opportunities” with the goal to improve job creation by upgrading the quality of labour, providing loans for self-employment and competitiveness of the existing businesses, as well as preparation of the strategy for economic development of the municipality of Zubin Potok. Target groups of the project are entrepreneurs and vulnerable social groups such as women and youth. The project is implemented between April and September 2012.

## METHODOLOGY FOR THE DEVELOPMENT OF THE STRATEGY

Methodology for the strategy development included a combination of participatory approach with the participation of public and private sector and expert analysis of available qualitative and quantitative data.

Participatory approach included the participation of municipality representatives, representatives of business associations, individual entrepreneurs and enterprises, as well as representatives from the civil society, who formed the group for strategic planning. During the planning of the Strategy, the group for strategic planning met four times, and they discussed the organisation of the process, results of the analysis, development of SWOT table and definition of the strategy, sectors, priorities and goals.

Limitation in the preparation of the study was in the lack of relevant statistical data related to private sector development. Secondary data were collected from available databases and publications of relevant institutions, whereas primary data were collected through individual and group interviews with businesses, key actors from the municipality, other public institutions and NGOs. Research results were additionally verified in conversations with the mayor, staff of municipal departments, Employment Service, as well as representatives of the group for participatory planning.

The vision of development, strategic sectors, priorities, goals and measures were defined according to the SWOT analysis and extensive consultations with the representatives of public and private sector and the civil society.



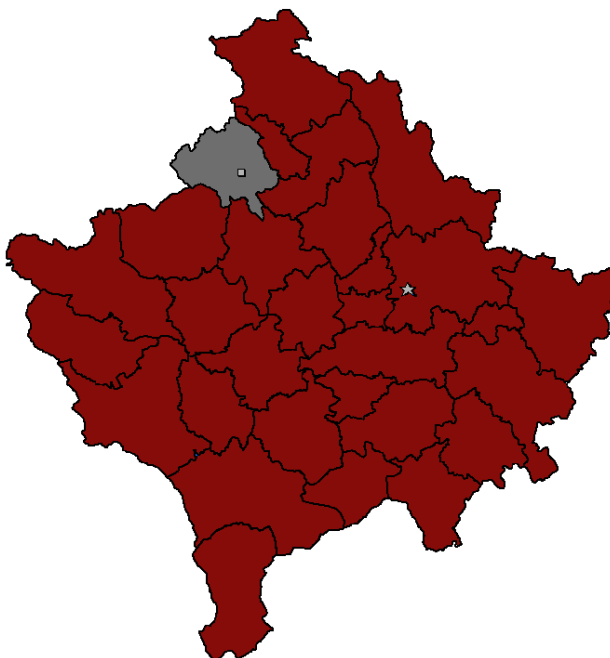
## ANALYSIS OF PRIVATE SECTOR IN THE MUNICIPALITY OF ZUBIN POTOK

### BRIEF DESCRIPTION OF THE MUNICIPALITY OF ZUBIN POTOK

Opština Zubin Potok, poznata pod nazivom i Ibarski Kolašin, nalazi se u severozapadThe municipality of Zubin Potok, also known as Ibarski Kolašin, is located in the north-west part of Kosovo, covering the area of 333.5 km<sup>2</sup> and with administrative borders to the municipalities of Tutin, Novi Pazar, Zvečan, Kosovska Mitrovica, Srbica and Istok. The municipality of Zubin Potok is a part of the Region of Kosovska Mitrovica.

The municipality has a favourable geographical position on the main road E-65 Priština - Kosovska Mitrovica - Podgorica / Novi Pazar. Zubin Potok is 60 km far from Priština, 20 km far from Kosovska Mitrovica and 55 km far from Novi Pazar. As for other roads, the regional road Zubin Potok – Istok is also important.

The municipality consists of 63 villages and settlements of which Zubin Potok is the largest, and it is the administrative, cultural and economic centre. Apart from Zubin Potok, other larger settlements include Velji Breg, Zupče, Brnjak, Bube, Lučka Reka and Čabra.



Position of the municipality of Zubin Potok

As for geomorphology, the municipality landscape includes mountains of Mokra Gora and Rogozna, divide by the Ibar River. On the territory of the municipality, upper course of the river Ibar is specific for the artificial lake “Gazivode”, while downstream it flows through Radičpoljska alluvial plane, Varaška gorge and Zubačku valley where the municipality territory ends.

The flow of the Ibar River through the municipality of Zubin Potok is 43km long, of which 24 km is the length of the lake Gazivode, and 2 km the “Pridvoračko” lake. The lake “Gazivode” covers the area of 12 km<sup>2</sup> and it accumulates 317 million m<sup>3</sup> of water. The accumulated water is used for power of the hydropower plant of 34 MW and for drinking and technical water supply for the municipalities of Zubin Potok, Kosovska Mitrovica, Srbica, Vučitrn and Obilić.

The mountains Mokra Gora and Rogozna are on the right and left side of the Ibar River, respectively. Mokra Gora is rich in forests and pastures and extends to an altitude of over 1,700m. It is full of landscapes of extraordinary beauty, favourable for mountain tourism. Rogozna mountain area is characterized by a very indented, folded hills and steep sloping sides. The highest peak of Rogozna is about 1,479 m.



Landscape on the mountain Mokra Gora

There are no accurate data about the population of the municipality since the last successful census was held in 1981. After that, the Albanians boycotted the census first (1991) and then Serbs (2011). However, the population is estimated as around 15,000, of which 90% are Serbs and 10% Albanians. Albanians live in the village Čabra in the far west of the municipality, and Serbs live in all other villages and settlements in the municipality. The population mostly lives in rural environments.

## BRIEF ANALYSIS OF THE PRIVATE SECTOR IN THE MUNICIPALITY

Even though there is no relevant data about the number of enterprises in Zubin Potok, it is estimated at around 200-250 entities and around 50 agricultural farms. Private sector of the municipality is characterised by a high percentage of entrepreneurs and micro enterprises, and the number of medium-sized enterprises is significantly lower. There are no large enterprises in the municipality with more than 250 employees. Private sector is mostly focused on service industry in trade and catering industry, whereas the number of enterprises in real sector is significantly lower. A significant number of enterprises and entrepreneurs is involved in import and export of consumer goods and mediation between the markets of Serbia and Kosovo. However, this type of industry does not generate employability in the municipality.



Due to the fact that 75% of the territory of the municipality of Zubin Potok is covered by forests, a significant number of enterprises is involved in logging or wood processing, which is a traditional industry. In accordance with the long tradition in wood processing, in late '80s the furniture factory "Simpo" from Vranje opened a factory for manufacturing of laminated furniture in the village Ugljare close to Zubin Potok, with full range of products exported to Norway. Apart from this factory, there are also several small factories for manufacturing of furniture, doors and windows and lumber. There are also around ten companies in the municipality selling firewood. Every year, at least 200,000m<sup>3</sup> of firewood is sold to people and heating plants from other municipalities in Kosovo. There is also traditional agriculture

in the municipality, primarily cattle breeding, then fruit growing and small farming.

Most significant enterprises in the municipality of Zubin Potok are:

- Furniture factory “Simpo”;
- Agricultural cooperative “Zubin Potok”
- Construction company “Kolašin Gradnja”
- Printing house “Ibar – Invest”
- Bakery “Kolašin”
- Carrier company “Kolašin prevoz”
- Hydropower plant “Gazivode”
- Company for forests “Ibar”



Apart from these enterprises there is a significant number of micro-enterprises and entrepreneurs working in wood processing, trade and catering industries, etc. There are three hotels in the municipality with 82 beds in total. Even though they are not categorised, the quality of services they provide is satisfactory. There is also a large number of restaurants in the municipality that attract guests not only from this one, but from other communities as well.

The municipality of Zubin Potok is also characterised by a significant number of factories that are currently not economically functioning due to several reasons. Some of the most significant factories are “Bar bilje” and “Ivo Lola Ribar” in Gazivode, Factory “VIK” in Donji Jasenovik, Factory “Gradac” in Brnjak, Factory “Nada Tomić” in Kovači and Factory “Javor” in Zubin Potok. Most of these factories worked until 1999 (Ivo Lola Ribar, Javor, VIK, Bar Bilje and Gradac, and the plant “Nada Tomić” was never operational. These structures are in a rather good condition and they are a significant capacity to attract investors to the municipality. They can also be used as distribution/warehousing centres and business incubators that could generate entrepreneurship development in the municipality.

Private sector of the municipality of Zubin Potok is characterised by low productivity and poor technical facilities, which significantly effects low competitiveness in the market. Some of the most important problems include purchasing of raw materials and problems with administrative crossings with Serbia and possibility to market goods in other parts of Kosovo.

Lack of possibility to access financial markers is also one of the most important problems for private sector development in the municipality. Namely, due to different reasons, business entities have no possibility to obtain loans from any financial institution in Kosovo.

Human resources are estimated to have enough quality in relation to the needs of the SME sector in the municipality. Workforce is usually educated in the High School in Zubin Potok and the faculties of the University of Priština, dislocated in Kosovska Mitrovica. It

often happens that some enterprises cannot find quality workforce in the local labour market and they hire employees from Serbia. Availability of highly qualified workforce is on a very low level. There is a general trend of negative migrations of young people and educated workforce from the municipality.

It is important to mention that the workforce in Zubin Potok is mostly characterised by engagement or connections with the public institutions, whereas the share of employees in private sector is significantly low. Namely, it is estimated that the private sector employs around 35-40% of the total number of employed people in the municipality. Having in mind the assumption that the number of staff in the public sector will be significantly reduced in the following period, it is necessary to create conditions for the development of entrepreneurship and the private sector, in order for surplus labour to have a possibility to find a new job or start their own business in a relatively short period of time.

There are 1,213 registered unemployed people in the municipality, of which most have a high school degree. A significant number of unemployed people have only finished four grades of elementary school (I degree of education). There are also 22 people with university degree in the labour market. It is visible that more women than men are unemployed.

Table 1: Overview of unemployed people in relation to the education degree

Degree of education	Men	Women	Total
I	313	220	533
II	2	6	8
III	118	77	195
IV	265	381	646
V	3	0	3
VI-1	10	14	24
VI-2	1	1	2
VII-1	8	14	22
VII-2	0	0	0
<b>Total</b>	<b>500</b>	<b>713</b>	<b>1,213</b>

Source: Local action plan for employment in the municipality of Zubin Potok for 2011, p.17.

In the territory of the municipality there is an active Association of Entrepreneurs, but their capacities are on a very low level. The Association works as a group that meets when there are significant problems in their work (such as customs issues, etc.).

Cooperation between the private and public sector is insufficiently developed, and the public – private dialogue is not institutionalised. There is no regular service in the municipal bodies that deals with the issues of private sector development, and the solution of problems usually involves ad hoc initiatives that are often not fully implemented. Technical assistance to private sector development is also not present in the municipality, as well as the support from international organisations.

## SWOT ANALYSIS

SWOT analysis is a basic instrument in the planning process, focused on identifying comparative advantages and basic weaknesses of the economy in the municipality of Zubin Potok.

Strengths are seen as internal factors with positive influence on the development of comparative advantages of the private sector. Internal factors with negative influences on the sector development are considered to be weaknesses. Opportunities come from using strengths or fighting against weaknesses, as well as from positive influences or external events. Threats are seen as predicted unfavourable external influences on the position of the private sector in the municipality. SWOT matrix of private sector development in the municipality of Zubin Potok is given in Table 2.

Table 2: SWOT Matrix of private sector development in the municipality of Zubin Potok

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- High quality agricultural land;</li> <li>- Increased interest of people in entrepreneurship;</li> <li>- Long work tradition in wood processing and agriculture;</li> <li>- Experience in mediation between the markets of Serbia and Kosovo;</li> </ul>	<ul style="list-style-type: none"> <li>- Undeveloped capacities of the municipality to cooperate with the business community;</li> <li>- No existing (local) development funds for SME development;</li> <li>- Insufficiently developed communal infrastructure;</li> <li>- Business activities based on basic service industries;</li> <li>- Underdeveloped industry with technologically obsolete equipment;</li> <li>- Lack of workforce;</li> <li>- Bad access to markets outside of municipal borders;</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Hydropower system Ibar-Lepenac</li> <li>- Natural resources for the development of agriculture, wood processing and tourism;</li> <li>- Favourable geographical position on the main road;</li> <li>- The existing unused industrial facilities and factories;</li> <li>- The existing biomass capacity;</li> <li>- Negotiations between Belgrade and Priština</li> </ul>	<ul style="list-style-type: none"> <li>- Political and security related instability;</li> <li>- Customs problems;</li> <li>- Complicated bureaucratic procedures for business;</li> <li>- Complicated conditions for obtaining commercial loans;</li> <li>- Global economic crisis;</li> </ul>

According to the SWOT analysis, the work group for strategic planning defined the private sector development strategy, that is given further in the document.



## STRATEGY OF ECONOMIC DEVELOPMENT OF THE MUNICIPALITY OF ZUBIN POTOK



### VISION OF SMALL AND MEDIUM-SIZED ENTERPRISES AND ENTREPRENEURSHIP DEVELOPMENT

Representatives of public, private and civil sector jointly formulated the vision of economic development of the municipality for the period 2013-2017 in the following way:

*Zubin Potok is a municipality with favourable business environment where enterprises and local community develop partnerships in order to improve the quality of life. Private sector is developed within the sectors defined by this strategy, with support from the public sector. Favourable business environment of the municipality achieved the realisation of at least one investment in the real sector.*

### KEY PRINCIPLES OF THE STRATEGY

In order to successfully implement this strategy in accordance with good practices of the EU countries, it is necessary to adopt the following key principles:

- public private dialogue, and
- equality, transparency and efficiency of the local self-government in the work on economic development;

## STRATEGIC SECTORS



All analyses of potentials for economic development in the municipality of Zubin Potok recognise agriculture, food processing, wood processing, tourism, and logistics and warehousing as development industries where the municipality can achieve comparative advantage in relation to other municipalities in the neighbourhood and further. In accordance with that, strategic sectors for private sector development in the municipality of Zubin Potok include:

**Strategic sector 1: Agriculture and food production;**

**Strategic sector 2: Wood processing;**

**Strategic sector 3: Tourism;**

**Strategic sector 4: Logistics and warehousing;**

Strategic sectors will represent the main directions for investments from public and private sector in the territory of the municipality, and their development will be achieved by fulfilling strategic priorities, goals and measures.

## STRATEGIC PRIORITIES AND DEVELOPMENT GOALS

Strategic priorities of the economic development in the municipality are defined in the following way:

**Strategic priority 1: Improving business environment for the development of small and medium-sized enterprises and entrepreneurship (SMEs);**

**Strategic priority 2: Strengthening the economy and entrepreneurship;**

**Strategic priority 3: Promotion of investment potentials;**

Each of the identified priorities is explained further in the document.

### **STRATEGIC PRIORITY 1: IMPROVING BUSINESS ENVIRONMENT FOR THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES AND ENTREPRENEURSHIP**

Entrepreneurs, small and medium-sized enterprises are the backbone of private sector development in the municipality of Zubin Potok. However, their development is burdened by non-stimulative business environment that is characterised by various problems. Lack of cooperation between the private and public sector, as well as poor state of communal and business infrastructure are recognised as key problems in this field. Also, upgrading and retraining of workforce should improve the business environment for SME development in the municipality. In order to solve the problem of this priority, the following strategic objectives are proposed:

**Strategic objective 1.1: Strengthening institutional support for the development of entrepreneurship and small and medium-sized enterprises.** This objective includes establishment of institutions and mechanisms for better cooperation between the public and private sector through the establishment of a local economic development office (LED), establishment of a “One-stop Shop:” service within the municipal service centre, establishment of a business council as an advisory body of the Municipal Assembly of Zubin Potok and the development of relevant statistics for monitoring of private sector and workforce. With that in mind the following measures have been defined:

**Measure 1.1.1: Establishment and capacity building of the local economic development office.** LED office would be established within the local self-government of the municipality of Zubin Potok and it would work on issues involving improvement of business environment, business infrastructure development, attracting investments and other activities in the field of local economic development. This measure includes the establishment of LED office and capacity building for employees in the office to provide a high quality services to the private sector.



**Measure 1.1.2: Establishing a “One-stop Shop” service for efficient provision of public services to the private sector.** “One-stop Shop” service would be formed within the existing Service Centre of the municipality of Zubin Potok and it would aim at providing a fast and high quality service to the representatives of private sector in one place.

**Measure 1.1.3: Establishing a Business Council within the Municipality of Zubin Potok.** Business Council would be formed as an advisory body of the Municipal Assembly of Zubin Potok and it would gather the most important representatives of the private sector. Representatives of the Council would have an opportunity to participate in the Assembly’s work when they have relevant issues in the agenda, but without the right to vote.

**Measure 1.1.4: Development and maintenance of a database of business entities and labour.** Relevant data are very important for monitoring of the results in the private sector, as well as the situation and trends in workforce issues. In that regard, it is necessary to create mechanisms for collection and analysis of data that will contribute to better decision making for private sector development, based on specific data.

**Strategic objective 1.2: Development of infrastructure necessary for faster development of the private sector.** High quality infrastructure is necessary for a faster development of the private sector. General conditions of communal and business infrastructure in the territory of the municipality are satisfactory, but the existing infrastructure is not completely adjusted to economic development. Also, it is necessary to improve infrastructure in the localities of special importance for economic development of the municipality. In that regard, the following measures are defined in the field of infrastructure development;

**Measure 1.2.1: Improving the road, communal (water supply and sewerage) and telecommunications (phone and internet) infrastructure connected for business entities in the municipality of Zubin Potok.** A significant number of structures belonging to SME sector is placed in parts of the municipality where the existing infrastructure does not cover the needs and capacities to perform business activities. In that regard, it is necessary to improve the quality of infrastructure connected to business structure in order for them to have undisturbed development and improve their business.

**Measure 1.2.2: Providing communal facilities for location representing potentials for economic development in strategic sectors.** There is a need to provide communal facilities for locations that can later attract investors. Examples of interventions within this measure could be the definition and equipping of the location for logistic centre, providing communal facilities for tourist locations, etc.

**Measure 1.2.3: Business infrastructure development (revitalising Brownfield locations, establishing a centre for business services, establishing clusters, etc.).** As mentioned earlier, there is a significant number of factories in the territory of the municipality that are currently not functioning. These factories are relatively new and unused and with relatively small investments they can be made functional and attractive to po-

tential investors. Also, this measure includes the establishment of the Business Support Service Centre, as well as development of clusters in sectors that include a significant number of entrepreneurs and enterprises.

**Strategic objective 1.3: Improving the quality of labour.** The economy of Zubin Potok accumulates low quality workforce with a low level of specialisation, which affects productivity and quality of production of goods and services. Also, there is a deficit of workforce in many economic industries, especially agriculture, wood processing and tourism. In that regard, it is necessary to improve the quality of workforce by introducing new educational profiles in high school, and work on retraining and additional training of the existing workforce. It is also necessary to work on introducing internships for high school and university students, as well as on forming a constant dialogue between the school and representatives of private sector.

**Measure 1.3.1: Introducing new educational profiles in schools (in the field of identified strategic sectors).** High school in Zubin Potok mostly educates students in mechanical and electrical engineering that are not needed by local businesses. On the other hand, professionals in agriculture, wood processing and tourism are lacking in the municipality, but at the moment there are no curricula that would include these educational profiles. It is necessary to change the entire educational programme of the High School by introducing new educational profiles in order to cover the needs of the local (and regional) economy as much as possible.

**Measure 1.3.2: Organising a system of informal education and retraining for labour.** Apart from formal education, it is necessary to create mechanisms for retraining of workforce, as well as for continuous training of entrepreneurs in their fields of work. Introducing the practice of organising technical seminars and lectures would significantly contribute to the competitiveness of private sector.

**Measure 1.3.3: Linking educational institutions with business entities.** It is necessary to introduce mechanisms for constant dialogue between the representatives of the business community and educational institutions in Zubin Potok, as well as the University of Kosovska Mitrovica, that would be focused on introducing internships, cooperation on joint projects and introduction of new educational profiles.

## **STRATEGIC PRIORITY 2: STRENGTHENING THE ECONOMY AND ENTREPRENEURSHIP;**

Current economic capacities in the municipality of Zubin Potok are on a rather low level. Private sector is characterised by entrepreneurs and micro enterprises that mostly provide services. Also, a large number of business owners and entrepreneurs have a full-time job in a public institution, and their business is an additional activity. This includes agricultural farms.

Private sector has no possibilities to access the financial market, because of the unsolved status of Kosovo banks and other financial institutions do not provide loans to business entities working in the territory of the municipality. Also, there are no banks in

the municipality that work within the Kosovo banking system. On the other hand, there are three banks within the banking systems of the Republic of Serbia, but they do not have possibilities to provide loans for SME development. Start-up businesses are particularly affected by the lack of access to financial markets, but the real sector is affected as well since they do not have the possibility to upgrade the technology and develop innovative and competitive products.

Due to customs problems, problems with purchasing of raw materials and loss of markets in Serbia, factories and production facilities that have until recently worked successfully had to reduce their capacities or to be closed. It is necessary to underline these problems to the relevant institutions from the higher levels of government, and to advocate for these issues to be addressed in the dialogue between the government representatives of Belgrade and Priština.

In order to solve the issues of this priority, the following strategic objectives and measures are proposed.

**Strategic objective 2.1: Raising competitiveness of the economy.** It is necessary to continuously work on improving the competitiveness of the economy of Zubin Potok. Competitiveness can primarily be developed through the specialisation of enterprises within strategic sectors. It is also necessary to establish a local credit fund that would invest in the development of agriculture and SMEs in the real sector. Also, it is necessary to invest in the development of innovative and competitive products that would have a market both in the region and in Kosovo and Serbia. Capacity building for the Business Association and lobbying with relevant institutions of higher level of government are also necessary measures for the development of the competitiveness of economy.

**Measure 2.1.1: Establishing a local credit fund for the development of agriculture and the private sector.** It is necessary to establish a local credit fund that would finance the development of agriculture and SMEs in the real sector. Funds for loans would be provided from donations and the budget of the municipality of Zubin Potok, and they would be granted through a transparent procedure and with clearly defined rules. The funds would be granted with more favourable interest rate, which would ensure the sustainability of the entire process.

**Measure 2.1.2: Support to development of innovative and competitive products.** In order to strengthen the competitiveness of economy it is necessary to work on the development of innovative and competitive products that would have a secured market. In that regard, it is necessary to introduce a special measure to subsidise innovation and competitiveness within the municipal budget. It is also necessary to establish cooperation between businesses and research centres from the country and the region. This measure includes work on introducing the necessary quality standards and certificates.

**Measure 2.1.3: Capacity building of the Business Association of Zubin Potok Municipality.** Even though the Association of Entrepreneurs exists for several years, this organisation has no organisational and functional capacities, but they are spontaneously

organised when they have to solve some big issues that affect entrepreneurs (e.g. customs issues, etc.). In order to improve the competitiveness of economy, it is necessary to build the capacities of the Association so that it could represent the interests of the members in an adequate and consistent way.

**Measure 2.1.4: Lobbying with relevant institutions for support to rehabilitation of the existing business entities.** In order to initiate economic development in the municipality, it is necessary to revitalise the existing businesses that have not been used for years. Many of these structures are being privatised, and some of them will be a part of the future negotiations between Belgrade and Priština. Empty factories can be used to establish business incubators, distribution centres or to attract direct investments. Local authorities in the municipality should take a more active approach in solving the problems of these companies. It is also necessary to lobby with higher levels of authority for a more favourable business environment, especially in the field of customs and marketing of goods between Kosovo and Serbia.

**Strategic objective 2.2: Small business development.** It is necessary to support the development of small business and self-employment, especially in socially vulnerable categories of population (youth, women, poor). It is also necessary to strengthen the development of old crafts, and organise local fairs, business events and rural fairs that would increase the local demand for entrepreneurs' products.

**Measure 2.2.1: Promotion of self-employment for youth and women through small business development.** It is necessary to strengthen all interested groups to get involved in the development of small business and thus enable self-employment. Small business should especially be promoted among young people, women and the poor. Small business development should be followed by a series of educational programmes about how to start a business, as well as mentoring in the first few years of business. Start-ups should also be supported within the credit fund, established as a part of the Measure 2.1.1.

**Measure 2.2.2: Support to business development in the field of old crafts.** Old crafts are dying, both in Zubin Potok and other parts of the region. Keeping the old crafts tradition could be an opportunity for the development of entrepreneurship. In that regard, it is necessary to promote and encourage the preservation of old crafts and give them a purpose in tourism development. Local NGOs and informal citizens' groups interested in this field should also be involved in the preservation of old crafts.

**Measure 2.2.3: Organisation of fairs and business events.** In order to increase the demand for local products, it is necessary to organise fairs, business events and other events that would bring businesses, business partners and tourists from throughout the region. These events should be organised in the field of strategic sectors, in cooperation with the Association of Entrepreneurs, local NGOs and other stakeholders.

### **STRATEGIC PRIORITY 3: PROMOTION OF INVESTMENT POTENTIALS;**

As a part of activities of the Local Economic Development Office that will be established through the measure 1.1.1, the process for promotion of investment potentials of the mu-

nicipality of Zubin Potok should be initiated. In that regard, it is necessary to prepare the marketing plan for the municipality and additional promotional materials, organise participation at investment fairs and the systematic support for potential investors. In order to fulfil this strategic priority, the following strategic objectives and measures are defined:

**Strategic objective 3.1: Marketing of municipality potentials.** In order to improve economic development and attract investments, it is necessary to work actively on the promotion of the municipality and its potentials. In that regard, it is necessary to work on identifying and analysing investment potentials, on the preparation of promotional materials, and the presentation of investment potentials and economy in fairs and other investment events in the country and abroad.

**Measure 3.1.1: Analysis of investment potentials of the municipality.** It is necessary to do a detailed analysis of investment potentials of the municipality of Zubin Potok, which would include identification of all potentials that could be used for economic development. The analysis would include the conditions and status of abandoned factories, analysis of the necessary investments in structures and infrastructure that could contribute to attracting investments, analysis of natural resources, detailed analysis of workforce, etc.

**Measure 3.1.2: Development of promotional materials and brochures, including a website for economic issues.** In order to have a successful marketing, it is necessary to work continuously on the preparation of high quality promotional materials with world standards, as well as on the development of the internet portal aimed at promoting the economy and investment potentials.

**Measure 3.1.3: Representing the economy of Zubin Potok at fairs and business meetings.** In order to present the potentials of the municipality to a large number of businesses and investors, it is necessary to participate in fairs, business meetings and other investment events. Presentation of the municipality should be jointly prepared by the Local Economic Development Office and the Business Association.

**Strategic objective 3.2: Attracting (local and foreign) investments.** In order to achieve economic development of the municipality of Zubin Potok, it is necessary to continuously work on attracting investments in the municipality, both local and foreign. In that regard, it is necessary to work on local capacity building for work with potential investors, and on organising meetings with them. The following measures are proposed for that purpose.

**Measure 3.2.1: Capacity building of the Municipality for the work with investors.** It is necessary to train the staff of the future Local Economic Development Office for the work with investors, both local and foreign. In that regard, it is necessary to organise a series of seminars and workshops, as well as study visits to similar institutions from other municipalities.

**Measure 3.2.2: Organisation of meetings with potential investors.** Local Economic Development Office has to develop capacities in a way to provide a complete service to potential investors and thus contribute to efficient achievement of planned investments. Also, the LED Office staff has to be trained to lobby for investment, which includes good connections with foreign chambers of commerce, associations of foreign and local investors, etc.

## ACTION PLAN FOR THE STRATEGY IMPLEMENTATION FOR THE PERIOD 2013 - 2017

Action plan for the Private Sector Development Strategy for the Municipality of Zubin Potok for the period 2013 – 2017 is presented in Table 3.

Table 3: Action plan for the Strategy implementation in the period 2013 - 2017

VISION					
Zubin Potok is a municipality with favourable business environment where enterprises and local community develop partnerships in order to improve the quality of life. Private sector is developed within the sectors defined by this strategy, with support from the public sector. Favourable business environment of the municipality achieved the realisation of at least one investment in the real sector.					
Strategic priority 1: improving business environment for the development of small and medium-sized enterprises and entrepreneurship					
Strategic objective 1.1: Strengthening institutional support for the development of entrepreneurship and small and medium-sized enterprises.					
No	Mesure	Responsible institution	Timeframe	Estimated cost and sources of finance	Indicators
1.1.1	Establishment and capacity building of the Local Economic Development Office	Municipality of Zubin Potok – local administration	2013 – 2015	€300,000  Municipal budget and donor funds	The office established and equipped.  Employees selected and trained for work on LED activities  The office capable of implemented LED relevant tasks and projects independently

<p>1.1.2.</p>	<p>Establishing a “One-stop Shop” service for efficient provision of public services to the private sector.</p>	<p>Municipality of Zubin Potok – local administration</p>	<p>2013- 2014</p>	<p>€30,000  Municipal budget and donor funds</p>	<p>“One-stop Shop” service established and operational.  Staff trained for work on activities of interest for the private sector  Private sector satisfied with services of “One-stop Shop” centre</p>
<p>1.1.3</p>	<p>Establishing a Business Council within the Municipality of Zubin Potok</p>	<p>Municipal Assembly Zubin Potok Business Association</p>	<p>2013 - 2014</p>	<p>€10,000  The budget includes activities on capacity building for the Council members  Municipal budget and donor funds</p>	<p>Business Council formed as an advisory body of the Municipal Assembly of Zubin Potok  All Council members trained for monitoring and analysis of local economic development  Council members regularly submit reports to the Municipal Assembly about the situation in the local economy</p>
<p>1.1.4</p>	<p>Development and maintenance of a database of business entities and labour</p>	<p>LED Office</p>	<p>2014 - 2017</p>	<p>€30,000  Municipal budget and donor funds</p>	<p>Database created and regularly updated  Representatives of the municipality, businesses or other subjects have a constant access to the statistics of business entities and workforce in the municipality of Zubin Potok</p>

Strategic objective 1.2: Development of infrastructure necessary for faster development of the private sector.					
No	Measure	Responsible institution	Timeframe	Estimated cost and sources of finance	Indicators
1.2.1.	Improving the road, communal (water supply and sewerage) and telecommunications (phone and internet) infrastructure connected for business entities in the municipality of Zubin Potok	Municipality of Zubin Potok Other relevant institutions	2013 – 2015	€1,500,000 Municipal budget, public institutions and companies, business entities and donors	Every business entity from the real sector has a good access to the necessary infrastructure
1.2.2.	Providing communal facilities for location representing potentials for economic development in strategic sectors	Municipality of Zubin Potok Other relevant institutions	2015 – 2017	€1,500,000 Municipal budget, public companies, business entities and donors	At least one location is prepared for business development with communal infrastructure
1.2.3.	Business infrastructure development (revitalising brownfield locations, establishing a centre for business services, establishing clusters, etc.)	LED Office Other municipal services and public companies Business entities	2014 - 2017	€2,000,000 Municipal budget, public companies, business entities and donors	At least one Brownfield location revitalised and completely equipped At least one cluster established and completely functional A Business Support Service Centre established and completely functional



Strategic objective 1.3: Improving the quality of labour					
No	Measure	Responsible institution	Timeframe	Estimated cost and sources of finance	Indicators
1.3.1	Introducing new educational profiles in schools (in the field of identified strategic sectors)	High School Business Council Business Association LED Office	2015 - 2017	€100,000 Municipal budget, High School budget, business entities and donors	Introducing at least three new high school educational profiles (one a year) in line with the needs of business community
1.3.2	Organising a system of informal education and retraining for labour	LED Office Business Association NGO sector Training Centres	2014 - 2017	€500,000 Municipal budget, business entities and donors	At least 50% of the total number of unemployed people and 25% of the total number of businesses attended some education within the measure.
1.3.3	Linking educational institutions with business entities	High School University of K. Mitrovici Business Council Business Association LED Office	2015 - 2017	€200,000 Municipal budget, High School budget, business entities and donors	At least twenty high school/ university students attending internships every year in businesses from Zubin Potok  At least 3 projects started in cooperation between business entities and educational institutions

<b>Strategic priority 2: Strengthening the economy and entrepreneurship</b>					
<b>Strategic objective 2.1: Raising competitiveness of the economy</b>					
<b>No</b>	<b>Mesure</b>	<b>Responsible institution</b>	<b>Timeframe</b>	<b>Estimated cost and sources of finance</b>	<b>Indicators</b>
2.1.1	Establishing a local credit fund for the development of agriculture and the private sector	LED Office	2014-2017	€2,000,000 Municipal budget, commercial banks, micro-credit institutions and donors	At least 500 jobs created At least 50 businesses established as a result of obtained loans At least 50 existing businesses improved their operations At least 100 agricultural farms improved their products
2.1.2	Support to development of innovative and competitive products	Kancelarija za LER, ULED Office, Business Association, Universities and research centres, NGOs	2015-2017	€1,000,000 Municipal budget, business entities, Universities and donors	At least 5 innovations and 10 competitive products developed within the measure

2.1.3	Capacity building of the Business Association of Zubin Potok Municipality	Business Association LED Office	2013-2015	€150,000 Business entities, Municipal budget and donors	Capacities of the Business Association raised to the level where they represent their members in an adequate and the best way  Business Association participates independently or in partnership with other actors in the implementation of at least three projects aimed at improving the private sector of the municipality of Zubin Potok
2.1.4	Lobbying with relevant institutions for support to rehabilitation of the existing business entities	Municipality of Zubin Potok LED Office Business Association	2014-2017	€200,000 Municipal budget and donors	Lobbying ensures funds for revitalisation of at least two business entities currently stagnating  Lobbying achieved a favourable business environment in terms of customs and marketing of goods between Kosovo and Serbia
<b>Strategic objective 2.2: Small business development</b>					
<b>No</b>	<b>Measure</b>	<b>Responsible institution</b>	<b>Timeframe</b>	<b>Estimated cost and sources of finance</b>	<b>Indicators</b>
2.2.1	Promotion of self-employment for youth and women through small business development	LED Office NGOs	2014 - 2017	€150,000 Municipal budget and donors	At least 50 new enterprises established as a results of small business promotion

2.2.2	Support to business development in the field of old crafts	LED Office NGOs	2014 - 2016	€100,000 Municipal budget and donors	At least 15 new enterprises established as a result of support to revitalisation of old crafts
2.2.3	Organisation of fairs and business events	LED Office Business Association NGOs	2013 - 2017	€500,000 Municipal budget, business entities and donors	Organisation of at least 5 fairs and business events each year (25 events in 5 years)
<b>STRATEGIC PRIORITY 3: PROMOTION OF INVESTMENT POTENTIALS</b>					
<b>Strategic objective 3.1: Marketing of municipality potentials</b>					
<b>No</b>	<b>Mesure</b>	<b>Responsible institution</b>	<b>Timeframe</b>	<b>Estimated cost and sources of finance</b>	<b>Indicators</b>
3.1.1	Analysis of investment potentials of the municipality	LED Office	2013-2017	€100,000 Municipal budget and donors	Every year, LED office submits the analysis of investment potentials of the municipality to the Business Council and the Municipal Assembly which will serve as a basis to promote the municipality to local and foreign investors
3.1.2	Development of promotional materials and brochures, including a website for economic issues	LED Office	2013-2017	€100,000 Municipal budget and donors	Promotional materials and website covering the marketing needs and helping the municipality to attract investments
3.1.3	Representing the economy of Zubin Potok at fairs and meetings	LED Office Business Association	2013-2017	€500,000 Municipal budget, private sector and donors	Economic potentials of the municipality of Zubin Potok presented in at least 5 fairs and business events every year, in total 25 events in 5 years.

Strategic objective 3.2: Attracting (local and foreign) investments					
No	Measure	Responsible institution	Timeframe	Estimated cost and sources of finance	Indicators
3.2.1	Capacity building of the Municipality for the work with investors	LED Office	2014-2017	€150,000 Municipal budget and donors	The Office provides high quality services to potential investors, which is measured in a level of their satisfaction
3.2.2	Organisation of meetings with potential investors	LED Office	2014-2017	€150,000 Municipal budget and donors	At least 200 meetings organised with potential investors (50 a year); At least three investments realised in Zubin Potok as a result of activities within this measure

## FINANCIAL FRAMEWORK OF THE DEVELOPMENT STRATEGY

For the implementation of the Private Sector Development Strategy of the Municipality of Zubin Potok, i.e. the action plan for the five-year period 2013 – 2017, it is necessary to provide funds at the total amount of €11,270,000, which is estimated for the implementation of 22 measures within 7 strategic objective. Overview of financial framework by strategic priorities and objectives is given in the Table 3. As it can be seen in the table, most funds are expected for the strategic priority 1 and strategic objective 1.2 that cover the development of the necessary infrastructure for a faster private sector development. Significant funds are also set for the strategic objective 2.1 for the competitiveness of economy. Investments in other objectives amount to less than 10% of the total amount planned for the Strategy implementation.

Table 4: Overview of financial framework in relation to strategic priorities and objectives

Strategic priority / Objective	Investment	% of total investment
Strategic priority 1: Improving business environment for the development of small and medium-sized enterprises and entrepreneurship	€6,170,000	54.75%
Strategic objective 1.1: Strengthening institutional support for the development of entrepreneurship and small and medium-sized enterprises	370,000	3.28%
Strategic objective 1.2: Development of infrastructure necessary for faster development of the private sector	€5,000,000	44.37%
Strategic objective 1.3: Improving the quality of labour	€800,000	7.10%
Strategic priority 2: Strengthening the economy and entrepreneurship	€4,100,000	36.38%
Strategic objective 2.1: Raising competitiveness of the economy	€3,500,000	29.72%
Strategic objective 2.2: Small business development	€750,000	6.65%
Strategic priority 3: Promotion of investment potentials	€1,000,000	8.87%
Strategic objective 3.1: Marketing of municipality potentials	€700,000	6.21%
Strategic objective 3.2: Attracting (local and foreign) investments	€300,000	2.66%
Total:	€11,270,000	100%

Most funds are expected to be obtained from the budget of the Municipality of Zubin Potok, donor funds and business entities, although other sources of finance are not excluded (banking sector, support from the central government, etc.). In order to obtain donor funds for the Strategy implementation, the Municipality has to raise human capacities for the development of successful project applications.

## MONITORING AND EVALUATION

Preparation of the strategic document and the adoption by the local self-government do not represent the end of the strategic planning process, but the beginning of implementation, i.e. strategic management. During the strategic management process, factors determining strategic priorities and measures often change, and it happens that adopted strategies are analysed and revised. For those reasons, the strategy implementation process has to be constantly monitored and evaluated.

Monitoring of the implementation of the Private Sector Development Strategy of the Municipality of Zubin Potok is a process that makes it possible to check whether activities carried out in the implementation process are within deadlines, and to have a timely reaction to possible delays in implementation of planned activities due to occurring difficulties, problems, lack of resources, etc. Monitoring is a continuous follow-up of results and progress in the strategy implementation. This process includes comparing information collected during the implementation to originally defined indicators.

Apart from monitoring, successful implementation of strategies also includes the evaluation process, that is important in measuring relevance, influences and effects of implemented activities. Evaluation uses information received through the monitoring process in order to determine: relevance (if an activity is relevant enough for the objective), effect (if expected results are achieved) and impact (if there is an improvement and to what extent).

Mechanisms for monitoring of the implementation of the Private Sector Development Strategy of the Municipality of Zubin Potok include primarily human resources that will focus a part of work on monitoring the strategy implementation as well as establishing bodies and procedures that will ensure a successful monitoring. This means that at this stage, certain levels of authority and responsibility have to be defined.

The key link in the Strategy implementation and the first link in the chain of monitoring the Strategy implementation are employees of the Local Economic Development Office who will also be actively involved in the Strategy implementation. Local Economic Development Office will annually submit a report on implementation of project and the report on evaluation of implemented projects to the Business Council (established within the Measure 1.1.3) on implemented activities on the Strategy implementation and monitoring of indicators. Business Council analyses both reports and gives opinion, suggestions and proposals. If the reports show it as necessary, the Business Council can propose the Strategy revision. After the Council approves reports, they are submitted to the Municipal Assembly for consideration and approval.

Availability of the Private Sector Development Strategy for the Municipality of Zubin Potok, i.e. information for the community about the level of implementation, is of great im-

portance, since the stakeholders have to be informed about the progress, as well as the activities they can carry out in order to help the achievement of objectives and priorities defined by the Strategy. For that reason, it is necessary to inform the public on regular basis about the Strategy implementation. The public should be informed regularly about the implemented projects, and the reports on Strategy implementation have to be transparent and promoted.

The success of the Strategy implementation will depend on the level of involvement and interest of the public, and especially enterprises.

People are crucial for the development and progress of a community. The success of strategic planning and strategic management will depend on the people who manage the process, and the overall development will depend on investments in human resources.



## ANNEXES

### ANNEX 1: LIST OF PARTICIPANTS IN THE GROUP FOR STRATEGIC PLANNING

Municipality of Zubin Potok:

Srđan Đurović – Deputy Mayor of the Municipality of Zubin Potok  
Dejan Stefanović – Senior associate for economy and finance  
Ivan Božović – Associate for economy  
Srđan Vučinić – Associate for tourism and catering industry  
Slađana Milić – Associate for agriculture development  
Nenad Bašščarević – Legal advisor – Secretary / Association of beekeepers  
Radenko Milenković – Associate for infrastructure development

Private sector:

Rade Utvić – Agricultural cooperative Zemljoradnička zadruga “Zubin Potok”  
Sretko Jakšić – Company for forests “Ibar”  
Vlastimir Milentijević - PGP Kolašin  
Radivoje Jovanović - SZTR „Javor“  
Veljko Galjak - PP JUKOS  
Slavoljub Đurđević – Furniture factory “Simpo”  
Svetislav Baščarević - Farmer  
Predrag Božović – Hydropower plant “Gazivode”

NGOs

Radojko Vlašković - KRC  
Radmila Kapetanović - KSS  
Goran Obradović - RRC  
Dragiša Mijačić - InTER

### ANNEX 2: SECONDARY SOURCES

The following documents were used in the preparation of this document:

- Ibarski Kolašin: Priroda i tradicijska kultura, 2009;
- Lokalni akcioni plan zapošljavanja opštine Zubin Potok za 2011.
- Opština Zubin Potok: Plan Razvoja 2006 - 2009;
- Univerzitet u Prištini, Ekonomski fakultet: Ekonomski pogledi, ekonomske perspektive Kosova i Metohije, 2004
- Univerzitet u Prištini, Ekonomski fakultet: Zbornik radova, Ekonomska nauka u funkciji kreiranja novog poslovnog ambijenta, 2011
- Vučina Dobrić: Prosvetiteljstvo i školstvo u Starom Kolašinu, 2010;