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## THE INFLUENCE OF DEVELOPMENT AGENCIES ON THE DEVELOPMENT OF LOCAL COMMUNITIES

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**Abstract:** Development of local communities dependent on the actions of development agencies, and particularly the effects of regional and local development agencies. Percent have data available that are potentially exploitable resources, can directly encourage the establishment of small and micro enterprises, and thereby facilitate and achieve sustainable development in all economic regions and local communities. Therefore it is necessary to form a regional development agency.

**Keywords:** Development Agencies, small and micro enterprises, local Development

### INTRODUCTION

Today, the very presence of the opinion that entrepreneurship and micro, small and medium enterprises, the main and most important factor in solving many problems in ensuring a successful economy and overall economic development. Entrepreneurship and SMEs undoubtedly have great significance in terms of employment, successful business and economic development. To SME sector had a significant role in the development should have a much longer tradition than that of in our area, where the earlier period of little or no importance has been given to entrepreneurship and SMEs. Contemporary theory and practice of development and improvement of SME and their success depends on the financial and non-financial support from institutions, whether governmental or non-governmental organizations.

Republic Agency for Development of Small and Medium Enterprises in the Republic of Srpska was established in accordance with the Law on encouraging the development of small and medium-sized enterprises, and it has began work in September 2004th year. It works as a legal entity and non-profit organizations. The agency provides support to the establishment and development of small and medium sized enterprises in the Republic of Srpska and it is generator of the overall system to support the development of small and medium enterprises.

The main objectives of the Agency are to increase the participation of SMEs in the economy of the Republic of Srpska, changes in the business structure by increasing the share of manufacturing activities and services in the gross domestic product, increased technological development, competitiveness and open new markets for small and medium businesses, increasing the number of businesses and new workers in these enterprises and regional cooperation with neighboring countries in order to exchange experiences and achievement of regional comparative advantages for entrepreneurship.

The Agency has the task of drafting documents on the development of Small and Medium Enterprises of the Republic of Srpska operationally implemented incentive policy, promote employment, vocational training, re-training and re-training of workers, establish and encourage communication return small and medium-sized enterprises, entrepreneurs and their associations with the Government and other institutions in the RS and BiH. Agency should encourage the initiation and development of local development agencies and local centers for business development, assist and coordinate the development of a network of local development agencies and encourage inter-municipal projects, promote entrepreneurship and support business innovator, organize, collect and process legal and other information of interest small and medium-

sized enterprises, the establishment of a single informations system statistical data and information relevant to the small and medium enterprises, to participate in international projects and their implementation, to support initiatives of the private sector and the winder experiences of best practices at all levels.

From the standpoint of supporting entrepreneurship and SMEs, most of the work is, and should remain at the entity level and lower levels, ie. at the level of economic regions and local communities, which have long lead various activities to support SMEs. Shortcomings in the existing legal framework for SMEs are not being adequate infrastructure to support the business, as well as difficult and complicated access to credit. This lead to large obstacle to the development of entrepreneurship and SMEs in RS compared to most other countries in the region.

**THE WORLD PRACTICE AND EXPERIENCE OF FOSTERING SMEs AND ENTRENEURSHIP**

At the end of the last century, the pursuit of the creation of a large number of SMEs, entrepreneurship has become a significant factor in economic and social development around the world. When it is revealed as a very important state role at the national, regional and local level support the development of entrepreneurship.

Start of establishing institutional networks to provide institutional support to the SME sector, the dates from the eighties, when he noticed the importance of SMEs in the economic reconstruction of the UK. Schematic representation of the possible support network for SMEs is shown in Figure 1 [1].

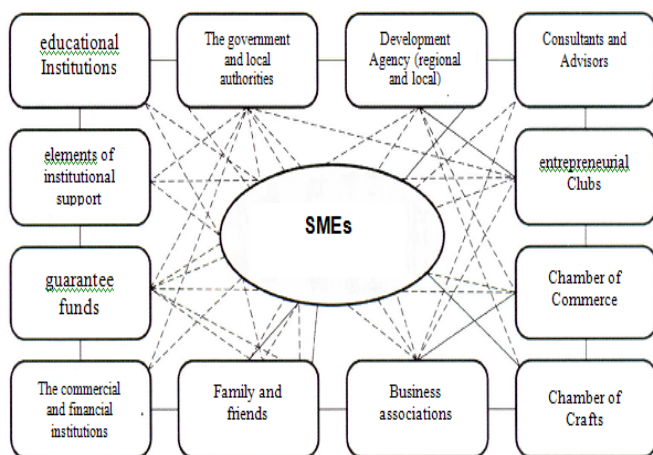


Figure 1. Support Network for SMEs [2]

By organizing the first common policy framework to support SMEs in the EU in 1986. he began to create the Action Programme for SMEs. Measures of the Action Program initiated a number of activities in the elimination of administrative, financial and legal constraints for the operation of SMEs and to encourage cooperation and partnerships for SMEs. Forms of assistance for SMEs: Help for Beginners Business Assistance to existing businesses in the growth and development, particularly in special situations (new products, new markets, innovation, exports, technology transfer, networking and co-operation contract, the placement of financial instruments), and support for existing businesses that found themselves in difficulty[1].

In essence, the structure and form of assistance to small and medium-sized enterprises are varied and depend on many circumstances in the respective country, but it is important to learn the practice of some countries and the need to adjust the observed environment, during the establishment and operation. Also from state to state aid has a variety of programs and performers. Basically these are national, regional and local governments, nonprofit organizations, and commercial providers. Typically, entrepreneurs are not satisfied with the action of institutions for support and assistance. Comments relating to the bureaucracy of the institution, offering abstract knowledge unadjusted needs of entrepreneurs, because they tend to view problems in lack of funding.

**SITUATION IN THE REPUBLIC OF SRPSKA FROM THE ASPECT OF SUPPORT TO DEVELOPMENT ENTREPRENEURSHIP & SMEs**

In this way the great historical transformation of the former socialist self-management of the economy to a market economy, the state should play a major role. The crucial question that arises for BiH as a whole is a question of the ability to find a balance between the power of decision-makers in government structures and their functions versus the population as a whole, ie. question of striking a balance between the category of authority and responsibility categories.

In this context, if the state promotes regional economic development, the region continues to face the process of their efforts in the promotion and implementation of the development process. At the

same time creating and accountability region to foster not only their local area, but also to create the conditions for future integration process of individual regions of a single economic space, with the aim of improving the quality of life both within individual regions, and the entire area Bosnia. To support the development of small and medium-sized enterprises in the Republic of Srpska gained in importance 2002<sup>nd</sup> the adoption of the Program of small business development for the period in 2002 - 2005<sup>th</sup> years, after which he adopted the Law on Promotion of Small and Medium Enterprises SMEs.

The adoption of the Act created the conditions for the legislative, institutional and financial support to this area During the 2004<sup>th</sup> pursuant to the Act have been established: the Department for SMEs and manufacturing trades in the then Ministry of Economy, Energy and Development and the Republic Agency for Development of Small and Medium Enterprises. At the same time the local establishment local agencies for the development of SMEs so that by 2009 was formed of 18 local agencies, and a number of municipalities have expressed interest in establishing them. Support the development of SMEs at the local level and also provide for the development of municipal departments that together with these institutions form a network to support the development of SMEs. Institutional support to the SME sector is one of the strategic priorities in the overall system of support the SME sector. Looking at the institutional support for the development of the SME sector, we distinguish between two support levels: national and local, The Law on encouraging the development of SMEs, in Article 14 defined by the holders of the Strategy of development of SMEs, some of which are at the level of the most important Ministry of Industry, Energy and Mining and the Republic Agency for SME Development. It is important to note that the Government of the Republic of Srpska late marta 2009. was appointed by the Council for the Development of SMEs and Entrepreneurship of the Republic of Srpska with the principle of focusing on small businesses.

As the process of local economic development taking place within the local government level, and

the process of European integration the local level is increasingly more active role in creating a favorable business environment, strengthening institutional support and infrastructure for the management of development processes is gaining in importance.

One of the main activities of local development agencies is that their work considered strategy implemented to encourage the development of SMEs at the national level. However, in practice, it often happens that the local development agency primarily tasked to coordinate and facilitate the process of local economic development overall. The very role of local development agencies stems from the needs of a unit of local government who is the founder of the agency. On the one hand, there are agencies that are highly specialized for specific types of support the SME sector, the agency aimed at the overall development of the municipality and are the main implementers of the overall local development strategies. According to the analysis infrastructure for the management of development processes in the Republic of Srpska there are 18 local development agencies or 28.57% of the total number of local authorities [2].

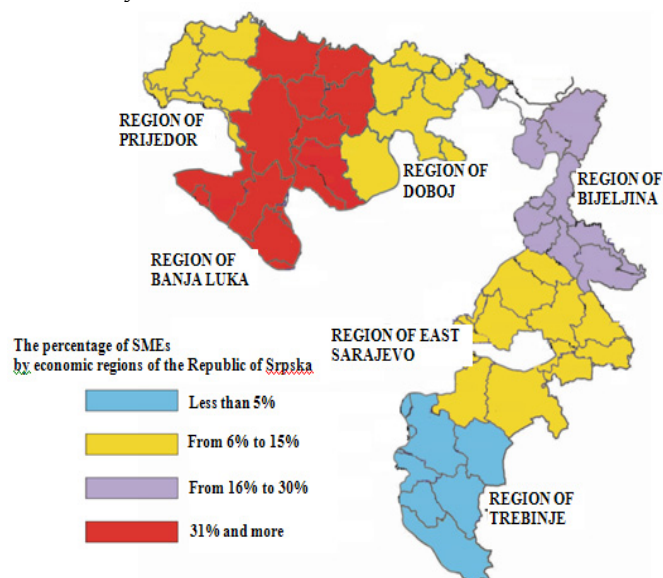


Figure 2. Territorial representation of SMEs by economic regions [2]

Less government units have been formed separate organizational units outside the institutions of local government, but in the very institutions established departments for development, particularly in small and underdeveloped local government exists only report that performs the



role of managing the process of local economic development. Local governments that have this kind of planning institutions to processes of local economic development is 31 or 49.18% of the total number of local government units in the Republic of Srpska [2].

A certain number of units of local government has not developed any form of organization infrastructure for management of development processes, and 15 local government units or 23.84% of the total number of local government units in the Republic of Srpska [2]. Figure 2 shows the territorial representation of SMEs by economic regions.

#### EMPIRICAL STUDIES INCENTIVES SMEs & ENTREPRENEURSHIP FROM REPUBLIC AGENCY FOR DEVELOPMENT OF SMEs

The research process was carried out in the territory of the Republic of Srpska, which is divided into six economic regions, namely: Banja Luka, Bijeljina, Dobo, Prijedor, East Sarajevo and Trebinje. The research involves the extent to which the Republic Agency SMEs in the Republic of Srpska supports and services to small and medium enterprises and entrepreneurs in different economic regions. The results were relevant municipal services, entrepreneurs, owners of micro, small and medium enterprises in the municipalities in which the research was conducted, and the emphasis was placed on three economic regions: Bijeljina, Trebinje and East Sarajevo.

Selection is based on the fact that these three regions territorially linked, geographically located in the eastern part of the Republic of Srpska, percentage of small and micro enterprises in the total number of SMEs in the RS is lower than in the other three regions, as can be seen from Figure 2, a very small number of local development agencies, which presents relevant business unit in terms of a given study.

#### RESULTS AND DISCUSSION

The research, conducted in the Republic of Srpska, ie. in its three economic regions: Region Bijeljina Region East Sarajevo and Trebinje region, I came up with an answer to the question: To what extent is represented stimulation of your work by the Republic Agency for SME Development of the Republic of Srpska? The results of the responses

given by the surveyed participants in the study are shown in Figure 3.

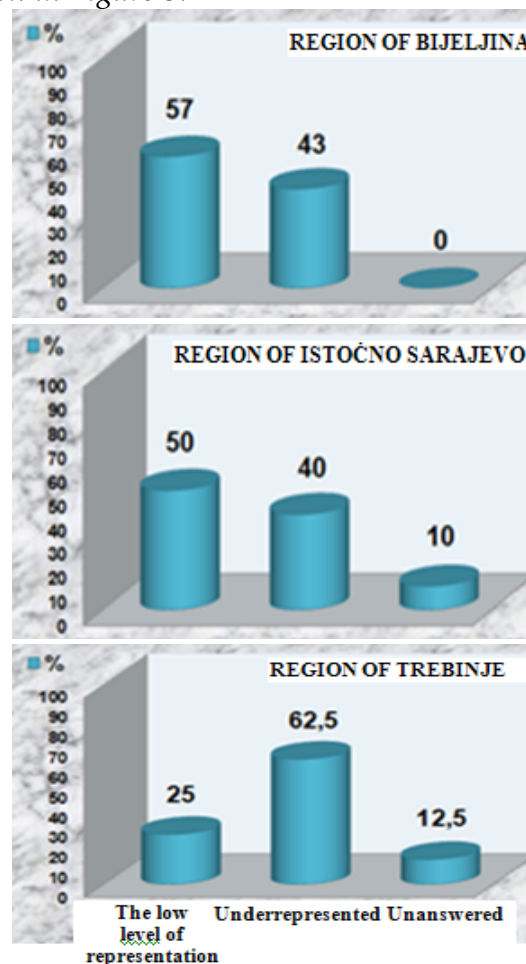


Figure 3. The level of representation of the stimulus SMEs Republic Agency for Development of SMEs [1]

#### CONCLUSION

Developed countries have identified the importance of regional development agencies and their effective use in terms of improving the living standards, raising the level of environmental protection, as well as increased employment. Regional development requires the use of regional resources and resources as the other Republican Agency is not able to stay up all measures and to manage resources in all regions solely because of the lack of information in terms of potential. RDAs should have strategies and plans for initiating and encouraging SMEs and entrepreneurs in a given region, which will be coordinated with the national level will be realized.

Each region has its own characteristics, in terms of resources and infrastructure, and directing them to be in the direction of achieving the best effect, which is reflected in their efficient use. In the Republic of Srpska gradually creates a favorable

environment for the development of SMEs and entrepreneurship, primarily to strengthen financial support and infrastructure.

Local communities and municipalities, should direct their activities towards the improvement of infrastructure, to harmonize their rules and regulations with institutions of the region and the state work together to provide the best possible environment for start-up and survival of SMEs.

Local government is the holder of shaping the development strategy of the region and the community the municipality and its entrepreneurial advocate. Deliberately encourage the local community to own the development of infrastructure and entrepreneurial potential and attract investments automatic is a concept of regional development. Each of the six economic regions of the Republic of Srpska has its potential for development, including infrastructure, resources used, and potentially exploitable resources, each in its own way in terms of the given potential.

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