

**HOW MUNICIPAL INCOMES CAN BE USED IN THE IMPLEMENTATION OF PROJECTS OF COMMON INTEREST THROUGH INTER-MUNICIPAL COOPERATION**

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*Inter-municipal cooperation is one of the forms of cooperation and solving of local problems that municipalities cannot solve on their own. Development stakeholders are one of the forms of establishing inter-municipal cooperation, which is responsible for the development, preparation, and implementation of demanding development projects. The purpose of this paper is to answer the question of whether and how and in what way municipal incomes can be used in the implementation of projects of common interest through inter-municipal cooperation. Given the topic of the paper and the research topic, a qualitative approach was chosen. Procedures and research work will be based on independent work. The research methods that will be used are surveying and interviewing of decision-makers. Development stakeholders on the broader region are established according to different legal forms, depending on the municipalities' needs. The analysis results showed that development stakeholders are differently successful following the legal form and the sources of funding for work and activities. This paper seeks to influence decision-makers, primarily in municipalities, but also development stakeholders. As development stakeholders have proven to be a successful form of inter-municipal cooperation and one of the forms of functional connection of municipalities, this paper can also serve as a reference for further action.*

**Key words:** incomes, inter-municipal cooperation, cross-border cooperation, demanding development projects.

**КАК МУНИЦИПАЛЬНЫЕ ДОХОДЫ МОГУТ БЫТЬ ИСПОЛЬЗОВАНЫ ПРИ РЕАЛИЗАЦИИ ПРОЕКТОВ, ПРЕДСТАВЛЯЮЩИХ ОБЩИЙ ИНТЕРЕС, ЧЕРЕЗ МЕЖМУНИЦИПАЛЬНОЕ СОТРУДНИЧЕСТВО**

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*Межмуниципальное сотрудничество – это одна из форм взаимодействия и решения местных проблем, которые муниципалитеты не могут решить самостоятельно. Стейкхолдеры развития являются одной из форм установления межмуниципального сотрудничества, которое отвечает за разработку, подготовку и реализацию сложных проектов развития. Цель данной статьи – ответить на вопрос о том, можно ли, как и каким образом использовать муниципальные доходы при реализации проектов, представляющих взаимный интерес, посредством межмуниципального сотрудничества. Учитывая тему статьи и тематику исследования, был выбран качественный подход. Процедуры и исследовательская работа будут основываться на самостоятельной работе. Методы исследования включают анкетирование и интервьюирование лиц, принимающих решения. Заинтересованные стороны развития в более широком регионе создаются в соответствии с различными правовыми формами, в зависимости от потребностей муниципалитетов. Результаты анализа показали, что заинтересованные стороны развития по-разному успешны в зависимости от правовой формы и источников финансирования работ и мероприятий. В настоящем документе делается попытка оказать влияние на лиц, принимающих решения, прежде всего в муниципалитетах, но также и на заинтересованные стороны в области развития. Поскольку заинтересованные стороны в области развития зарекомендовали себя как успешная форма межмуниципального сотрудничества и одна из форм функциональной связи муниципалитетов, настоящий документ также может служить ориентиром для дальнейших действий.*

**Ключевые слова:** доходы, межмуниципальное сотрудничество, трансграничное сотрудничество, требующие развития проекты.

**Introduction**

Inter-municipal cooperation due to the consumption of synergies is one way to solve challenges in less developed areas. The Development Strategy of Vukovar-Srijem County for the period up to 2020 (2017, p. 12) states that the area of the county before the Homeland War was economically highly developed with highly productive agriculture and strong processing industry, during 20 years after peaceful reintegration competitiveness of Croatia. Municipalities in the eastern part of the Republic of Croatia are incredibly underdeveloped, poor with insufficient financial incomes for more severe economic and social growth and development. The area is also affected by a massive outflow of the population after the Republic of Croatia's accession to the European Union, and the area faces an additional problem, which is the lack of workforce. The modern wave of emigration has taken away a significant part of the Croatian population, and "a smaller population means less personal consumption, and as it is the most important part of GDP, it hinders its growth and economic recovery of the state." (Troskot et al., 2019).

Local self-government units are organized for relatively small areas and cannot independently organize necessary activities of interest to the local community. However, common to all local self-government units is the same history and tradition, customs, similar level of (under) development, etc. In the article on assistance from development agencies (Schwarzkopf et al., 2014), it is stated that one of the approaches to solving the problem funds for economic recovery, indeed development organizations that can help local and regional self-government units, as well as the economy. More than 2/3 of the municipalities participating in inter-municipal cooperation show more fruitful results, cost reduction, and improved services (Giacomini et al., 2018). Development agencies are vital participants in the development and implementation of economic development strategies at the local level. Development organizations are mostly non-profit organizations that fund the public, private and non-governmental sectors to contribute to general economic development. Recently, there have been development organizations founded by the public sector and organized them as a company to be able to appear on the market. They are instruments to support economic recovery, job creation, and human incomes and infrastructure in different regions. There is no one to deal with development projects in economic entities and local and regional self-government units with a small budget. The problem exists in the entire Republic of Croatia, and especially in the Vukovar-Srijem County, which is extremely poor, and the budgets of municipalities and cities are small. The only way some development projects can be realized are projects funded by the European Union. The main participants in the development organization must prepare, develop, and later implement the project.

As the funds of the European Union, as well as other domestic and foreign funds, become more and more available, there is a need for someone to deal only with that and thus ensure a constant inflow of funds for the reconstruction of the economy and communal infrastructure. Five local self-government units noticed this - Tovarnik, Tompojevci, Stari Jankovci, Lovas, and Ilok, and in the summer of 2005, they established a joint TINTL Office, as stated by the Municipality of Tompojevci on its website (Established Development Agency "TINTL," 2017). They desired to contribute to their communities' social and economic development through more intensive and quality cooperation with domestic and international institutions and organizations. The organization was founded on the model of inter-municipal cooperation, i.e., they "joined" in launching a joint organization that will take care of and solves the problems and needs that all local self-government units have. With this move, i.e., the establishment of inter-municipal cooperation, they jointly solved several problems they had, such as impossibility of independent financing of the development agency, impossibility of monitoring tenders of EU funds and other sources of financing, impossibility of developing applications for applications, etc. the possibility of establishing cooperation between municipalities in the region through cross-border cooperation programs, the Danube Strategy program and other programs at the EU level. Inter-municipal cooperation can have a positive effect on the rationalization and efficiency of local government operations. Following all the above, this paper's research area will be inter-municipal cooperation due to the consumption of synergies in development through joint models of cooperation and development projects. As several problems in this area are listed, the work itself will be based only on specific segments. The most valuable segments and problems that will be covered in this paper are inter-municipal cooperation at the operational level and inter-municipal cooperation on EU funds. Inter-municipal cooperation at the operational level is necessary due to small human and financial incomes and the inability of municipalities to solve specific problems independently, and inter-municipal cooperation on EU funds is necessary due to the dissemination of knowledge and skills in implementing EU-funded projects, lack of funding and expertise, and skill.

## **Theoretical background**

Bobek (2017, p. 4) states that the growing need of society to think and work together stems from current growing challenges such as climate change, energy transfer, globalization, etc. Cooperation is expected to increase the substrate quality and legitimacy of mitigation solutions and decision conflicts between competing interests, value both lay knowledge and expertise, build trust in institutions, or educate and inform the public.

Literature and analyzes conducted exclusively in terms of inter-municipal cooperation are almost non-existent. Thus, the article Intermunicipal cooperation (Giacomini, 2017) states that even if inter-municipal cooperation is not a complete innovation as a real practice, it has only become the subject of study in recent years still on the periphery of research, attracts increasing attention among scientists. Empirical research has not been recorded either in Croatia or in the region. Theoretical articles and scientific papers prepared with the topic of inter-municipal cooperation deal primarily with the organization of inter-municipal cooperation and its economic effect, but not with the importance and effect of inter-municipal cooperation. Some analyzes were made as part of the development of county development strategies, and all include only the regional area, not the entire territory of the Republic of Croatia.

The Republic of Croatia is divided into units of regional self-government - counties and units of local self-government - municipalities and cities. The efficiency of local self-government in all activities is one of the essential segments. However, according to Koprić (2010, p. 379), there are no systematic measurements of productivity, efficiency, and quality of local self-government in Croatia, so it is unknown what results in municipalities, cities, and counties have been achieved in recent years. According to the general impression, many have launched infrastructure projects that are very important for the quality of life and maintenance of housing in small towns, from gasification to the construction or reconstruction of schools, including regional schools, from cemetery arrangements to sidewalks. Experts today often express the view that local self-government is inefficient, but the frameworks for determining the productivity and efficiency of local self-government have never been defined, and it is not known what should be measured. Also, Jambrač (2016, p. 985) states that authorities in small units from the aspect of proximity and relatively high immediacy can express tendencies of monopoly over local government. In small units, it is possible to achieve close cooperation between the political, business and non-governmental sectors in the selection authorities.

Vukovar-Srijem County is the easternmost county in the Republic of Croatia. It consists of 31 local self-government units, of which 5 are cities. The administrative and administrative center of the county is Vukovar, while the largest city is Vinkovci. In the area of Vukovar-Srijem County, local self-government units are located and observed and analyzed in this paper.

According to demographic calculations at the end of 2011, 49.1% of the total population lived in five-county towns, while the remaining 50.9% of the population lived in 26 municipalities. The share of the urban population in the total population, concerning the average of the Republic of Croatia, where the share of urban population is 70.4%, confirms its extremely rural character. According to the number and share of inhabitants, 48% of local units have between 3,000 and 10,000 inhabitants, which make up 42.13% of the total population of VSC. It is a favorable fact that units with less than 1,500 inhabitants (6.5%) have a minimal share, and therefore the VSC is much better than the national level at which this share is 14.24%. Data on the change in the number of inhabitants show that the least endangered are the local self-government units, because they are losing the population the fastest (Razvojna strategija Vukovarsko-srijemske županije za razdoblje do 2020. godine, p. 6).

Following the trends, but also due to the fact of increasingly difficult activities as an association of citizens, the members of the Office for International Cooperation TINTL decided to establish an institution called the Development Agency TINTL. As such, the institution was established in 2018 and began operating in 2019. Together, the TINTL Development Agency and the TINTL Office for International Cooperation have achieved outstanding results in the use of EU funds. As a legal form of activity, the Office for International Cooperation TINTL is an association of citizens, and the Development Agency TINTL is an institution. The TINTL Office for International Cooperation is financed by membership fees of local self-government units and by performing economic activities. Revenues generated by performing economic activities make up 95% of total revenues. The TINTL Development Agency is a budget user and receives funds for its activities from the competent budget and is financed in 100% by public funds.

## **Research question and research**

This paper aims to analyze the possibility of using municipal incomes in the implementation of projects of common interest through inter-municipal cooperation. To realize the primary goal of the work, it is necessary to achieve the specific goals of the work:

- Objective 1: Propose the organization of inter-municipal cooperation - inter-municipal cooperation can be organized in different ways and through different organizational forms, and with this paper, we will explore the best ways;
- Objective 2: Analyze the shortcomings of previous organizations of inter-municipal cooperation - inter-municipal cooperation has been established for many years for various purposes, and this paper will explore all the shortcomings of individual, organizational forms have occurred so far;
- Objective 3: To propose the organization of inter-municipal and cross-border cooperation on development projects - different development projects require different approaches, and with this work, we will propose the best.

Given the topic of the paper and the research topic, a qualitative approach to the research was chosen. Procedures and research work will be based on independent work. The main research question is whether and how and in what way municipal incomes can be used in the implementation of projects of common interest through inter-municipal cooperation? This goal is set as the primary goal because most municipalities of a similar development level, which are located in the same geographical area, have common cultural, social, economic, and other challenges. The realization of specific research questions will realize the main research question. Specific research questions are based on previous work and business experience. As a responsible person in organizations operating in municipalities, which are structurally different, we came across all sorts of examples that we want to further investigate and confirm/deny with this paper. The specific research questions of this paper are the following:

- Specific research question 1: What are the models of inter-municipal cooperation; From the legal point of view, the organizational form requires certain legal obligations, and from that point of view, only the organization is critical. Also, this entails the way and models of financing.
- Specific research question 2: What are the shortcomings of the current models of inter-municipal cooperation organizations; As with the previous specific research question, the way of acting through the organizational form is critical.
- Specific research question 3: How can municipal incomes be used in establishing inter-municipal and cross-border cooperation on development projects.

In preparing this research, different research and work methods will be applied. As the whole paper is based on the analysis and comparison of the success of forms of inter-municipal cooperation in the field of development projects, the business books of organizations operating in the field of development projects in Srijem will be analyzed, with particular emphasis on project application success. This will be achieved in two ways - by studying the annual reports and in person. The last research methods to be used are a survey and interview of a decision-maker.

As sampling technique with probability without limitation is chosen, different data collection techniques will be used. The first data collection technique will be a survey through questionnaires to be delivered to the target population. Another data collection technique will be interviews with responsible persons in the organization of the target population. The third technique of data collection will be the collection of official reports.

The whole paper will be based on real examples from the practice of inter-municipal cooperation and the use of municipal incomes, one of the most successful examples of good practice of inter-municipal cooperation TINTL Office, then TINTL Development Agency and LAG "Srijem." Regardless of the many positive examples, there are certainly theses that can be explored and discussed. Depending on the organizational form, i.e., the mode of operation, there are differences in the field of success in the implementation of development projects related to inter-municipal cooperation. This leads to the first hypothesis, which also refers to goal 1:

1. Hypothesis 1: Organizations operating in the same sector are differently successful depending on the organizational form. Inter-municipal cooperation requires both cooperation and agreements in financing the inter-municipal cooperation itself, and the success depends on several factors. This led us to the second hypothesis, which refers to goal 2:

2. Hypothesis 2: The success of the organization of inter-municipal cooperation depends on the financial structure and sources of funding. Inter-municipal cooperation development projects are demanding processes that require different approaches. The essential factors in planning any process are human incomes and the availability of quality and adequate workforce. This leads to the third hypothesis, which refers to goal 3:

3. Hypothesis 3: Quality use of municipal incomes in the establishment of inter-municipal cross-border cooperation depends on the structure and dynamics of employment.

To determine the success of development stakeholders and their work and legal form, we conducted a survey. The research was partly conducted through a questionnaire sent to development stakeholders in the Republic of Croatia, the Republic of Serbia, Bosnia, and Herzegovina, and Montenegro. Development stakeholders from all areas were involved, and a total of 65 development stakeholders were invited to participate in the research, namely 30 local development agencies, 23 regional development agencies, and 12 local action groups. The study was conducted over two weeks. In response, we received 25 completed questionnaires, namely 13 local development agencies, eight regional development agencies, and four local action groups. All regional development agencies, as well as local development agencies that are registered in the Register of Regional Coordinators and Local Development Agencies, have been invited from the territory of the Republic of Croatia. It is difficult to estimate the total number of development stakeholders in the area covered by the research because the work of individual development stakeholders is non-transparent, and data on them cannot even be obtained. Indeed, the number of development stakeholders is the largest in the Republic of Croatia, which is understandable because the Republic of Croatia is in the European Union, where such organizations' need is more significant. Development stakeholders are predominantly companies or institutions, and their area of activity is mostly focused on local and regional self-government units. Given that the founders mostly finance development stakeholders, it is not surprising that the vast majority believe that politics has a tremendous impact on their actions. The questionnaire was completed by 20 development stakeholders from Croatia, three development stakeholders from Bosnia and Herzegovina, and one development stakeholder, Montenegro, and Serbia.

### **Confirmation of hypotheses**

H 1: Organizations operating in the same sector are differently successful depending on the organizational form.

Depending on the organizational form, i.e., the mode of operation, there are differences in the field of success in the implementation of development projects related to inter-municipal cooperation. The number of reported development stakeholder projects established as d.o.o. on average between 200 and 500, organizations established as a legal form have the same number of registered projects up to 200 and 200 and 500, while the number of registered projects with development stakeholders established as a legal form of associations is less than 200. The number of approved projects with organizations established as d.o.o. and the institution is equal, i.e., on average between 200 and 500, while organizations established as an association are less than 200. The average value of projects of organizations established as a legal form d.o.o. is EUR 20-50 million, organizations established as institutions EUR 10-20 million, and organizations established as associations EUR 5-10 million. Organizations established as a legal form d.o.o. they have proven to be much more successful than other organizational forms, while the organizational form of associations is the least successful.

It can be said that the organizational form of the development stakeholder has an impact on the activities of the development stakeholder and on its success in terms of demanding development projects. The first hypothesis was confirmed.

H 2: The success of the organization of inter-municipal cooperation depends on the financial structure and sources of funding.

Inter-municipal cooperation requires both cooperation and agreements in the field of financing inter-municipal cooperation itself, and success depends on these factors. Organizations that are financed mainly with their funds or equally with their funds and the funds of the founders and projects funded by the EU have applied for an average of 200-500 projects. Organizations funded predominantly by the founders' funds have, on average, applied for less than 200 projects. The number of approved and contracted projects is higher than 200, i.e., between 200 and 500 only for organizations financed equally by own funds and funds of founders, while the number of approved projects in all other cases is less than 200. The average value of contracted projects of organizations financed by own funds financed mainly by the founders' funds is EUR 5-10 million, organizations financed mainly by EU-funded projects EUR 10-20 million, while the average value of contracted projects of organizations financed equally by own funds and funds of the founders is 20 to EUR 50 million. Organizations that are funded equally by their funds and the founders' funds achieve the best results, while the least successful organizations are financed mainly by the founders' funds. The second hypothesis was confirmed.

H 3: Quality use of municipal incomes in establishing inter-municipal cross-border cooperation depends on the structure and dynamics of employment

Inter-municipal cooperation development projects are demanding processes that require different approaches. An essential factor in planning any process is human incomes and the availability of quality and adequate workforce. Regardless of the structure and dynamics of employment of 20 surveyed organizations, or 80% of them participated in cross-border cooperation programs and as many as 23 and 92% in some form of inter-municipal cooperation. It can be concluded that, regardless of the structure and dynamics of employment, the establishment of inter-municipal cross-border cooperation makes good use of municipal incomes. The structure and dynamics of employment do not affect inter-municipal cross-border cooperation. The third hypothesis has not been confirmed.

## Conclusion

Small local government units, small budgets, lack of financial incomes, insufficient human incomes are facts that force municipalities to think differently and structure business differently. Today, when the heads of local self-government units are increasingly becoming managers, they have to find different solutions for the business's financial consolidation. One of the ways is undoubtedly inter-municipal cooperation and "pooling" of incomes to better organize business and solve problems that the municipality alone can not solve. Inter-municipal cooperation due to the consumption of synergies on demanding development projects can be formal, and it is manifested through the establishment of organizations in the form of development stakeholders. However, inter-municipal cooperation does not have to be established only in the area of demanding development projects. It is also possible in other segments, and it is especially present when the possibility of functional connection of municipalities in the Republic of Croatia appears.

More than two-thirds of the municipalities participating in inter-municipal cooperation benefited from cost reduction and better public services, while greater institutional legitimacy was revealed in about half of the cases. The positive effects of inter-municipal cooperation were mainly found in those small municipalities that promoted the organization of service delivery and did not participate in service delivery agreements or opted for a mixed joint public service arrangement (Giacomini et. Al., 2018). This form of association is needed in the implementation of demanding development projects.

Through the analysis of this paper, the best approach in the form of establishing a development stakeholder is the best form of inter-municipal cooperation in the field of demanding development projects. The legal form that has proven to be the most productive in its operations so far is a limited liability company, followed by an institution or a public institution.

When we talk about funding sources and the best forms of inter-municipal cooperation, it is undoubtedly a cross-border cooperation program where there are several opportunities for the establishment and financing of inter-municipal cooperation. The best way and approach to establishing inter-municipal cooperation in cross-border projects is through development stakeholders who have the knowledge and professional staff who can prepare it thoroughly and then implement it.

This research concludes that the relative number of development stakeholders from the territory of the Republic of Croatia, the Republic of Serbia, Bosnia and Herzegovina and Montenegro responded. The non-response of specific development stakeholders can be observed through several factors, and indeed, one of them is that they have nothing to boast about, i.e., their work is not representative enough to join the research. We can also ask ourselves to what extent development stakeholders are places for taking care of administrative personnel or preparing certain people for political careers. The fact is that many politicians, especially in the Republic of Croatia, came from development agencies. However, all persons who have moved from development stakeholders to politics have moved to demand development positions that are mostly concerned with demanding development projects and economic growth. Thus, in the Republic of Croatia's ministries in leading and operational positions, we can find former employees of development stakeholders.

This is an indicator that the development stakeholders, despite all prejudices, are seedlings of quality staff and experts, and they employ high-quality people who are ready for new challenges. Of course, there are always exceptions that distort the excellent overall picture. However, we believe that development stakeholders are a shining example of inter-municipal cooperation on which any political decision to abolish municipalities or functionally merge municipalities can be built.

This paper showed some facts related to inter-municipal cooperation and the impact of development stakeholders on inter-municipal cooperation. Further research and analysis can be conducted within the development stakeholders themselves by studying the very structure of employees, and the way they operate.

Yes, there is room to study the relationships and performance of development stakeholders from different countries, depending on the availability of funds from international organizations.

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