STRATEGY OF LOCAL ECONOMIC DEVELOPMENT OF PIROT
(For the purpose of opening the Bureau of Local Economic Development of Pirot)

Belgrade - Pirot, April 2009
TABLE OF CONTENTS

INTRODUCTION ................................................................................................................................. 2
NEED FOR CREATION OF THE STRATEGIC PLAN .......................................................................... 4
STRATEGIC VISION ............................................................................................................................ 8
KEY AREAS OF THE STRATEGIC PLAN .......................................................................................... 9
  KEY AREA A – ATTRACTING DIRECT INVESTMENTS ................................................................. 9
  General advantages offered to foreign investors by Serbian government: ........................................ 11
  Taxes policy ................................................................................................................................... 11
  Special tax break ............................................................................................................................ 11
  Financial enticement ...................................................................................................................... 11
  Business advantages according to the Law on Free Zones ............................................................ 12
  Special stimulating measures of the local self-government of the town of Pirot: ......................... 13
  Target projects: ............................................................................................................................ 17
  KEY AREA B – INDUSTRIAL DEVELOPMENT (SMALL AND MEDIUM-SIZED BUSINESSES,
  AGRICULTURE AND TOURISM) ............................................................................................... 18
  Target projects – Industrial development (small and medium-sized businesses, agriculture and tourism) ........................................................................................................................................ 27
  KEY AREA C – INFRASTRUCTURE DEVELOPMENT ............................................................... 30
  Target projects: ............................................................................................................................ 32
  KEY AREA D – SOCIAL ACTIVITIES DEVELOPMENT ........................................................... 34
  Target projects: ............................................................................................................................ 35
  KEY AREA E – ENVIRONMENT PROTECTION ............................................................................ 36
  Target projects to protect the environment in Pirot: ................................................................. 37
PRIORITISATION OF PROJECTS ACCORDING TO YEARS .......................................................... 38
APPENDICES ......................................................................................................................................... 42
  APPENDIX 1: COMMUNITY PROFILE .......................................................................................... 42
  APPENDIX 2: SWOT ANALYSIS ................................................................................................... 51
  APPENDIX 3: STRATEGIC PLANNING COUNCIL ..................................................................... 57
  APPENDIX 4: BUREAU OF LOCAL ECONOMIC DEVELOPMENT (BLEDP) - AUTHORITY AND
  FUNCTIONS...................................................................................................................................... 60
  APPENDIX 5: INSTRUMENTS OF LOCAL ECONOMIC DEVELOPMENT – INDUSTRIAL AND WORK
  ZONES ........................................................................................................................................... 63
  APPENDIX 6: INSTRUMENTS OF LOCAL ECONOMIC DEVELOPMENT – FREE ZONE PIROT........... 68
  DYNAMIC PLAN OF PROGRAMME REALISATION IN THE ECONOMIC ZONE IN PIROT .......... 70
INTRODUCTION

The Strategy of the Local Economic Development of the Municipality of Pirot is intended for the realisation of sustainable industrial development which will provide competitiveness and better economic results, attracting capital and direct investments, raising the standard of living of the population and create a suitable infrastructure and other conditions which stimulate the industrial development of the local community, as well as all of the Pirot county.

Strategic planning defines the vision as "a realistic dream which shows how interested parties who represent the municipality would like it to look in the future". Strategic planning defines the priority areas, goals, programmes and projects and serves as a driver of development and creator of instruments of local economic development intended for attracting direct (foreign and domestic) investments and opening new jobs. Strategic planning defines clear visions of the desirable future of the local community, and also the mission which implies the obligation of all the participants of the industrial, public and political life of the community to its realisation.

The Strategy of the Local Economic Development of Pirot, as a systematic strategic document, represents a synthesis of the priority areas defined through the goals, programmes and projects which are based on the initial document "Data Base of the Status in the Municipality of Pirot (in terms of the formation of the Bureau for Local Economic Development of Pirot)" which contains analyses of statistic data, and a SWOT analysis based on them.

The Strategy of the Local Economic Development of Pirot (Development of Strategy of Local Economic Development of Pirot) is a part of a wider project within which a data base of data and documents is formed necessary for opening the Bureau for Local Economic Development of Pirot, the project supported by the neighbouring programme of the Republic of Bulgaria (Establishment of the Bureau of local economic development of Pirot, partnership with Montana municipality, Republic of Bulgaria), Reference number: 05SER03/04/006/TD04. The Strategy relies on an earlier project – The Strategic Municipal Action Plan 2004-2006, dating from June 2004, done within the programme of support to ht municipalities if Eastern Serbia, financed by the EU means and implemented by the European Agency for Reconstruction (EAR). This was done primarily because in this way continuity of information and their time dynamics are provided, which is necessary to observe tendencies of movement of certain economic indicators. In this way tendencies of deviations from the planned frameworks are observed, so based on this a sustainable model, which will be based on a higher degree of predictability from earlier documents of this and similar kind, is suggested in the proposal of the new Strategy.
The Strategy of the Local Economic Development of Pirot is focused on the period of the following five years, in its elements concerning the goals, measurements and projects, after which period it is necessary to do research again and adjustment with new parameters.
NEED FOR CREATION OF THE STRATEGIC PLAN

The strategy of local economic development of Pirot is the most important document in the area of economic development of the municipality. Simultaneously, the Strategy represents the basic component of the process of work to be done by the Bureau for Local Economic Development, as well as planning in the municipality of Pirot. The purpose of this document is to integrate the changes planned for the next period, which will create business surroundings which provide:

- Predictability of factors necessary for business
- Possibility of attracting direct investments and increase in employment
- Attracting investments and making profit, both for the existing and the new participants in the market
- Possibilities of personal and professional affirmation
- Enticement for the existing small and medium-sized businesses necessary for opening new jobs and generating new – additional value
- Enticement to new entrepreneurs to start their own business
- Enticement to domestic and foreign investments in the local community
- New quality of life in the local community, with impact on the whole district.

The following principles were taken into account while the strategic document was being made:

- Partnership of the public and the private sector and civil society sector in the preparation and implementation of the Strategy
- Wide consulting process in the preparation and implementation of the Strategy
- Combination of a long-term vision and medium-term development targets
- Compatibility with national strategies and international standards
- Compatibility with the Municipal Strategic Action plan 2004-2006
- Focusing on the elements of increasing competitiveness of the municipality
- Accepting the model of continuing strategic process.

Throughout making the Strategy the basic guidelines for the operation of the Bureau for Local Economic Development of Pirot have been defined:

- A more active engagement of relevant interested parties in the field of local development
- Clear estimation of the potentials of the Municipality
- Identification of areas in which improvement can be made
- Clear indication to those areas which show constant delays and reasons for these processes

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria Programme supported by the neighbouring programme with R. Bulgaria Reference number: 05SER03/04/006/TD04
Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

- Defining work frameworks for future activities
- Creating a list of prospective projects, to be defined after the previous stages and their presentation will be aimed at future investors.

There are two basic goals to achieve by implementing a well-thought through Strategy:

- The first goal is to contribute to the general social benefaction as well as general economic progress in the municipality through a development-orientated approach, which will be implemented by the Bureau for Local Economic Development
- The second goal is to contribute to strengthening institutional and technical capacities of the municipal administration, as well as the possibility of improving the municipality potential in order to implement the Strategy efficiently and increase the absorbing capacities of the Municipality of Pirot itself and its industrial factors.

The Strategy is in complete accordance with national priorities of sustainable development of the regions in Serbia. It is expected that sustainable development of the regions in Serbia will be reached by 2017. The concept of sustainable development also refers to gradual and constant economic growth. Such growth should be achieved through a greater degree of economy efficiency based on knowledge, technical progress, adopting technologies which do not endanger the present condition of the environment, operation of socially responsible companies, etc. One of the most important goals is reducing poverty and rate of unemployment, reducing sex inequality, helping young people's employment, full involvement in all processes of marginalised communities as well as individuals with special needs. All this needs to be brought into the attention of the wider community, which will naturally be an unavoidable task in the operation of the future Bureau for Local Economic Development of Pirot.

Having in mind all of the aforementioned, attention should be paid to the fact that a significant number of documents on the republic level was made in such a way that they represent guidelines for local initiatives. Therefore, it is necessary to connect the Strategy to these documents in different areas which it will include:

- National strategy of industrial development of Serbia (2006-2012);
- National strategy to reduce poverty (2003)
- National programme of environment protection (2008)
- Strategy of agriculture development of Serbia (2005)
- National strategy of regional development
- Strategy of education development
• Strategy of local economic development (2007-2012);
• Strategy of tourism development in the Republic of Serbia
On the local level, the Strategy is in complete accordance with other plans on the local or county level, as well as with other strategies and plans made by companies which are the carriers of the local economy:

- General plan of Pirot (strategic, development, town planning, to determine a long-term development, concept of organization, regulation and protection for the area of Pirot for the period up to 2015), (2004)
- Feasibility study and Investment plan for potentials to form the Economic zone of the Municipality of Pirot, (2009)
- Communication strategy for promoting the project of the Economic zone of the Municipality of Pirot, (2009)
- Development strategy for agriculture in the area of the Municipality of Pirot until 2015, (2008)
- Concept and development strategy for Stara planina and the wider area of Pirot, (1992)
- Spatial plan of the area of nature park and tourist region of Stara planina, (2006)
- Programme of promotion and development of tourism of the Municipality of Pirot, (2007)
- Plan of founding the recreational - tourist zone "Visok", (2008)
- Research, SWOT analyses and project development for the Municipality of Pirot - Nis, (2008)
- Local action plan for people with disabilities
- Local action plan for Roma people
- Local action plan for children
- Local action plan for ecology

In the strategic context, it should be taken into consideration that the municipality cannot solve all of its problems alone. It is necessary to recognise the importance of cooperation among municipalities and cooperation with republic authorities.

The economic development plan of the municipality should help the municipality to achieve as much as possible with those factors it can control. It has also been attempted to identify ways of efficient lobbying in order to create as favourable policy for the municipality as possible. However, the limitations of the Strategy must also be admitted, mainly caused by external factors on the national level which we can hardly control. All such processes have been pointed at in the Appendix 2 – SWOT analysis, which represents only a part of the Strategy. All things considered, the main result of this approach is reflected in the increase of degree of predictability and certainty of future economic development and factors which influence it. Any increase of predictability will make Pirot a destination which will be a suitable place for future investors.
STRATEGIC VISION

Generally speaking, the strategic vision will represent an improvement of existing values and create new ones by paving the way to a more humane, better and richer society. The strategic vision of local economic development of the Municipality of Pirot is providing conditions which can realise the most favourable economic surroundings in order to meet the interests of the population and the investor:

- Creating the most favourable conditions for the inflow of direct foreign and domestic investments by using various instruments, and especially through the synergy of advantages of the operation of the industrial park and free zone.

- Efficient use of the set of advantages for business, meant primarily to production activities in order to increase employment:
  - package of relieves, subventions and advantages of the Serbian government
  - package of relieves and tax breaks of the town of Pirot
  - advantages for business made possible by the Law on Free Zones

- using the favourable geo-strategic position improve the infrastructure in accordance with the municipality development and investors’ needs

- creating the most favourable space conditions:
  - construction conditions
  - infrastructure and technical conditions
  - space maintenance and security

- establish quick and efficient municipal administration

- establish a dynamic system which will increase the municipality attractiveness, total performance and react to changes efficiently

- develop strong partnership relations between the private and the public sector

- coordination between the educational system and industrial needs

- support of the development of new, profitable production programmes, based on ecological principles in accordance with the requirements of environment and human health protection

- using natural resources, strengthening the existing and developing new tourist capacities

- stimulation and promotion of agricultural production based on high ecological standards.
KEY AREAS OF THE STRATEGIC PLAN

Key area A – Attracting direct investments
Key area B – Small and medium-sized businesses (SMSB), agriculture and tourism
Key area C – Infrastructure development
Key area D – Social activities development
Key area E – Environment Protection

KEY AREA A – ATTRACTING DIRECT INVESTMENTS

The greatest problem of Pirot economy is unemployment. In addition to the constant reducing of the population, the number of unemployed people keeps growing. The number of people seeking work appears to be about 12% of the population of the municipality, and the dominant category are people with the first, and then those with 2nd, 3rd and 4th degree of secondary school education. The opportunities of dealing with this problem are using special advantages which are particular to Pirot – natural resources of Stara planina, geostrategic position, possibilities of opening the Industrial park (for which there is an initiative with the local self-government), the operation of the Free Zone, the proximity of Nis, especially the proximity of Sofia, and with that, of the European Union market.

The most prominent problems the municipality is facing are a large number of really unemployed people and technological and organisational retrogression. For these reasons the activities to help the start and the operation of small and medium-sized businesses, shops sector, agricultural development and changes in structure of the existing industrial capacities have to be intensified and put into function of the technological and economic progress and employment.

Due to all of the above, the key area of local economic development is attracting direct investments. Providing a great number of privileges guarantees interest of potential investors to invest in Pirot.

Attracting direct (foreign and domestic) investments can be viewed through the following segments:

- Work and industrial zones

The key instrument of local economic development of the Municipality of Pirot becomes the establishment of work and industrial zones with the tendency of their growing into Industrial parks. In the Municipality of Pirot in the General Town Plan there are industrial and work zones out of which the most attractive ones are zones Bozurato, Srdorek and Barje (road to Barje Ciflik) and zone Beg Basca which is especially interesting because it is next to the Free zone.

- Activating the existing work facilities (brownfield investments)

The Programme of the Agency for Privatisation for 2009 defines the companies planned for the process of privatisation which is one of the ways for the potential investor to come into possession of the business facilities. There are also companies which are bankrupt or have declared bankruptcy, so there is a possibility of coming into possession of the property without buying the company. The facilities in private property are also potential brownfield investments.

- Investments and the development of small and medium-sized businesses

Taking into consideration the fact that the base of the economic development of the municipality are Tigar Tyres and Tigar AD Pirot, there are opportunities to invest through the introduction of new production programmes and from that base spreading the market even further. What characterises the Municipality of Pirot is the possibility to activate small businesses to do “service jobs” for the gigantic companies Tigar Tyres and Tigar AD Pirot.

In the investment context and for reasons of the Free zone operating on the territory of the Municipality of Pirot as well as particularities which arise from this, it should be emphasised that there are tax breaks for operating in the Free zone Pirot. Regardless of the fact that FZ Pirot was designed to serve the needs of the wider region, unlike some other free zones which base their perspective primarily on the interest and consent of the industry and towns from the wider region, in case of FZ Pirot there are large production systems of the rubber industry Tigar Tyres and Tigar AD Pirot as a strong base of reliable successful development of the zone.

As for the mutual interaction of the FZ Pirot and the Municipality of Pirot, it is certain that, in the conceptual and operational sense, the industrial, utility-urban, infrastructural, land, ecological and other development conditions and problems of the municipality itself, will in a great deal influence the dynamics and the reach of the FZ development in the programme period of the following five years. It is certain that the Free zone, once it becomes active in normal world market conditions, will realise the greatest part of its immediate development effects on the territory and to the benefit of the Municipality and the town of Pirot.

Since the municipality today does not have great actual opportunities for own development interventions such as investments, that means that the development role of the municipality of Pirot should primarily be directed towards providing necessary land, utility, infrastructure and other local conditions relevant to the zone location itself and its successful inclusion into the urban part of the town of Pirot, as well as the development of necessary service and other accompanying content.

For all of the above reasons, in the Municipality of Pirot there will be work to create an industrial ambience completely ready to provide the best and internationally competitive conditions for business in the following year, and exemption from taxes, duties and contributions for construction and other compensations, activating the cheap labour force disciplined in business, as well as the unification of laws and regulations in one place.
General advantages offered to foreign investors by Serbian government:

- Location on Corridor 10, connecting Europe with Middle East
- "Duty free" access to the Free trade Zone in south-east Europe with a market of 60 million people
- The only country in Europe which has an Agreement of Free Trade with Russia (with 1% customs duties rate)
- Serbia is still not a member of the EU, which allows greater flexibility in business and advantages for investing
- Unemployed, educated and cheap labour force (average salary 400 euros)
- Simplified regulations of foreign trade and foreign investments
- Shortened procedure of starting a company - 15 days.

**Tax policy**

- Low tax rates: VAT 18% (in free zones 0%), Property tax 0.4%, Capital Gain tax 20%
- Lowest tax rates on company profit in - 10%
- Lowest tax rates on income and low taxes on pension, social and disability insurance in the surroundings (14% income tax, 11% for the pension fund, 15% for health insurance and 0.75% for unemployment).

**Special tax break**

- For investments over 7.5 million USD and 100 additionally employed people there is no income tax for the period of 10 years
- Different tax loans for investments, for a maximum of 10 years and with 20% tax break
- Tax break for newly employed workers
- Tax loan of 40% of investment value for investments made into basic means
- Tax relief for the period of 5 years for income from concession
- Those investors who invest into professional training, professional rehabilitation and employing people with disabilities will be exempted from income tax
- Tax loans for the period of 2 years for undeveloped areas
- Irreversible means from funds for developing agriculture, ecology, environment protection, scientific research etc.

**Financial enticement**

Serbia is now capable of offering financial assistance to potential investors. Based on a legal act of the Serbian government ("The Official Gazette of RS" no.
56/2006), issued at the end of June in 2006. As proposed by the Ministry of Finances, all investment projects in all activities, except trade, tourism, catering and agriculture, will be able to compete for assignment of irreversible means from the state budget. The means are intended for financing investment projects in the field of production and services which can be the object of international trade, research and development.

For investments in the production sector:

- Total means: from 2,000 to 5,000 euros per newly employed person
- Minimum investment: between 1 million and 5 million euros, depending on the rate of unemployment in the municipality where the investment is made
- Minimal number of new jobs: 50.

For investments in the services sector:

- Total means: from 2,000 to 10,000 euros per newly employed person
- Minimum investment: 1 million euros
- Minimal number of new jobs: 10.

For investments in the research and development sector:

- Total means: from 5,000 to 10,000 euros per newly employed person
- Minimum investment: 1 million euros
- Minimal number of new jobs: 10.

It has been defined by a decree that irreversible means will be allocated in the period of 3 years starting from November 2006.

**Business advantages according to the Law on Free Zones**

- Goods and services import into the zone and goods and services export from the zone are free
- For imported auxiliary goods intended for export no customs duties, VAT of other import taxes are paid
- For imported equipment, machines and construction material no customs, VAT of other taxes are paid
- Rights of zone users established by Law on Free Zones cannot be diminished by any other regulation
- Import into the zone of all kinds of goods is exempt from paying customs duties. Goods from the Zone can be sold on the domestic market by paying customs duties and taxes. If the goods entering the customs area of Serbia were produced in the Zone or were processed and there was a domestic component involved, customs duties are paid only for the foreign component
Import into the zone and export from the zone are completely free, i.e. there are no contingents, import or export permits or other limitations of foreign trade traffic. Goods imported from the Zone into the domestic market are subject to regular import regime, but if the domestic content in it is minimally 51% of total value, such goods will be considered domestic. Goods from the Zone can temporarily be carried out to the remaining part of the domestic territory or carried into the Zone from the remaining part of the domestic territory in order to be refined (processing, finishing, manipulation, installing, repair, quality control, marketing presentation etc.), which provides great opportunities for connections with domestic industry. Free transfer gains are realised by doing activities in the Zone. Zone users can lease, purchase or build by themselves production, storage or business facilities. Using a set of services of the logistics centre. Efficient administration in the free zone (one stop shop).

**Special stimulating measures of the local self-government of the town of Pirot:**

**A. For construction within the borders of the free zone users are exempt from paying:**

- compensation for regulation of town construction land
- compensation for taxes and expenses of the municipal administration and issuing documents (utility taxes, town planning permit, agreement, construction permit etc.)
- compensation for issuing conditions for the connection into the infrastructure network
- compensation for issuing the approval for the connection into the infrastructure network
- compensation for the connection into the infrastructure network.

**B. While exploiting facilities within the boundaries of the free zone the users are exempted from paying for the period of 10 years from the period of issuing licence of use for the constructed facilities:**

- local utility taxes
- compensation for using town construction land
- compensation for utility services (50 % of industry prices).

**C. The Municipality of Pirot has reached a decision of special privileges to increase employment in the Free Zone Pirot by approving subventions means based on the number of newly-employed with the users of the Free Zone.**
The Municipality of Pirot has taken a Decision on privileges for potential investors in the Industrial park.
Based on Article 30, part 1, point 5 of the Law on Local Self-government ("The Official Gazette of RS", no. 9/02, 33/02, 33/04, 135/04) and Article 18, part 1, point 5 of the Statute of the Municipality of Pirot ("The Official Gazette of the City of Nis", no. 31/02), the Municipality Assembly of the Municipality of Pirot on a session held on 30th April, 2008 has taken the

DECISION

OF APPROVAL OF SPECIAL PRIVILEGES DURING THE LEASE OF CONSTRUCTION LAND, CONSTRUCTION AND USE OF FACILITIES WITHIN THE BORDERS OF THE INDUSTRIAL PARK - PIROT

Article 1
This decision ascribes special privileges during the lease of construction land, as well as during construction and use of facilities within the borders of the Industrial Park – Pirot.

Article 2
The user of special privileges ascribed by this decision can be any domestic or foreign physical or legal person (hereafter called: investor).

Privileges during the lease of construction land

Article 3
Construction land within the borders of the Industrial park can be leased for the period of 10 to 99 years.

Price of lease of construction land depends on the time period of lease and is displayed in the Table:
The market price of the land is determined for each particular case on the day the request for leasing the land is submitted.

Rights and duties of the investor as the leaseholder of the construction land and the Municipality of Pirot as the lessor will be regulated by a contract of lease of construction land.

Privileges during construction of facilities

**Article 4**

During the construction of facilities within the borders of the Industrial park the investor is exempted from paying compensations for all acts and management actions in the field of construction and town planning by the Municipal administration of the Municipality of Pirot.

**Article 5**

The Construction Land Fund of the Municipality of Pirot exempts investors from paying compensations for regulating construction land.

**Article 6**

Public Utility Company “*Waterworks and Sewage*” and Public Utility Company “*Toplana*” exempt investors from paying compensations for issuing documents in the procedure of approval for the construction of facilities and connecting the facilities into the town waterworks and heating network.

<table>
<thead>
<tr>
<th>Land lease (in years)</th>
<th>10-20</th>
<th>20-30</th>
<th>30-40</th>
<th>40-50</th>
<th>50-60</th>
<th>60-70</th>
<th>70-80</th>
<th>80-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease compensation in % of market price</td>
<td>50%</td>
<td>45%</td>
<td>40%</td>
<td>35%</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Article 7**

Public utility company Pirot exempts investors from paying compensations for issuing all plan documents concerning the construction of facilities.
Privileges during use of facilities

Article 8

During the use of facilities constructed and operating within the borders of the Industrial park, investors are exempt from paying compensations for the use of construction land as well as paying local utility taxes ascribed by the Decision of the Municipality Assembly of the Municipality of Pirot.

Article 9

After the construction of facilities within the borders of the Industrial park the investors will pay compensations for utility services of the Public Utility Company “Komunalac”, PUC “Waterworks and Sewage” and PUC “Toplana” at the rate of 50% of the current price for industrial facilities.

Article 10

Special privileges ascribed by this decision which refer to the use of facilities constructed and operating within the borders and in the regime of the Industrial park Pirot, will be valid for the period of five years starting from the moment of issuing permit of use for the constructed facilities.

Article 11

This decision will become effective on the eighth day from the publication in “The Official Gazette of the City of Nis“.

PIROT MUNICIPALITY ASSEMBLY

MUNICIPALITY ASSEMBLY CHAIRMAN

Ref. no. 06/44-08
In Pirot, on 30th April 2008

Milan Popovic
## Target projects:

1. **Communication with investors**
   - 1.1.1. Forming the Centre for issuing permits – according to the principle **One Stop Shop**
   - 1.1.2. Project of shortening the time for issuing permits
   - 1.1.3. Expanding the packet of enticing measures for investors
   - 1.1.4. Programme of the Bureau for local Economic Development (BLEDP)
2. **Project Industrial Zone “Beg Basca and expanding into the Industrial park with means from the National Investment Plan (NIP) realisation“**
   - 1.2.1 Realisation of the first stage of the project of equipping the Industrial zone Beg Basca, (2009)
   - 1.2.2. Realisation of expanding the Industrial Zone - Industrial park
3. **Project Free Zone realisation**
4. **Project Industrial and Work Zone Bozurato, zone Srdorek and Barje (road to Barje Ciflik) realisation**
   - 1.4.1. Promotion programme of Industrial Zones Bozurato, Srdorek and Barje (road to Barje Ciflik)
5. **Project Economic Zone realisation**
   - 1.5.1 Feasibility Study of the potentials for the formation of the Economic Zone (2009)
   - 1.5.2. Investment plan of the potentials for the formation of the Economic Zone,
6. **Promoting industrial potentials and possibilities to invest in the Municipality**
   - 1.6.1. Making a Marketing plan of the Municipality of Pirot
   - 1.6.2. Creating promotional material
   - 1.6.3. Upgrading the Internet site and web portal of the Municipality of Pirot and Bureau for LED
KEY AREA B – INDUSTRIAL DEVELOPMENT (SMALL AND MEDIUM-SIZED BUSINESSES, AGRICULTURE AND TOURISM)

The economic base is the industry whose participation in the total national industrial product has always been dominant and occasionally exceeded 50%. The largest industrial subjects are "Tigar" AD with 2,023 employees, “Tigar Tyres" with 2,300 employees and clothes industry “Prvi Maj” in textile industry with 1,538 employees. Industry has had the greatest percentage in the total national industrial product with 43.78% in 2001, followed by the agriculture, trade traffic and construction. It absorbs most employees, about 15% of the total population. Unfortunately, the reality today is unemployed industrial capacities.

The current economic situation is characterised by the successful operation of the companies “Tigar” Corporation AD and Tigar Tyres, but special attention needs to be paid to the flow of the progress of privatisation because of the great opportunities for capital flow, but also social tensions due to unemployment and irregular income.

The data which refers to the process of privatisation of companies from the Pirot County so far, for the period from 2002 to 2009, show the following:

- There were altogether 23 companies from the Pirot county which were privatised, most of which (14 companies) come from the Municipality of Pirot
- The total amount realised through these transactions is about 5,500,000 EUR
- The number of employees working in companies which were obtained by a private owner is approximately 5,000 (from which more than a half come from the company Prvi Maj, which was also sold for the largest amount)
- The process of changing ownership was done in different areas of business, so that the activities represented the most – trade, catering, food processing, construction, production of paint and lacquered, textile, veterinarian and informative activities
- The number of employees with high degree of education is about 3% (150 employees), which shows that in the companies which were the objects of privatisation there are primarily work intensive processes
- Except for the above mentioned privatisation of Prvi Maj, most of the remaining companies were bought by physical persons, domestic employers, so there have not been significant inflows of capital and technologies from abroad.
- As significant information it should be mentioned that the Town Dairy was purchased by German capital and the property of the company “Ljubomir Kartaljevic” in bankruptcy was purchased by Greek capital

The gathered information which refers to the planned privatisation of companies from the county of Pirot during 2009, show the following:
• Companies which have not yet been privatised currently employ nearly 1,500 employees, which is a significant number in relation to the number of employees
• Most companies are seated on the Municipality of Pirot territory (10 out of 14 companies which are to be privatised)
• Trade companies prevail, as well as textile and construction companies
• The low percentage of employees with higher degree of education in the aforementioned companies is very distinguishable (approximately 3%). This shows that these companies rely on work intensive processes, with few technological innovations. It is also evident that the low percentage of highly qualified labour force appears as constant (the 23 companies privatised earlier show an identical allocation), so care must be taken about personnel potentials of the whole county of Pirot.

The private shops sector is very interesting for this municipality. At the beginning of 2004, there were over 1,000 active shops and that number has fluctuated in the past five years. The most common shops are trade (over 50%), crafts, personal services and catering. Tax regulations have lead to closing down of many shops, especially stalls at the commodity market.

The organisational and technical problems in companies, such as: the need to change the quality and personnel structure, education of the current personnel, the need for better technical and technological equipment, the overaging and deterioration of the equipment and mechanisation, necessity of introducing the economic way of doing business and prompt organisational and ownership transformation are also a series of limiting factors.

By insight into the document "Information about the State of Industry in the Municipality of Pirot" discussed at the Municipality Assembly in June 2007, and the analysis after the following conclusions about the state of industry were reached:

- The economic base of the municipality is industry whose percentage in the national product is dominant. The structure of industry in the municipality has not changed for a number of years. According to the recent surveys industry still has the greatest percentage (over 40%), followed by agriculture, trade, traffic and construction, while other sectors have a relatively small percentage

- The largest industrial subjects in town are the following companies: Tigar Tyres and Tigar AD Corporation, clothes factory "Prvi Maj" which are included in large companies, and small and medium-sized companies such as: Blagoje Kostic “Crni Marko”, Pionir-Marmil, Hladnjaca, Gali, Jupiter, Zlatko Jovanovic, Free Zone Pirot, Peksim and others.

- The best known and largest company in the municipality is Tigar AD and Tigar Mh.

The number of employees of Tigar AD Corporation on 31st December 2008 was:
Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria
Programme supported by the neighbouring programme with R. Bulgaria
Reference number: 05SER03/04/006/TD04

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tigar AD</td>
<td>193</td>
</tr>
<tr>
<td>Tigar Footwear</td>
<td>916</td>
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<tr>
<td>Tigar Business Service</td>
<td>179</td>
</tr>
<tr>
<td>Tigar Technical Tyres</td>
<td>263</td>
</tr>
<tr>
<td>Tigar Chemical Products</td>
<td>75</td>
</tr>
<tr>
<td>Trade Network</td>
<td>181</td>
</tr>
<tr>
<td>Other</td>
<td>320</td>
</tr>
<tr>
<td>Total</td>
<td>2,127</td>
</tr>
</tbody>
</table>

On 31st December 2008

The number of employees in “Tigar Tyres” is 2,300.

*Tigar* is the first Serbian company which was at the official market of the Belgrade Stock Exchange Market at the beginning of April by decision of the Committee for “A” listing and the decision that this company fulfils all the criteria defined by the Rulebook of Listing of the Belgrade Stock Exchange Market.

- Clothes factory “Prvi Maj” has been privatised. The companies *Irve investicije* and *Jabuka* took over the company in mid April on 2007. “Prvi Maj” was purchased for 1.75 million EUR, with obligatory investments of about 4,000,000 EUR. The number of employees in 2009 is 1,538.

- AD “Free Zone” Pirot, as an incubator of development of small and medium-sized businesses, has great influence on attracting foreign investments since it owns material, personnel and infrastructural resources. The municipality has given significant encouragement to business development in the zone by freeing the zone of taxes for obtaining construction permits, connections into the infrastructure and others for a period of 10 years. The Municipality currently owns about 13.5% of stocks in the zone and this is the best example of private-public partnership is Serbia. There are indications that Free Zone and the future Industrial Park will grow into an integrated Economic Zone Pirot.

- In the group of medium-sized companies there are industrial, trade, construction and catering companies.

- In the group of small companies there are leather, textile and food-processing companies. Most of the small companies in the municipality are from the private sector and most of them are registered for production, wholesale and retail trade and export-import.

*Agricultural production* in the Municipality of Pirot, observed in the long term, has a declining tendency, and falls behind the real possibilities which are determined by the available agro-ecological and other conditions. The following factors have
influenced the scope and structure of agricultural production at the end of the last and the beginning of this century:

a) Most of the farming households are mixed and consist of elderly people and they are mostly oriented towards natural production
b) The average household area is relatively small, with a great number of small land parcels, which significantly makes the use of mechanisation more costly and makes more efficient organisation of work processes more difficult
c) Male labour force has for the great part been employed for a long period of years in industry even outside of the municipality, so it was mostly the elderly people and the women who did the work on the farms
d) There are few specialised goods households
e) The structure of the agricultural production is mostly natural, and due to this there is insufficient use of available capacities, especially market tools.

In addition to these factors, there is one common to the whole republic: investments into agriculture have been significantly lower than its percentage of national product for a long period.

The Strategy of Local Economic Development is in a positive correlation with the Strategy of Development of Agriculture in the Municipality of Pirot:

The preposition of the Strategy consists of two parts. In the first part the conditions, opportunities and limitations for agricultural development in the Municipality of Pirot were analysed, and classified into five basic categories: (1) agro-ecological, (2) demographic, (3) technical-organisational, (4) social-economic, (5) market.

The final evaluation of these conditions was given by using a SWOT analysis, which is considered one of the most modern methods of analysis in economics and which compares the strengths and weaknesses in a comprehensive way and weighs the opportunities and threats from the surroundings. The SWOT analysis also serves the purpose of making the options for the municipal development more easily recognised and evaluated in a better way.

In the second part of the document the vision, general and specific goals of the Strategy were defined, and the directions of development, programmes and projects of branches and lines of agricultural production and finally proposed solutions for the most important economic, infrastructure and other activities which are the «ultimate prerequisite» for a faster and more complete development of agriculture in this area.

The basic goals of the Strategy are:

1. To increase the volume and economic results in the agricultural production and processing of agricultural products, in accordance with the available resources, sustainable development, comparative advantages of the area and European quality standards.
2. To transform the dominant natural (mostly) into merchandise agricultural production.
3. Relieve the negative demographic tendencies in the rural area of the municipality.

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria
Programme supported by the neighbouring programme with R. Bulgaria
Reference number: 05SER03/04/006/TD04

21
The results of the analysis (which follows) concerning the branches and lines of agricultural production have inarguably shown that the strategic importance for the Municipality of Pirot is cattle breeding, lines of: beef, sheep and goats breeding. Other lines of cattle breeding production (pig and poultry breeding) do not have a strategic but have a certain economic relevance.

In order to realise the goals, concrete measures, programmes and projects as well as possible financial resources for them, have been proposed in this document. Optimal capacities have also been proposed, as well as ways of providing necessary quantities of cattle food.

As an area closely connected to agriculture there is also rural economy, which opens possibility of development in this field as well. Rural economy entails a network of economic activities covering the villages and towns and may include cities as well. The Municipality of Pirot does not have an adopted Strategy of Rural Development but there is a Bureau for Rural Development opened in its territory. The suggested measures of rural development of The Municipality of Pirot in accordance with the Law on Agriculture and Rural Development and the Strategy of Rural Development of Serbia 2009 – 2013 are as follows:

(1) **Priority axis 1: Improvement in market efficiency and applying EU standards**
(a) Investment into agricultural farms in order to restructure them and reach the EU standards; - means from the Municipal Agriculture Fund
(b) Support to establish a producers’ association;
(c) Investment into processing and distribution of agricultural products in order to restructure these activities and reach the EU standards – the Dairy and the abattoir are mentioned in the LED Strategy but there are possibilities of new ideas

(2) **Priority axis 2: Preparation for implementation of agricultural measures and local strategies for rural development**
(a) Activities to improve the environment and the countryside;
(b) Preparation and implementation of local strategies for rural development – this task should be assigned to the operation group/body/council whose formation has been supported by the local self-government – further details will be given at the end of the text

(3) **Priority axis 3: Rural economy development**
(a) Improvement and development of infrastructure in rural areas;
(b) Diversification and development of industrial activities in rural areas;
(c) Improvement in expert training.

Rural economy entails a network of economic activities covering the villages and towns and may include cities as well.

The Municipality of Pirot undisputedly has significant **tourist resources** in its territory, and together with those in the neighbouring municipalities there are realistic
opportunities for good positioning in the tourism market. In order to view the importance of tourism for the municipality it is necessary to inspect the following aspects:

✓ **Analysis of the current situation and tourism development in the Municipality of Pirot**

In the municipal industrial development so far, tourism has not been treated as a strategic branch, nor have any significant means been invested in its development. Therefore it is understandable that income from tourism has not participated in the total municipal income in a significant proportion. There are numerous reasons for this, but the prevailing reason is a very bad material basis or bad tourist infrastructure and disorganised approach of The Municipality of Pirot on the regional and national tourism market. It has been comprehended that tourism is important for investments into equipping and arranging the space and enabling tourist capacities to receive a greater number of people are necessary. On the other hand, it is desirable to implement a suitable marketing programme of the tourist destination of Pirot, based on thoroughly done situational analyses and marketing strategy, simultaneously with the aforementioned actions.

✓ **Competition analysis**

As far as competition is concerned, the Municipality of Pirot can be observed through direct and indirect competition.

**Direct competition**

*The Municipality of Dimitrovgrad*- owing to the preserved environment it has potentials for the development of eco-tourism. It also has a sound basis for the development of spa tourism due to Zvonacka spa. Another advantage of this municipality is the border crossing Gradina because of a large number of transit tourists. On the territory of this municipality is the largest part of the canyon of the river Jerma and the monastery Poganovo in its centre. Dimitrovgrad hopes to conquer the production of healthy food and village tourism development.

*The Municipality of Knjazevac*- On the territory of this municipality is the top Babin zub and a sports-recreational centre with the same name. This situation where a tourism resource is shared between two municipalities is a good example how on the basis of local self-government complementary relations should develop. This municipality owns a still not famous Rogoska spa which can be included in the potentials competitive advantage of the municipality.

The geographic position of Pirot is considered favourable mainly due to the transit position to the corridor Belgrade-Nis-Pirot-Dimitrovgrad-Sofia. There is also the river Nisava which makes this municipality more competitive and it is an important means of communication by traffic, which had a positive influence on the whole position of the Municipality of Pirot. That is why it is often said of Pirot that it is the ‘gate in the east and gate in the west”. One of the advantages is also the development of Stara...
planina as a tourism region with extraordinary natural values. This is why the geographic position of Pirot together with the natural and anthropogenic resources is considered one of the more significant factors of tourist valorisation of Pirot.

**Advantages and disadvantages**

The advantages of the Municipality of Pirot are:
- transit position on the road Nis-Sofia
- great potential in natural tourist resources
- well-preserved environment
- attractive anthropogenic tourist resources
- ethnographic inheritance and architecture
- large number of picnic sites and tourist localities
- Lake Zavoj, rivers
- cultural events

The disadvantages of the Municipality of Pirot are:
- tourist resources have not been sufficiently used
- there is no organised presence in the market
- bad traffic infrastructure
- bad accommodation
- bad utility services supplied out of town
- no developed tourism image
- bad hygiene conditions
- insufficient application of modern technologies
- no promotional activities...

**✔ Development targets and forms of tourism development on the Municipality of Pirot territory**

*Development targets:*
1. Preservation and improvement of tourist and other resources of Pirot
2. Creating tourist values through an integrated tourist product of Pirot
3. Development of complementary forms of tourism of Pirot
4. Raising the level of quality of tourist and catering services
5. Developing a notion or a (so-called) tourist image of Pirot as a tourist destination
6. Preparation of entrepreneurs and other representatives of the tourist supply

Accomplishing these goals together will, in the long term, result in greater satisfaction of the consumers.

*Forms of development:*
- youth and excursions tourism
- eco tourism
- countryside tourism
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- transit tourism
- business tourism
- picnic tourism

✓ Tourism development vision

Presents providing overall satisfaction of the tourist by providing quality and quantity of tourist and accompanying services with balance social, industrial and cultural development of the tourist destination. A vision of the tourist destination of Pirot defined in such a way reflects a stage of the life cycle of the tourism industry, enabling accomplishment of goals parallel to accomplishment of economic goals and appreciates the greater influence of the social-cultural factors.

✓ Selection of priority tourist products based on Development strategy of Serbia

The attractiveness of the tourist product of Pirot is a mixture of elements of natural and social attractiveness.
- mountains - especially Stara planina
- geological particularities of the terrain
- lake Zavoj, Lake Krupac, spring Vrelo and spring Banja
- numerous picnic sites
- exuberance and autochthon of plants which has been placed under protection since 1985 and has the status of strictly preserved natural reservation
- rich fauna

The social attractiveness of Pirot consists of:
- monasteries
- churches
- museums
- old fortresses
- the bridge on the river Visocica, at the confluence of the river into the river Nisava
- archaeological site
- art gallery
- folklore, gastronomy, old crafts etc.

✓ Analysis of the natural and anthropogenic motives and their suitability for tourist valorisation of the tourist product

The Municipality of Pirot has significant natural resources:

Geomorphologic resources:
The southern slopes of Stara planina are situated in the north-east part of the Municipality of Pirot and it also represents a natural and administrative border with the neighbouring country Bulgaria. On the territory of the Municipality of Pirot is the highest peak of Stara planina – peak Midzor with 2170 m of altitude, which makes this mountain one of the highest mountains in Serbia and on the Balkan peninsula. Stara planina can be reached from several different directions but the easiest to
access is from Pirot. Stara planina is a real challenge for mountain climbers. The best-known peaks are:
- Midzor- this peak is accessible and the most attractive to conquer from the side where Pirot is. The locality of the watershed of the Toplodolska river is considered one of the greatest museums of natural sculptures.
- Babin zub- the peak is located on the territory of the Municipality of Knjazevac but is included in the tourist offer of Pirot. Numerous cold water springs, terrain suitable for the construction of ski chutes were the foundation for making the plan to construct a large winter tourist centre
- Vrazija glava- is a forest ecosystem, and the purpose of this nature reserve park is to preserve the gene pool.
- Kopren- declared a nature reserve park where there is a natural rarity - kopren.
- Tri cuke- this peak represents a nature reserve park.

**Hydrological resources:**
- Rivers - Nisava, Visocica, Toplodolska, Dojkinacka, Jelovicka, Jerma
- Lakes - Zavojsko, Krupacko
- spring Vrelo
- thermal springs (Dag banjica)
- Spa Zvonacka banja

**Anthropogenic resources:**
- Archaeological sites and culture-historical monuments:
  1. Fortress Kale
  2. Fortress on Crni vrh
  3. The bridge on the river Visocica
- Religious sites
  1. Monastery Sukovo
  2. Monastery Temska
  3. Monastery Poganovo
  4. Monastery Rzana etc.
  5. Church of St Peter and St Paul
  6. Church of the Birth of Christ
  7. Saborna Church...
- Ethnographic inheritance – pottery, carpet-making, cheese production...

**Investments**

As one of the great problems of Serbian tourist market development is the matter of investments into our tourist industry. Total investment activities in 2004 was, according to the data provided by the Republic Institute of Statistics, increased compared to the previous year. However, the realised investment activities are significantly below the necessary level because the investment rate in 2004 was 15.5%. It has been estimated that the necessary investments in the following 5 years are 20-25% of the gross national product in order to reduce technical and technological delay.
Market and promotion in order to create Pirot's image as a tourist destination

The basic stages of the process of creating a promotional strategy are:
1. Defining a target auditorium
2. Establishing goals
3. Creating an adequate message
4. Selection and usage of the promotional mix
5. Establishing the budget
6. Control over promotional activities

Current communication situation of the tourist destination Pirot is very unfavourable. It could be said that as a tourist destination Pirot does not have any organised promotional activities. When promoting Pirot all local historical, cultural, natural and other qualities should be used as well as recognisable symbols of this area such as the Pirot kilim and Pirot cheese. Fairs and promotions are also a type of promotion which should be applied.

C – Industrial development (small and medium-sized businesses, agriculture and tourism)

2.1. Creating a business environment
2.1.1. Opening the Bureau for Local Economic Development (BLEDP)
2.1.2. Forming the Council for Local Economic Development
2.1.3. Starting an incubator of business activities
2.1.4. Starting an incubator of production activities
2.1.5. Forming the Project centre – for preparing documents for participation in tenders
2.1.6. Defining clear procedures for business – adequate organisational structure of the local self-government
2.1.7. Support to small and medium-sized businesses for investing within industrial and work zones as well as free zone
2.1.8. INDUSTRIAL PARK PIROT (the industrial zone growing into the Industrial park) - expanding by 28 ha
2.1.9. Construction of production space for business incubation and infrastructure in industrial and work zones as well as Free Zone Pirot

2.2. Development of small and medium-sized businesses and companies
2.2.1. Activating existing production facilities (brownfield investments) – the capital of companies in the process of privatisation, companies in bankruptcy and private capital
2.2.2. Small and medium-sized businesses development (incentive of production, service and processing activities)
2.2.3. Education about introducing the standard system (in accordance with the company business orientation)
2.2.4. Education about the importance of connecting companies and entrepreneurs into clusters
2.2.5. Support to establishing clusters in branch activities
2.2.6. Bureau for Development of Small and Medium-sized Businesses and Entrepreneurship
2.2.7. Project – Equal possibilities for all

2.3. Development of agriculture, village revitalisation and production of eco-food
2.3.1. Using the water from the spring Dag-banjica for commercial purposes
2.3.2. Revitalisation of fruit growing
2.3.3. Construction of facilities for storage and processing fruit, wild fruit and herbs
2.3.4. Crop farming and truck farming development (in open and closed space)
2.3.5. Production of grain produce and growing new sorts of products
2.3.6. Construction of facilities for processing crop and vegetable produce
2.3.7. Support to the project of sub-investing and starting operation of the existing dairy in Pirot
2.3.8. Programme of construction of special cold storages for fruit
2.3.9. Programme for construction of facilities for drying plums and other kinds of fruit
2.3.10. Programme for construction of craft workshops for processing milk, fruit, vegetables and other agricultural produce
2.3.11. Project of support to the construction of a modern abattoire in Pirot (production plant of the company “Vinovoce”)
2.3.12. Improving the breeds in cattle breeding production
2.3.13. Revitalisation of cattle breeding
2.3.14. Project of introducing ISO standards and HACCP standard system into companies for food processing and trade
2.3.15. Creating a data base for agriculture households in the municipality
2.3.16. Exhibitions, fairs and media representation of agriculture
2.3.17. Education of agriculture producers
2.3.18. Investing into greenhouses
2.3.19. Projects for horticulture, medicinal herbs and spices
2.3.20. Construction of a network of channels and creating conditions for irrigation
2.3.21. Construction of pheasantry
2.3.22. Regulating the new hunting-tourist centre "Siroke Luke" near Pirot

2.4. Pirot and Stara planina – tourist destination
2.4.1. Starting a new tourist centre Mramor
2.4.2. Promoting tourist values of Pirot
2.4.3. Tourism culture development in the community
2.4.4. Realisation of the project Eco-village
2.4.5. Readjustment of existing accommodation, sports and recreational tourism facilities
2.4.6. Construction of new tourism facilities and infrastructure
2.4.7. Construction of a closed town swimming pool
2.4.8. Realisation of the project of organising picnic sites in Pirot surroundings
2.4.9. Realisation of the project of regulation of Lake Zavoj
2.4.10. Project activities in order to develop mountain tourism in Stara planina
2.4.12. Favouring the development of selective type of tourism
2.4.13. Forming a winter ski centre Mramor
2.4.14. Analysis of the target group for the tourist offer

2.5. **Promotion and development of forestry and wood-processing**
2.5.1. Support to the programmes of "Srbijasume"
2.5.2. Development of new processing facilities to finalise the product
2.5.3. Securing the forest base

2.6. **Valorisation of hydro-potential**
2.6.1. Construction of power plants Tigar and Crnokliste
2.6.2. Construction of mini power plants in Stara planina
KEY AREA C - INFRASTRUCTURE DEVELOPMENT*

The public utility system is organised through the operation of public utility companies (JKP) – Waterworks and Sewage, Komunalac, District Heating Company Toplana, Public Company for Town Planning - JUP and other republic public companies which have offices in Pirot. Public lightning and travel infrastructure are under the authority of The Public Fund for Construction Land. **Water supply** of the town area under the authority of the public utility company is good. The wealth of springs (Kavak 80-120 l/s; Krupac 1 100-1000 l/s; Krupac 2 40 l/s; Gradiste 100-800 l/s), very few malfunctions on the main network and very few days with water shortages mean a continuous water supply for the town population and give an image of well-managed and well-organised system. In the town zone, 99% of the population is connected into the town waterworks. The average daily consumption is 180 l per capita, which is more than in more developed countries in Europe (150 l per capita). There are regular quality checks and the percentage of cleanliness of drinking water samples is very high (over 97%). In the villages the situation is different, most of the waterworks networks are run by the local communities, while the state, maintenance level and water quality usually do not meet the standards.

**Sewage network** coverage in the area covered by the public utility sewage system is 98%, which makes 70% of the town zone. All of the industry is also connected into the sewage network. The number of 0.67 clogs/km per year means a stable system, but leaves room for improvement. The system is combined and the primary pipeline was placed in 1970. There is neither water treatment with industrial water purification before release into the sewage network nor sewage water treatment before release into the river Nisava. The villages have no sewage network and septic tanks are mostly used. The consequence of this is the pollution of underground waters and with that also of active wells and local waterworks networks from which the population is supplied with water.

**Solid waste disposal** covers waste removal from the narrow town centre, which is 98% of the urban town area (about 13,000 households on the area included in the General Town Plan*, 73 institutions and 220 industrial facilities), while the suburban settlements and the villages are outside of the system. The percentage of waste removal is 100%. The regional waste disposal area is being built at the moment. In the villages there is no organised way of solid waste removal. It is most often thrown into pits, next to streams or roads, or directly into the river, which forms wild waste disposal areas. The most urgent problem is the repair and the situation (unsuitable location, non-existence of treatment and selection of industrial waste, separation of secondary raw material) and the degree of fulfilment of the existing waste disposal area, which is on the location where the Industrial Park Pirot needs to be expanded.

* The data used is from previous research and the Strategic Municipal Action Plan 04/06
The heating system includes residential facilities, public institutions and business facilities. The coverage is 23% of the population (which is about 12,000 people in Pirot) covered by the General Town Plan. The system consists of 5 heat sources of different power and five independent heating networks which are powered separately from each boiler room. The fuel is heavy fuel oil. Use of capacities is 68.4% which leaves room for reserve (about 15.7MW). The system stability is good and the number of hours of interruptions due to malfunctions is relatively small and getting smaller every year. Heat losses are about 20-30%, and about 600m$^3$ of water is lost each year due to leakage because of the overaging of pipes. Air pollution is monitored regularly and so far all the parameters of harmful emissions have been within allowed boundaries. All the above mentioned facts lead to a favourable conclusion about the exploitation and the state of the energy facilities.

The travel network of the territory of the Municipality of Pirot consists of the following roads:

1) Nis - Dimitrovgrad  
   International main road E80 – 40 km
2) Pirot – Babusnica  
   Main road M9             14 km
3) Regional road             92 km
4) Local road                                 103 km
5) Uncategorised road                   73.30 km

According to the information obtained from the Construction Land Fund, most of the asphalt of the main, regional and local roads is in satisfactory condition, while the situation is somewhat worse with uncategorised roads.

The average speed on local roads is only 32 km/h, which is very little, having in mind that part of the routes are main roads.

The asphalt quality index which is about 60%, lack of signs and pavements in some streets, partly unregulated parking lots (the first comprehensive marking and regulation of parking zones in the town took place in 2008), which all shows that there is need for significant investments.

The state of the bridges is alarming because, as it was concluded by independent experts, there is limited tonnage and impossibility of reconstruction of the existing ones. There is real industrial need for a new bridge.

The problem of public lightning in town is insufficient lightning, although the quality of lightning, where it exists, has been improved, especially during 2008. The problem of public lightning in the villages is insufficient coverage (50% of public areas).

Telecommunication is in satisfactory condition. People can satisfy their needs for postal traffic in 8 post offices. The coverage of stationary telephones and the quality is good (over 21,000 of phone subscribers), but, even so, insufficient (in the villages).
There are networks of all mobile phone operators present in the area with solid area coverage. There is an internet network present in the area and the provider is PTT.

**Electroenergetics** are under the authority of Plant Pirot which is a part of the public utility company seated in Nis. The yearly electricity consumption is about 200 million kWh. Interruptions in supply are rare and the problem is insufficient voltage in some parts of town and losses in the system of about 12%.

### Target projects:

**3.1. Improving the existing and construction of new road infrastructure**

3.1.1. Participation of the local self-government in the project Motorway construction - **Corridor X**
3.1.2. Better traffic connections – main and regional roads under the authority of the Municipality
3.1.3. Construction, construction and maintenance of local and uncategorised roads and bridges (in accordance with the Programme of the Town Construction Land Fund)
3.1.4. Construction, construction and maintenance of town streets, pavements and squares
3.1.5. Construction of roads in the Industrial park
3.1.6. Participation of the local self-government in the project “Main gas line on the corridor”
3.1.7. Intake of new quantities of water from the spring Sarlah
3.1.8. Construction of the road Topli do - Jabucko ravništę
3.1.9. Construction of the road Кн - Jabucko ravništę
3.1.10. Construction of the road Koprivsticki krst – Gostusa – Mramor
3.1.11. Reconstruction of the regional road R 121 (Knjazevac - Pirot - Visocka Rzana - Dimitrovgrad)

**3.2. Improvement and construction of utility infrastructure**

3.2.1. Providing good-quality supply of drinking water to the residential areas
3.2.2. Construction of new sewage network and maintenance of the existing one
3.2.3. Construction of new market spaces
3.2.4. Regional waste disposal area for solid waste
3.2.5. Construction of central facilities for water treatment of town waste water
3.2.6. Construction of waste water collector
3.2.7. Upgrade and reconstruction of the existing network of irrigation channels and surface water regulation
3.2.8. Reconstruction of the old waste disposal area in the industrial park (Project of reconstruction, recultivation and further exploitation until final closing of the town waste disposal area Pirot)
3.2.9. Main project of sewage for the villages of Gradasnica, Krupac and Poljska Rzana
3.2.10. Reconstruction of the town waterworks network
3.3. **Space regulation and protection**  
3.3.1. Making a map of endangerment of the geological environment and underground waters in Stara Planina

3.4. **Improvement of electro-energetic infrastructure and construction of new facilities**  
3.4.1. Construction of TS 35/10 kV in the Industrial park and Free Zone  
3.4.2. Construction of TS 2x10/0.1 kV in the Industrial park and Free Zone  
3.4.3. Reconstruction of public lightning in town

3.5. **TK infrastructure improvement**

3.6. **Construction of town optical telecommunication network**

3.7. **Introduction of GIS**
KEY AREA D – SOCIAL ACTIVITIES DEVELOPMENT

The greatest problems that public institutions are facing are lack of financial means and inadequate facilities where they are located. The need for reconstruction of the museum building, which itself is a cultural monument under state protection; the fortress; lack of adequate space or building for the National Library, which was founded in 1878, as significant buildings of historical and cultural heritage is evident.

The buildings of preschool, primary and secondary schools in town were built for that purpose and meet the norms. The donations from previous years contributed to the necessary reconstructions to be made. There is lack of capacities in preschool institutions, an example of which are the 200 applications which cannot be accepted per year. In the villages the situation is worse, there are few children and the schools are situated in old buildings, some of which do not even have the basic infrastructure, (toilet and running water).

The lack of a closed swimming pool is evident and this is certainly one of the priorities of the town, because its construction would open new sports and social contents.

There are three markets in town, green market, cattle market and commodities market, with different degree of regulation and quality of services. The green market is in the town centre, it is partly enclosed, entry control is impossible, there is insufficient waterworks and sewage infrastructure, it is impossible to expand it since that would endanger the residential zone where it is situated, there is no secondary entrance nor parking space, it is not covered and does not provide satisfactory conditions nor services to its users. The project of reconstruction of the cattle market has been completed in cooperation with CHF, the service quality has been improved, but the area is still uncovered and there are no installations, sewage, parking spaces or secondary entrance. Part of the area has been conceded to the commodities market which made the problem more complex in terms of planning. The commodities market was built in 2002. Compared to other markets, it provides the best conditions to its users. The one-hundred per cent lease shows that there is great interest by the tradesmen and the need for further investments in order to improve the quality of the services.

The condition of the bus station has been an often discussed problem for a number of years; the inadequate building, the area is insufficient, the location itself has long not been able to meet the needs, no adequate parking or necessary services, the proximity of other facilities is overburdening.

Health care is on the optimum level with possibility of improvement in primary health care.
Media coverage is good with three local radio stations and two televisions.

**Target projects:**

4.1. **Promoting regular, permanent and alternative education**
   4.1.1. Creating conditions for better work of education institutions
   4.1.2. Starting initiative and testing possibilities for opening more schools or faculties
   4.1.3. Starting new courses and levels of education institutions, according to the potentials and needs of industry
   4.1.4. Improvement of labour force
   4.1.5. Creating conditions for better work of preschool public education institutions
   4.1.6. Needs analysis for prospective investors and existing entrepreneurs for the labour force

4.2. **Improving the environment**
   4.2.1. Improvement of primary health care
   4.2.2. Support to the programme of medical check-ups of the population
   4.2.3. Organisation of health-improving and recreational activities

4.3. **Improving sports and recreational activities and physical culture**
   4.3.1. Forming a sports and recreation centre Senjak
   4.3.2. Realisation of the project of the construction of a sports hall
   4.3.3. Construction of sports and recreation open-air gyms
   4.3.4. Organisation of sports and recreation events
   4.3.5. Improvement in sports cooperation with other communities

4.5. **Improving social care**
   4.5.1. Making a social programme
   4.5.2. Solving accommodation matters of the neediest social cases
   4.5.3. Improving the quality of life of senior citizens
   4.5.4. Construction of a retirement home

4.6. **Improving culture programmes and events**
   4.6.1. Creating culture programmes
   4.6.2. Culture programmes development and the repertory of Dom kulture
   4.6.3. Improving cultural cooperation with other communities

4.7. **Media development**
   4.7.1. Creating media concepts to realise public interests of the Municipality
   4.7.2. Upgrading the existing and creating new internet presentations
   4.7.3. Providing technical, personnel and financial conditions for media operation
   4.7.4. Newsletter, bulletin, collections and other publications
KEY AREA E – ENVIRONMENT PROTECTION

The protection of the environment means a set of different actions and measures to prevent the endangerment of the environment with the purpose of maintaining the biological balance. Health, environment and social conditions are a complex area in which every disturbance of the state of the environment brings about ecological imbalance and social relations disturbance. That is why ecological protection should be a permanent obligation of all members of the local community.

This is precisely why it is of vital importance to create the Local Ecological Action Plan (LEAP), which is a process and a document in accordance with international regulations and which is applied in many local communities in the world. The application of this methodology while establishing the ecological problems and determining priority actions is a requirement for international assistance and cooperation.

The Local Ecological Action Plan is also a document which establishes the strategy, activity plan, task performers, deadlines and necessary means for its realisation.

The Local Ecological Action Plans - LEAP provide a starting point for the construction of a sustainable community. They help the community to consider and focus its attention in a suitable way on the main ecological problems which have a negative influence on the environment, ecosystem and human health. LEAP includes the identification of environmental problems, determining priorities and choosing the most appropriate locations for dealing with the priority environmental problems. The name itself - the Local Ecological Action Plan or Programme – tells us that the emphasis should be on the action and concrete programmes.

Local ecology action plan brings:

- Improvement of understanding of ecological problems on the local level
- Rating problems concerning human health, eco-systems and the quality of life in general
- Rational aiming of limited means to the problems with priority
- Shaping LEAP which completely includes technical, political and managerial solutions to problems.

LEAP stages are:

1. Planning and starting the project
2. Recognising and rating ecological environmental problems
3. Creating programmes of ecological actions
4. Implementing programmes of ecological actions
5. Recording and evaluation of local programmes of ecological actions.

The key conclusion is the initiation of the making of LEAP Pirot as an important instrument in the struggle to protect human rights which is especially significant for ecology, health and culture. However, the protection of the environment does not refer only to the protection of people’s lives and health, but also to the preservation of the flora and fauna. The Universal Declaration of Human Rights states: "All human beings have the right to preservation of ecological balance and their environment, which they share with other living creatures, animals and plants, whose survival as a guarantee of their own survival needs to be secured." The mentioned requests are crucial for the survival of living nature and human beings, so in order to avoid an ecological disaster it is necessary to stop the abuse of technological and political powers. Therefore it is necessary to determine new human obligations for maintenance and development of natural life conditions, especially in a local community.

**Target projects to protect the environment in Pirot:**

5.1. **Protection and rational usage of water**
   5.1.1. Recovery, protection and valorisation of Lake Zavoj
   5.1.2. Protection of other water currents

5.2. **Stara Planina – Nature Park**
   5.2.1. Plan of protection of the nature park Stara planina

5.3. **Operationalisation of environment protection measures**

5.4. **Protection of land and air**

5.5. **Protection of forests and biodiversity**

5.6. **Education of community members**

5.7. **Solution to waste disposal in the villages**
   5.7.1. Project to solve problems of waste disposal in the villages
### PROJECT PRIORITISATION ACCORDING TO YEARS

**According to kea areas**

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>PRIORITY YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1. Participation of the local self-government in the project Motorway construction - Corridor X</td>
<td>5</td>
</tr>
<tr>
<td>3.2.4. Regional waste disposal area for solid waste</td>
<td>3</td>
</tr>
<tr>
<td>2.1.1. Opening the Bureau for Local Economic Development (BLEDP)</td>
<td>1</td>
</tr>
<tr>
<td>2.1.2. Forming the Council for Local Economic Development</td>
<td>1</td>
</tr>
<tr>
<td>1.1.1. Forming the Centre for issuing permits – according to the principle <strong>One Stop Shop</strong></td>
<td>1</td>
</tr>
<tr>
<td>1.1.2. Project of shortening the time for issuing permits</td>
<td>1</td>
</tr>
<tr>
<td>1.1.3. Expanding the packet of incentive measures for investors</td>
<td>1</td>
</tr>
<tr>
<td>3.1.6. Co-operation of the local self-government in the project “Main gas line on the corridor”</td>
<td>5</td>
</tr>
<tr>
<td>4.1.2. Starting initiative and testing possibilities for opening more schools or faculties</td>
<td>1</td>
</tr>
<tr>
<td>1.2.1. Realisation of the first stage of the project of equipping the Industrial zone Beg Basca, (2009)</td>
<td>1</td>
</tr>
<tr>
<td>1.2.2. Realisation of expanding the Industrial Zone - Industrial park of the Municipality of Pirot</td>
<td>5</td>
</tr>
<tr>
<td>1.1.4. Programme of the Bureau for Local Economic Development (BLEDP)</td>
<td>1</td>
</tr>
<tr>
<td>3.4.1. Construction of TS 35/10 kV in the Industrial park and Free Zone</td>
<td>1</td>
</tr>
<tr>
<td>3.4.2. Construction of TS 2x10/0.1 kV in the Industrial park and Free Zone</td>
<td>1</td>
</tr>
<tr>
<td>3.1.5. Construction of roads in the Industrial park</td>
<td>2</td>
</tr>
<tr>
<td>3.2.6. Construction of waste water collector</td>
<td>2</td>
</tr>
<tr>
<td>2.1.3. Starting an incubator of business activities</td>
<td>2</td>
</tr>
<tr>
<td>2.1.4. Starting an incubator of production activities</td>
<td>3</td>
</tr>
<tr>
<td>2.3.1. Using the water from the spring Dag-banjica for commercial purposes</td>
<td>3</td>
</tr>
<tr>
<td>2.3.14. Project of introducing ISO standards and HACCP standard system into companies for food processing and trade</td>
<td>3</td>
</tr>
<tr>
<td>2.3.22. Regulating the new hunting-tourist centre “Široke luke” near Pirot</td>
<td>2</td>
</tr>
<tr>
<td>2.4.7. Construction of a closed town swimming pool</td>
<td>4</td>
</tr>
<tr>
<td>4.3.1. Forming a sports and recreation centre Senjak</td>
<td>3</td>
</tr>
<tr>
<td>2.6.1. Construction of power plants Tigar and Crnokliště</td>
<td>4</td>
</tr>
<tr>
<td>2.6.2. Construction of mini power plants in Stara planina</td>
<td>5</td>
</tr>
<tr>
<td>2.4.1. Starting a new tourist centre Mramor</td>
<td>5</td>
</tr>
<tr>
<td>2.4.13. Forming a winter ski centre Mramor</td>
<td>5</td>
</tr>
<tr>
<td>3.1.10. Construction of the road Koprivstički krst – Gostusa – Mramor</td>
<td>3</td>
</tr>
<tr>
<td>4.5.4. Construction of a retirement home</td>
<td>3</td>
</tr>
<tr>
<td>4.2.2. Support to the programme of medical check-ups of the population</td>
<td>2</td>
</tr>
<tr>
<td>4.2.3. Organisation of health-improving and recreational activities</td>
<td>2</td>
</tr>
<tr>
<td>2.1.5. Forming the Project centre – for preparing documents for participation in tenders</td>
<td>2</td>
</tr>
<tr>
<td>2.1.6. Defining clear procedures for business – adequate organisational structure of the local self-government</td>
<td>2</td>
</tr>
<tr>
<td>2.1.7. Support to small and medium-sized businesses for investing within industrial and work zones as well as free zone</td>
<td>2</td>
</tr>
<tr>
<td>2.1.8</td>
<td>INDUSTRIAL PARK PIROT (the industrial zone growing into the Industrial park) - 28 ha expand</td>
</tr>
<tr>
<td>2.1.9</td>
<td>Construction of production space for business incubation and infrastructure in industrial and work zones as well as Free Zone Pirot</td>
</tr>
<tr>
<td>2.2.3.</td>
<td>Education about introducing the standard system (in accordance with the company business orientation)</td>
</tr>
<tr>
<td>2.2.4.</td>
<td>Education about the importance of connecting companies and entrepreneurs into clusters</td>
</tr>
<tr>
<td>2.2.5.</td>
<td>Support to establishing clusters in branch activities</td>
</tr>
<tr>
<td>2.2.6.</td>
<td>Bureau for Development of Small and Medium-sized Businesses and Entrepreneurship</td>
</tr>
<tr>
<td>2.3.12.</td>
<td>Revitalisation of cattle breeding</td>
</tr>
<tr>
<td>4.3.2.</td>
<td>Realisation of the project of the construction of a sports hall</td>
</tr>
<tr>
<td>1.4.1.</td>
<td>Programme of promotion of Industrial Zones Bozurato, zone Srdorek and Barje (road to Barje Cilik)</td>
</tr>
<tr>
<td>1.4.4.</td>
<td>Applying the Communication strategy of the Economic zone of the Municipality of Pirot – Industrial parka and Free zone</td>
</tr>
<tr>
<td>1.5.1.</td>
<td>Feasibility Study of the potentials for the formation of the Economic Zone realisation, (2009)</td>
</tr>
<tr>
<td>1.5.2.</td>
<td>Investment plan of the potentials for the formation of the Economic Zone realisation</td>
</tr>
<tr>
<td>1.6.1.</td>
<td>Making a Marketing plan of the Municipality of Pirot</td>
</tr>
<tr>
<td>1.6.2.</td>
<td>Making the promotional material</td>
</tr>
<tr>
<td>1.6.3</td>
<td>Upgrading the Internet site and web portal of the Municipality of Pirot and Bureau for LED</td>
</tr>
<tr>
<td>2.4.2.</td>
<td>Promoting tourist values of Pirot</td>
</tr>
<tr>
<td>2.4.4.</td>
<td>Tourism culture development in the community</td>
</tr>
<tr>
<td>2.4.5.</td>
<td>Readjustment of existing accommodation, sports and recreational tourism facilities</td>
</tr>
<tr>
<td>2.4.6.</td>
<td>Construction of new tourism facilities and infrastructure</td>
</tr>
<tr>
<td>2.4.8.</td>
<td>Realisation of the project of organising picnic sites in Pirot surroundings</td>
</tr>
<tr>
<td>2.4.14.</td>
<td>Analysis of the target group for the tourist offer</td>
</tr>
<tr>
<td>3.1.2.</td>
<td>Better traffic connections – main and regional roads under the authority of the Municipality</td>
</tr>
<tr>
<td>3.2.8.</td>
<td>Reconstruction of the old waste disposal area in the industrial park (Project of reconstruction, recultivation and further exploitation until final closing of the town waste disposal area Pirot)</td>
</tr>
<tr>
<td>2.4.9.</td>
<td>Realisation of the project of regulation of Lake Zavoj</td>
</tr>
<tr>
<td>3.1.7.</td>
<td>Intake of new quantities of water from the spring Sarlah</td>
</tr>
<tr>
<td>3.1.8.</td>
<td>Construction of the road Topli do - Jabucko radiste</td>
</tr>
<tr>
<td>3.1.9.</td>
<td>Construction of the road Kin - Jabucko radiste</td>
</tr>
<tr>
<td>3.1.11.</td>
<td>Reconstruction of the regional road R 121 (Knjazevac - Pirot - Visocka Rzana - Dimitrovgrad)</td>
</tr>
<tr>
<td>3.2.2.</td>
<td>Construction of the new town waterworks network and maintenance of the existing</td>
</tr>
<tr>
<td>3.2.5.</td>
<td>Construction of central facilities for water treatment of town waste water</td>
</tr>
<tr>
<td>3.2.7.</td>
<td>Upgrade and reconstruction of the existing network of irrigation channels and surface water regulation</td>
</tr>
<tr>
<td>3.2.9.</td>
<td>Main project of sewage for the villages of Gradasnica, Krupac and Poljska Rzana</td>
</tr>
<tr>
<td>3.2.10.</td>
<td>Reconstruction of the town waterworks network</td>
</tr>
<tr>
<td>2.3.8.</td>
<td>Programme of construction of special cold storages for fruit</td>
</tr>
<tr>
<td>2.3.9.</td>
<td>Programme for construction of facilities for drying plums and other kinds of fruit</td>
</tr>
<tr>
<td>2.3.10.</td>
<td>Programme for construction of craft workshops for processing milk, fruit, vegetables and other agricultural produce</td>
</tr>
<tr>
<td>2.3.11.</td>
<td>Project of support to the construction of a modern abattoire in Pirot</td>
</tr>
<tr>
<td>Project Area</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>3.3.1.</td>
<td>Making a map of endangerment of the geological environment and underground waters in Stara Planina</td>
</tr>
<tr>
<td>4.1.3.</td>
<td>Starting new courses and levels of education institutions, according to the potentials and needs of industry</td>
</tr>
<tr>
<td>4.1.6.</td>
<td>Needs analysis for prospective investors and existing entrepreneurs for the labour force</td>
</tr>
<tr>
<td>4.3.3.</td>
<td>Construction of sports and recreation open-air gyms</td>
</tr>
<tr>
<td>4.3.4.</td>
<td>Organisation of health-improving and recreational activities</td>
</tr>
<tr>
<td>5.2.1.</td>
<td>Plan of protection of the nature park Stara planina</td>
</tr>
<tr>
<td>5.7.1.</td>
<td>Project to solve problems of waste disposal in the villages</td>
</tr>
<tr>
<td>4.7.2.</td>
<td>Upgrading the existing and creating new internet presentations</td>
</tr>
<tr>
<td>4.7.4.</td>
<td>Newsletter, bulletin, collections and other publications</td>
</tr>
<tr>
<td>5.1.1.</td>
<td>Recovery, protection and valorisation of Lake Zavoj</td>
</tr>
<tr>
<td>2.2.2.</td>
<td>Small and medium-sized businesses development</td>
</tr>
<tr>
<td>2.3.7.</td>
<td>Support to the project of sub-investing and starting operation of the existing dairy in Pirot</td>
</tr>
<tr>
<td>2.2.1.</td>
<td>Activating existing production facilities</td>
</tr>
<tr>
<td>2.3.1.</td>
<td>Using the water from the spring Dag-banjica for commercial purposes</td>
</tr>
<tr>
<td>2.3.2.</td>
<td>Revitalisation of fruit growing</td>
</tr>
<tr>
<td>2.3.3.</td>
<td>Construction of facilities for storage and processing fruit, wild fruit and herbs</td>
</tr>
<tr>
<td>2.3.4.</td>
<td>Crop farming and truck farming development (in open and closed space)</td>
</tr>
<tr>
<td>2.3.5.</td>
<td>Production of grain produce and growing new sorts of products</td>
</tr>
<tr>
<td>2.3.6.</td>
<td>Construction of facilities for processing crop and vegetable produce</td>
</tr>
<tr>
<td>2.3.7.</td>
<td>Support to the project of sub-investing and starting operation of the existing dairy in Pirot</td>
</tr>
<tr>
<td>2.3.13.</td>
<td>Revitalisation of cattle breeding</td>
</tr>
<tr>
<td>2.3.15.</td>
<td>Creating a data base for agriculture households in the municipality</td>
</tr>
<tr>
<td>2.3.16.</td>
<td>Exhibitions, fairs and media representation of agriculture</td>
</tr>
<tr>
<td>2.3.17.</td>
<td>Education of agriculture producers</td>
</tr>
<tr>
<td>2.3.18.</td>
<td>Investing into greenhouses</td>
</tr>
<tr>
<td>2.3.19.</td>
<td>Projects for horticulture, medicinal herbs and spices</td>
</tr>
<tr>
<td>2.3.20.</td>
<td>Construction of a network of channels and creating conditions for irrigation</td>
</tr>
<tr>
<td>2.3.21.</td>
<td>Construction of pheasantry</td>
</tr>
<tr>
<td>2.4.3.</td>
<td>Tourism culture development in the community</td>
</tr>
<tr>
<td>2.4.10.</td>
<td>Project activities in order to develop mountain tourism in Stara planina</td>
</tr>
<tr>
<td>2.4.12.</td>
<td>Favouring the development of selective type of tourism</td>
</tr>
<tr>
<td>2.5.1.</td>
<td>Support to the programmes of “Srbijasume”</td>
</tr>
<tr>
<td>2.5.2.</td>
<td>Development of new processing activities to finalise the product</td>
</tr>
<tr>
<td>2.5.3.</td>
<td>Securing the forest base</td>
</tr>
<tr>
<td>3.4.3.</td>
<td>Reconstruction of public lightning in town</td>
</tr>
<tr>
<td>3.1.3.</td>
<td>Construction, construction and maintenance of local and uncategorised roads and bridges</td>
</tr>
<tr>
<td>3.1.4.</td>
<td>Construction, construction and maintenance of town streets, pavements and squares</td>
</tr>
<tr>
<td>3.2.1.</td>
<td>Providing good-quality supply of drinking water to the residential areas</td>
</tr>
<tr>
<td>3.2.3.</td>
<td>Construction of new market spaces</td>
</tr>
<tr>
<td>4.1.1.</td>
<td>Creating conditions for better work of education institutions</td>
</tr>
<tr>
<td>4.1.4.</td>
<td>Improvement of labour force basis</td>
</tr>
<tr>
<td>4.1.5.</td>
<td>Creating conditions for better work of preschool public education institutions</td>
</tr>
<tr>
<td>4.3.5.</td>
<td>Improvement in sports cooperation with other communities</td>
</tr>
<tr>
<td>4.5.1.</td>
<td>Making a social programme</td>
</tr>
<tr>
<td>4.5.2.</td>
<td>Solving accommodation matters of the neediest social cases</td>
</tr>
<tr>
<td>4.5.3.</td>
<td>Improving the quality of life of senior citizens</td>
</tr>
</tbody>
</table>
4.6.1. Creating culture programmes 3
4.6.2. Culture programmes development and the repertory of Dom kulture 2
4.6.3. Improving cultural cooperation with other communities 2
4.7.1. Creating media concepts to realise public interests of the Municipality 2
4.7.3. Providing technical, personnel and financial conditions for media operation 5
5.1.2. Protection of other water currents 5

Note: After the actual list of projects with priority has been adopted, it is necessary to make a financial analysis and establish the planned amount of financial means for the project implementation.
APPENDICES

APPENDIX 1: COMMUNITY PROFILE

The county of Pirot is situated in the south-east of Serbia:
- A population of **105,654 people** lives on the territory of **2,764 km²**, (43 people/km²) (Census in 2002)
- There are 4 municipalities in the county
  - Babusnica (population of 15,734 people)
  - Bela Palanka (14,381 people)
  - Dimitrovgrad (11,748 people)
  - Pirot (63,791 people)
- In addition to **4 municipality administration seats**, there are **216 villages** in the county
- Population according to nationality
  - Serbian – 74.70%, Bulgarian – 14.50%, Yugoslav – 7.11%, Roma - 2%, other - 1%

The County of Pirot
Pirot is a town settlement in the Municipality of Pirot, a part of the Pirot County. According to the Census of 2002, there was a population of 40,678 people (according to the Census of 1991 there was a population of 40,267 people). The Municipality of Pirot occupies an area of 1.235 km², there are over seventy settlements, including the town of Pirot. According to the Census of 2002, 63,791 lived in the Municipality of Pirot. About 40,000 people live in the town today. About 27,000 people live in the villages of the Municipality of Pirot.

It is mentioned early on in the old Roman maps from 2nd century AD as Mutatio Turres, the Greeks called it Pirgos, and Serbs in the 14th century named it Pirot.

The Municipality of Pirot

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria Programme supported by the neighbouring programme with R. Bulgaria Reference number: 05SER03/04/006/TD04
Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria
Programme supported by the neighbouring programme with R. Bulgaria
Reference number: 05SER03/04/006/TD04

44

<table>
<thead>
<tr>
<th>Altitude of the municipality administration (min)</th>
<th>368m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of altitudes in the municipality (min-max)</td>
<td>368m - 1080m</td>
</tr>
<tr>
<td>Longitude</td>
<td>22° 36' east of Greenwich</td>
</tr>
<tr>
<td>Latitude</td>
<td>43° 09' north of the Equator</td>
</tr>
</tbody>
</table>

The Municipality of Pirot is situated in the south-east of Serbia between Nis and Sofia, on Corridor 10 which connects Europe to Asia. The area is 1,235 km², average maximum temperature 18.42°C and average minimum temperature 5.95°C. The terrain is mountainous 40%, followed by hills and planes 30% each.

<table>
<thead>
<tr>
<th>Municipality address</th>
<th>Srpskih vladara 82</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone-fax</td>
<td>010/332-354, 332-244, fax 313-901</td>
</tr>
<tr>
<td>Web site</td>
<td><a href="http://www.pirot.rs">www.pirot.rs</a></td>
</tr>
<tr>
<td>Municipality e-mail address</td>
<td><a href="mailto:kabinet@pirot.rs">kabinet@pirot.rs</a>, <a href="mailto:finansije@pirot.rs">finansije@pirot.rs</a></td>
</tr>
</tbody>
</table>

The main motorway, intercontinental main direction, European motorway E-70, railway – intercontinental main direction Turkey-Balkans go through the municipality.

Pirot is 330 km far from Belgrade, 75 km far from Nis, 70 km far from Sofia in Bulgaria, and 35 km far from the border crossing Gradina. It borders the municipalities of Dimitrovgrad, Babusnica, Bela Palanka, Knjazevac and the Republic of Bulgaria with border length 65 km. River Nisava runs through the valley of Pirot and there are two intercontinental land roads: railroad Nis – Sofia and main motorway Nis-Dimitrovgrad. It is this position of Pirot that has made it, in the past as well as in the present, a transit place where people of different cultures and nationalities meet and pass through.

There are three distinctive areas in the municipality; the mountains, which is the largest area and occupies 40%, hills and planes which occupy 30% of the total area each. Forests occupy 34% of the total area; meadows, pastures, lakes, clean drinking water, endemic plants, and nature reserve park in Stara planina are all important nature resources. Meadows and pastures occupy 62% of the agriculture area and provide this area with favourable conditions for cattle breeding. Farm land is situated in the valleys of the rivers Nisava and Jerma.

The fact that there are 26 culture monuments, some of which are on the UNESCO list, reflects the riches of historical heritage. Stara planina and all its contents, the canyons of the rivers Jerma and Temstica, monasteries, fortress – Momcilo’s town, the museum of Ponisavlje, Pirot Culture Summer, picnic sites are some of the tourist motifs with which this area is abundant.

According to the Census of 2002, the Municipality of Pirot had a population of 63,791 people and the average density of 52 people/km², which is below the republic
average. There are 40,678 people living in the town or 67% (on the area covered by the General Town Plan), and 23,113 people or 33% of the population in the villages. There are 71 villages on the territory of the municipality.

### Population

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
<th>Total</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Census 2002</td>
<td></td>
<td>Census 2002</td>
</tr>
<tr>
<td>Urban</td>
<td>20.175</td>
<td>20.243</td>
<td>20.092</td>
<td>20.435</td>
</tr>
<tr>
<td>Rural</td>
<td>13.982</td>
<td>11.758</td>
<td>13.409</td>
<td>11.355</td>
</tr>
</tbody>
</table>

### Age structure

<table>
<thead>
<tr>
<th></th>
<th>Number of Inhabitants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 years</td>
<td>3.866</td>
<td>2.620</td>
</tr>
<tr>
<td>5-19 years</td>
<td>12.263</td>
<td>10.630</td>
</tr>
<tr>
<td>20-59 years</td>
<td>51.304</td>
<td>34.142</td>
</tr>
<tr>
<td>Over 60 years</td>
<td>14.346</td>
<td>15.984</td>
</tr>
</tbody>
</table>

Between the two census years there was a decline in the number of people living in the municipality from 67,658 to 63,791. Vital events show that from year to year the mortality rate surpasses the nativity rate so there is a negative natural increase which is –5.3, but it is still greater than the increase in the region which is –8.1. The average household size is 2.8 members compared to 3 members in 1991. Nowadays there is a two-way migration towards the more developed settlements, regions or abroad. The number of people working abroad was 882 in 2002, and the number of refugees registered in 1999 was 742. Compared to 1991 it is noticeable there were considerable migrations from the villages into the suburbs. Viewing the degree of urbanisation only from the demographic standpoint, by comparing the number of the people in the area covered by the General Town Plan and the total number of people the medium level of urban development of 0.7 is reached.

Unlike most municipalities in East Serbia which are in the stadium of “the oldest demographic age”, the Municipality of Pirot is in a somewhat better position because it is characterised by “the oldest demographic age”. There is also an absolute and a relative increase in the number of people from the category of elderly people, while the number of schoolchildren is in decline.

The population who are able to work is an important requirement for the social-economic development and makes 65% of the population, but there are about 20% of unemployed. In the work-intensive industry where low accumulating branches are dominant, the employee structure is unfavourable, since the greatest part of the labour force are PKV and KV workers.

### Important economic data
All infrastructure, except the gas line, developed

*Tigar AD* is dominant, stock company with 4,831 stock holders, on 30th April 2009. The institutional investors own 37%, state funds 34 % and 29% of stock holders are physical persons. The *Tigar Corporation* employs 2,023 workers, *Tigar Tyres* 2,300 workers and Clothes Factory *Prvi Maj*, textile industry with 1,538 employees. The investment priorities are tourism development (investments into Stara planina), healthy food, manufacture production, small and medium-sized businesses development.

The existing industrial institutions are banks, insurance companies, the industrial Chamber Bureau. There is a Department of Industry and Finances in the municipal administration. The priority of the municipal engagement is opening the Bureau for the Local Economic Development in Pirot

The most important foreign investor so far is Michelin from France in the part of the Industrial park which belongs to the Free zone Pirot. In the zone the existing investor *Tigar AD* deals with rubber industry, 'Elise pro' production of cosmetic products (360m² occupied) and Novadis production of fishing equipment (600 m² occupied, 200 m² constructed)

The finalisation of the making of the Detailed Regulation Plan and Main projects of roads in the Industrial park Pirot is ongoing

By the decision of the Municipality of Pirot dated on 30th January 2007, no.06/4-07 it has been decided that the construction of the Industrial park is of general interest on the cadastral land parcels: 2171, 2170/1, 2170/2, 2170/3, 2170/4, 2169/1, 2169/3, 2168/1, 2168/2, 2168/3, 2167/4, 2164, 2163, 2162, 2161, 2160, 2159, 2158, 2157, 2156, 2155, 2154, 2153, 2152, 2151, 2150, 2149, 2148, 2147, 2146, 2145, 2144, 2143, 2142, 2141, 2140, 2139/1, 2138/1, 2137/1, 2137/2, 2137/3, 2137/4, 2136, 2135, 2134, 2133, 2132, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192/1, 2192/2, 2193, 2194, 2195, 2196, 2166, 2165, 2197, 2198, 2199, 3223/1, 3224/1, 6568/2, 6568/7, 6568/8, 6568/9, 6568/10, 1086 and 6623/1 and the Cadastral Municipality Pirot out-of-town. This Decision has not been confirmed on the republic level.

The price of the compensation for utility outfitting of the land in the Free zone is 1,600 dinars per square meter and the planned lease price for unregulated land is 0.3 EUR/m², regulated land for outdoor operation 0.5 EUR/m², and land with facilities 1.0 EUR/m². The price policy needs to be readdressed constantly to provide competitiveness on the domestic and foreign market. Advantages for construction in the Industrial park have been regulated by the Decision of the Municipality Assembly dated on 30th April 2008.

Among the indicators of attained industrial growth of the municipality the national product stands out. In 2002 it was 5,281,302,000.00 din. or 83,830,190 €. The national product per capita of the municipality was 82,779.00 din. or 1,315 € in 2002. Pirot has always had a significantly greater the national product per capita compared to the other municipalities in the area.
In spite of the constant decrease in population, the number of unemployed people keeps increasing. People seeking employment make 12% of the total number of people and the dominant category are people with the first, followed by the second, third and fourth degree of secondary education. Apart from unemployment, there are limitations like lack of institutions such as the local guarantee fund, the Development Agency and Fund, strategic documents. There are opportunities in natural resources, geostrategic position, Free customs zone, proximity of Nis and Sofia.

The most evident problems that the Municipality of Pirot faces are a large number of really unemployed people and technological and organisational retrogression. For these reasons the activities to help start and operate small and medium-sized business, shops sector, agricultural development and change in structure of the existing industrial capacities, and they need to be intensified and done with the purpose of technological and economic progress and employment.

The technological and organisational problems in the companies, such as: the need to change the quality and structure of employees, the education of existing personnel, the need for better technical-technological equipping, overaging and deterioration of equipment and mechanisation, necessity of introducing the new economic way of business and organisational and ownership transformation as quick as possible are also a set of limiting factors.

In accordance with the document "Information about the State of Industry in the Municipality of Pirot" dated from June 2007, which was done for the needs of the Municipality Assembly by the experts in the Municipality administration, and the analysis after the following information was found:

"The economic basis of the municipality is industry whose percentage in the national product is dominant. The industrial structure in the municipality has not changed for a
number of years. According to the recent surveys industry still has the greatest percentage (over 40%), followed by agriculture, trade, traffic and construction, while other sectors have a relatively small percentage.

The largest industrial subjects in town are the following companies: Tigar Tyres and Tigar AD Corporation, clothes factory “Prvi Maj” which are included in large companies, and small and medium-sized companies such as: Blagoje Kostic “Crni Marko”, Pionir-Marmil, Hladnjaca, Gali, Jupiter, Zlatko Jovanovic, Free zone Pirot, Peksim and others.

The best known and largest company in the municipality is Tigar, i.e. Tigar AD and Tigar Tyres. Tigar AD employs 2,023 employees and produces car tyres, light and heavy traffic tyres, tyres for agriculture machines, inner tyres, chemical products, glues, utensils and footwear, rubber-technical goods and other, while Tigar Tyres employs about 2,300 employees.

Tigar is the first Serbian company which was at the official market of the Belgrade Stock Exchange Market at the beginning of April by decision of the Committee for “A” listing and the decision that this company fulfils all the criteria defined by the Rulebook of Listing of the Belgrade Stock Exchange Market.

Clothes factory “Prvi Maj” has been privatised. The companies Irve investicije and Jabuka took over the company in mid April on 2007. “Prvi Maj” was purchased for 1.75 million EUR, with obligatory investments of about 4,000,000 EUR. The number of employees is 1,538.

AD “Free Zone” Pirot, as an incubator of development of small and medium-sized businesses, has great influence on attracting foreign investments since it owns material, personnel and infrastructural resources. The municipality has given significant encouragement to business development in the zone by freeing the zone of taxes for obtaining construction permits, connections into the infrastructure and others for a period of 10 years. The Municipality currently owns about 13.5% of stocks in the zone and this is the best example of private-public partnership is Serbia. There are indications that Free Zone and the future Industrial Park will grow into an integrated Economic Zone Pirot.

In the group of medium-sized companies there are industrial, trade, construction and catering companies.

In the group of small companies there are leather, textile and food-processing companies. Most of the small companies in the municipality are from the private sector and most of them are registered for production, wholesale and retail trade and export-import.

The information concerning the privatisation process of companies from the county of Pirot for the period from 2002 to 2009 show the following:
There are 23 companies from the area of the county of Pirot which were privatised, where most of them (14 companies) are from the Municipality of Pirot.

- The total amount realised through this transaction was about 5,500,000 EUR.
- The number of employees working in companies which got a private owner is approximately 5,000 (more than one half are from the company Prvi Maj, which was also sold for the largest amount).
- The process of changing ownership was done in different areas of business, so the most common activities are – trade, catering, food processing, construction, production of paint and lacquer, textile, veterinarian and informational activity.
- The number of employees with high degree of education is about 3% (150 employees), which shows that these are primarily work intensive processes which are happening in companies which were privatised.
- Apart from the privatisation of Prvi Maj, most of the remaining companies were purchased by physical persons, domestic employers, so there was no significant inflow of capital and technologies from abroad.

In Polet bankruptcy was declared. The business facilities were bought by Tigar, while the workers were registered with the National Employment Agency with no social programme, where they get their rights according to the law. In the company “Ljubomir Kartaljevic” there is bankruptcy. The social programme was implemented for one part of them, while the others are still working with no privileges. In Dragos the social programme was implemented partially, the same as in Piroteks. About 70,000,000.00 dinars were paid in the social programme in Dragos, and about 90,000,000.00 dinars in Piroteks. In both companies there are still 120-150 workers still employed in those two companies, and they have no rights, because they are employed only fictionally. In Piroteks the company “Vulko” D.O.O. Belgrade started production and employed 22 workers, mostly former workers of Piroteks. Galanteks was purchased by the private company Gali which also employed about 40 workers.

Apart from the mentioned companies the social programme was implemented before privatisation in the Clothes factory “Prvi Maj”, there was trade in stocks obtained in the process of privatisation especially those of Tigar due to which there was income of 1,300,000.00 dinars in the Budget of the Municipality in 2006. There is little self-initiative and attempts of self-employment and starting own business. The available data from banks and the Development Fund show that our area is ranked last and that from this area there are very few requests, almost none.

On 31st March 2006 in the municipality the total number of able to work and unemployed people is 8,873 people, out of which 4,650 are women. The number of unemployed in increasing and a significant percentage is personnel with high education. There are a lot of fictionally employed people because many companies
do not work (*Suko*...). In many of them social programmes have not been implemented and there are no plans to revive production in them. In the period of 2004-2007 there were a lot of fictionally employed people because many people have registered just to obtain some rights and there is also unregistered work. The most important problems that the Municipality of Pirot deals with are a certain number of really unemployed, technological and organisational retrogression of companies.
APPENDIX 2: SWOT ANALYSIS

SWOT analysis is an inevitable and often key step in making any strategy. It is the basis for establishment of long-term strategy of development. Its development is based on information which is obtained from the basic/situational analysis and goals included in the analysis:

- **Strengths and Weaknesses** – are the result of internal analyses which survey the current situation in the local community and its industry regarding certain critical issues. The strengths and weaknesses of the local community must be assessed realistically and, without exception, compared to other competitive communities i.e. their strengths and weaknesses in the field of industrial growth.

- **Opportunities and Threats** – are the result of external analyses through which key opportunities and threats which the surroundings represent were identified and evaluated. Among the external factors it is necessary to survey those segments which are out of the zone of influence of the local community – economic changes on the international and national level, regulation and law changes, social and political aspects, as well as demographic and technological changes.

SWOT analysis is the most often used methodology for creating an image of the situation which shows where the municipality is now and where it wants to go. It is basically founded on the analysis and material collected in this context. In case of the lack of statistic data or in case of unreliability and accuracy of quantity data, it can be completed with the quality data collected by research and/or consultations. A great contribution to the good-quality making of the Strategy of the Economic Development of Pirot and the SWOT analysis which is its integral part, were the data provided by the process of research and gathering data for the needs of forming the Bureau for the Local Economic Development of Pirot.

SWOT analysis points out the **strengths** which can be upgraded; **weaknesses** to have in mind, and if possible overcome; **opportunities** which can be influenced and the **threats** which need to be minimised.

In the process of sketching the SWOT analysis, strengths and weaknesses were determined before identifying opportunities and threats. Opportunities and threats cannot remain single, unconnected particularities. They must be accounted for and explained.

By using this technique, we have tried to rank the different contents of these four categories of the SWOT analysis by relevance and by importance. This helped come to an arranged list of development needs and potentials of Pirot, and at the same time the principles of the municipal development policy have been pointed out.
STRENGTHS

- Relatively favourable geographic position – on the border with the EU, on Corridor X
- Pirot is the seat of the county and the most developed municipality in it
- The General plan of Pirot has been done – the town planning basis for development
- Suitable locations for construction of new plants (greenfield and brownfield)
- Economic zone with possibilities for business in free zone regime
- Favourable conditions and prices for investments
- Innovated municipal administration, ready to establish partnerships with the private sector
- Great resources of free labour force
- Nature park Stara Planina – great potential for tourism development
- Tradition of small businesses and crafts
- Capability of utility systems to work as profitable businesses and realise significant investments
- Satisfactory percentage of paying for utility services
- Rich in drinkable water
- Hydro potentials for production of electricity in mini hydro power plants
- Areas of untouched nature – healthy living environment
- Great forest riches
- Pastures and meadows as a significant resource for the development of cattle breeding
- Human resources and multi-cultural community, as a unity of differences in one area
- Modern and developed health centre towards which the whole county gravitates
- Developed cultural life with rich theatre scene and other cultural programmes
- Numerous utility systems providing a satisfactory degree of services to its users in reaction to the environment
• Tradition and historical heritage
### WEAKNESSES

- Great migration of the population, young educated personnel leaving
- Insufficient inflow of investments and new jobs
- Non-competitiveness of domestic products and extinguishment of traditional activities which used to be the symbol of Pirot
- Degree of preparation of town planning and project documentation and lack of concrete projects and programmes
- Inadequately qualified labour force – high degree of unqualified workers
- Education not keeping with the industrial needs, lack of institutions of higher education
- Insufficient use of natural potentials for attracting tourists and investors
- Insufficient accommodation capacities – both in the town and in the villages
- Agricultural producers not connected to have joint presentations and use potentials
- Unregistered workers, grey economy
- Insufficient modern technologies for viable use of available natural and human resources
- Insufficient motivation due to non-existence of incentive mechanisms
- Great real unemployment, to which in addition to the number of officially registered unemployed, a few thousand of fictionally employed (who have a job but do not work) should be counted
- Problems with capital infrastructural facilities; all bridges have a limited tonnage due to dilapidation and impossibility of reconstruction
- Great problems in utility infrastructure of rural entities
Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria
Programme supported by the neighbouring programme with R. Bulgaria
Reference number: 05SER03/04/006/TD04

OPPORTUNITIES

• The process of getting closer to the EU – utilising the proximity of the border, the closing point of the part of the Corridor X, pre-entry funds of the EU
• Regionalisation of Serbia, decentralisation and new positioning of Pirot
• Political stability, cooperation with republic authorities
• Passing regulations which will significantly influence local development (Law on Planning and Construction, Law on Roads, Law on Returning Property to Municipalities, Law on Local Self-government, Law on Agricultural Land…)
• Macroeconomic stability
• Monetary policy and banking system
• Customs and trade agreements with neighbouring countries
• Relief of the visa regime – possibility of trade and tourism development, use from transit travellers
• Complementarity of natural and human resources on the regional level
• Cooperation with entrepreneurs from the surrounding, associating into clusters
• Geostrategic position of the municipality - comparative advantage of Pirot and a basis for establishing and developing viable, functional and organised connections in the region, e.g. EuroBalkans
• Intensifying activities of the local self-government in order to affirm entrepreneurial models in managing the municipality as well as a possible direction of increase fiscal autonomy and municipality authority in the field of education, social and health policy
• Urbanisation of villages
• Cooperation on the regional infrastructure projects; regional waste disposal area, recycling centre, waste water treatment system, waterworks, gas line, railway electrification
• Branding local products as development possibility for revitalising old crafts and industry, but for new projects as well
THREATS

- Political instability and slowing down reform processes
- The status of Kosovo, cooperation with the Tribunal in Hague, relations with the EU
- Global economic crises and lower inflow of foreign investments
- Rate of natural increase, trend of ageing of labour force
- Lack of sustainable source of financing, as a consequence of insufficient rate of industrial growth
- Economic and monetary instability on state and regional level
- Unfavourable loan policy, change in tax regulations
- Corruption and grey economy
- The problem of state property over construction land, slow process of denationalisation, return of property and restitution
- Unequal development in the surroundings, faster development of Nis
- Low inflow of capital and raising the level of technical equipment, through the process of privatisation
- Insufficient degree of the uniqueness of the market and unsatisfactory development of market economy
- Unreadiness of the local economy to apply new standards in business (ISO, HACCP, EURO)
- Discrepancy of the educational system with the industrial demands and European standards
- Insufficient informational equipment and training of the population
- Low percentage of active knowledge of any foreign language
- Danger of ecological pollution, due to the travel and railway transport on the Corridor X
- Insufficient awareness of the need to comply with regulations for protecting the environment
APPENDIX 3: STRATEGIC PLANNING COUNCIL

On order to supervise and update the Strategic Plan of Local Economic Development it is necessary to form a committee to manage the implementation (The Council for Economic Development, The Council for Strategic planning, The Industrial-Economic Council etc.) which will deal with the results and the dynamics of the plan implementation. The duty of such a body is to supervise the implementation of the plans and programmes of local economic development, give initiatives concerning economic development and opinions on priority projects of local economic development, supervise activities of promoting the municipal industrial potentials and consider strategies of economic development.

The example used in some municipalities follows:

"Based on Article 44 of the Law on local Self-government ("The Official Gazette of RS" no.129/07), Article ____ of the Statute of the Municipality of ________, the

DECISION

To form the Council for Strategic Planning is taken.

I
The Council for Strategic Planning of the Municipality of ________ IS FORMED and it consists of:

1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
6. ____________________________
7. ____________________________

II
Council members are appointed for the period of 4 years.

III
Expert, administrative and technical duties will be done for the Council by the Council Secretary_______________________, manager of the Bureau for Local Economic Development.
IV
The Council Chairman is elected on the first session held by the Council and has to be one of the entrepreneurs.

V
The Council’s duty is to give initiatives concerning economic development, consider strategies and plans of economic development and supervise the implementation of the plans and programmes of local economic development, especially:

- give conclusions, recommendations and opinions relevant for the improvement of the business environment of the local community;
- deliver the aforementioned acts to the Municipality Assembly, the Municipal Council and the Municipality President with the proposal to take certain measures for which these bodies are authorised;
- preparing revision proposal of the Strategic Plan;
- preparing changes and additions to the existing Strategic and Action Plan;
- preparing yearly implementation plans (Implementation Plan of the Projects of Economic Development);
- supervising and evaluating of the realisation of the project and project tasks from the Strategic Plan;
- providing support to the Bureau for Local Economic Development in performing all activities coming from the authority of the Bureau for Local Economic Development;
- providing support to the Municipality President and the Municipal Council to make decisions concerning all other economic and development programmes;
- providing opinions and proposals to improve the operation of the Municipality administration, public companies, institutions, organisation and services which have been founded by the Municipality Assembly in order to improve the conditions of business in the municipality.

VI
The Council operates and takes decisions on sessions. The Council operates and takes decisions in a valid way if there are more than one half of its members present at the session. The Council’s decisions are valid if they have been reached by the majority of the present members’ votes. The Council sessions are held as needs arise. The sessions are convened by the Council Chairman at their own initiative, or in the required time period when suggested by at least a third of the Council members. In case of non-attendance, the Council session can be convened by the Municipality President, and the Council will chose the temporary chairman just for that session.

The Municipality President, the Municipality Assembly Chairman, a representative of the authorised department of the Municipal administration must be present at the session of the Council without the right to vote if the matter on the Agenda is under the authority of the particular department. The invitation for the Council session is delivered together with the Agenda proposal to the Council members as a rule in writing, at least two days before the day determined for the beginning of the session,
and, if necessary, sessions can be convened by telephone or in any other appropriate way. Extraordinarily, an invitation for the Council session together with the Agenda proposal can be delivered in a shorter time, where the Council Chairman is under obligation to explain such an action. Minutes will be taken during Council sessions and they will be signed by the Chairman and the recorder.

VII
The Council must receive a reply concerning its initiatives and conclusions within 15 days from the Municipality President and all other bodies, institutions and organisational units of the Municipal administration to which a conclusion, recommendation or opinion is addressed.

VIII
THIS DECISION is to be published in ________________________________

MUNICIPALITY PRESIDENT

____________________
APPENDIX 4: BUREAU FOR LOCAL ECONOMIC DEVELOPMENT (BLEDP) - AUTHORITY AND FUNCTIONS

Authority and functions of the Bureau of Local Economic Development*

Marketing

- Preparation, innovation and distribution of promotional material
- Organisation of promotional events
- Participation in fairs and industrial exhibitions
- Organisation and/or participation in information campaigns concerning the relevance of foreign investments and business concept promotion which will be reflected on the local community
- Representation of the local self-government on the regional, state and international level in activities in connection with LED.

Maintaining the existing, attracting new and expanding local business activities

- Permanent contacts with investors’ representatives (domestic and foreign)
- Systematic approach in relations with potential investors
- Organisation of visits to industrial potentials for potential investors.

Contacts and direct support to the local business community

- Daily contacts with local entrepreneurs, organisation of research in order to improve their business abilities
- Estimation and evaluation of possibilities of strengthening instrument capacities for support to LED
- Providing legal and technical support and advice and timely information
- Creating a training programme for beginners in business and business associations
- Organisation of training for small and medium-sized businesses and entrepreneurs in the field of project preparation and preparing the documents for applying for loans
- Providing assistance to local entrepreneurs in registration and re-registration
- Promoting the entrepreneurial concept and public-private partnerships
- Support to the process of strategic planning
- Daily communication with the Council for Strategic planning
- Following activities and meetings of the Council
- Supervision of realisation of projects which ensued from the Strategic Plan of LED.

* USAID brochure
Financing incentive

- Contacts with business banks which have branches in the municipality in order to use the data from the financial market and adequate informing of the local business community representatives
- Identifying current financial capacities and recommendations of the most favourable financial packages of services and loans to the users of the Bureau for LED
- Preparation of recommendations to create local micro-financial and guarantee schemes.

Improvement of labour force

- Cooperation with the National Employment Bureau (NEB) – municipal branch
- Preparation and realisation of educational programmes for instructors and consultants in the field of LED and entrepreneurship
- Preparation of data base of available labour force in the municipality
- Preparation of training and retraining in accordance with the investor’s needs
- Providing information to the unemployed concerning possibilities of starting their own business, the investor’s needs and programmes of self-employment.

Preparation and supervision of the realisation of projects significant for LED

- Analysis of conditions in the market and possibilities of starting new development projects
- Contacts with international organisations and donors
- Research possibilities for financing development programmes
- Preparation, management and realisation of development projects.

Advisory function – Suggestions to the Municipality Assembly and Municipality Chairman / Mayor

- Stimulating measures for opening new small and medium-sized businesses and attracting foreign investments
- Regulations (rulebooks, directions and instructions) in the field of economic development
- Measures for improvement of own source of income
- Improvement of working ability and creating equal possibilities for women and endangered groups
- Increasing rate of employment and reducing poverty
- Improvement of inspection procedures influencing the economic development
- Providing opinions for adopting and implementing Local investment programmes
• Starts initiatives for preparation and modification of municipal plans and establishing industrial and technological zones and business incubators.

**Maintenance and improvement of relations with central institutions responsible for economic development**

• Works with the republic authorities and institutions
• Cooperates with regional trade chambers, local/regional institutions responsible for economic development, business associations and the civil sector
• Suggests social programmes and youth employment programmes in cooperation with the National Employment Agency
• In order to improve the approach to business information, in cooperation with the Republic Institute of Statistics, the Republic Geodetic Institute and other institutions and organisations, establishes and maintains an integrated information system with statistic data and information relevant for business, economic development and reducing unemployment
• Works with other cities and municipalities, exchanging best practices and starting activities to adjust development measures with other municipalities.

**Creating and maintaining data bases**

• Preparing a data base of available expert personnel
• Data base of local companies
• Data base of new and existing domestic and foreign investors
• Data base of possibilities for privatisation
• Data base of available municipality property, land suitable for construction of industrial plants.
Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

APPENDIX 5: INSTRUMENTS OF LOCAL ECONOMIC DEVELOPMENT – INDUSTRIAL AND WORK ZONES

All industrial and work zones have been defined by the General Town Plan and Regulation Plan,
  o Industrial zone Beg Basca
    Activities: Industry and storage
    Area 25 ha (state and private property)
    Financial means for the first stage (6.5 ha) provided
An excellent location with extraordinary traffic advantages in terms of connections to main roads and the traffic network of the county of Pirot which enables a significant strategic position of this Industrial Zone. This enables a large number of companies to get included into world goods circulation in the fastest and cheapest way possible. By providing a well-chosen set of advantages the Industrial Zone “Beg Basca” Pirot can attract direct foreign investments and enable foreign companies’ larger profit with fewer expenses. In return this will lead to greater inflow of investments, implementation of new technologies and more labour force employment.

Industrial Zones play an important role as an instrument of attracting investments into certain areas in the quickest way possible. Industrial parks and free zones can be political tools whose effects and uses are competitive compared to other concepts of economic development.

The Industrial Zone should provide the most favourable conditions for business, which lead to attracting investments realising profit with the purpose of satisfying the interests of the users, industry and the town of Pirot.

The mission of the Industrial Zone “Beg Basca” Pirot is to be the means of attracting investments with the purpose of regional development; to enable opening new jobs; concentrate services and needs in one place through a logistics centre; enable savings in business to its users (customs duties, taxes, stimulating measures of economic policy) and direct international trade through controlled channels. Creating a favourable business environment should lead to development of new profitable production programmes, engagement of foreign capital, increase of export and the ultimate goal – greater labour force employment.

The area of the Industrial zone »Beg Basca« fits both by area and function into the industrial and business complex which begins with locations with existing industrial facilities intended for brownfield investments (former factories of Polet, Dragos and Kartaljevic), Tigar 3, Tigar Tyres, Free Zone and continues into the Industrial Zone Beg Basca. The total area of the »Economic Zone« formed in this way is 150 hectares. This concept has verified its justification because the Municipality of Pirot in the project of the Neighbouring Programme Serbia-Bulgaria Ref: 05SER03/04/008 »Successful Model of Economic Across-the-Border Cooperation« financed by the means of the European Agency for Reconstruction and the documents “Feasibility Study of the Economic Zone”, “The Investment Plan of Potentials for the Formation of the Economic Zone of the Municipality of Pirot” and “The Communication Strategy for the Promotion of the project of the Economic Zone of the Municipality of Pirot” were made.

This is a modern approach to the concept of development of industrial zones and free zones, which gives them modern varieties of enclaves of different activities. What they have in common is a constant endeavour to increase the degree of advantages they provide for the users and the offer of structurally well-equipped land in order to attract them to invest capital, bring new technologies and achieve the
primary goal - greater labour force employment of the host country, and in this case the local community, the Municipality of Pirot.

The goals of the concept viewed in this way are basically focused on the increase in employment, inflow of foreign investments, growth in foreign-trade exchange and national income, as well industrial development, research, service, education and logistics development, industrial dispersion; use of domestic raw material in production; increase in the technological level of production and labour force education.
- Industrial (work) zone Bozurato (with the possibility of including a part of the barracks facilities)
  Activities: Industry and storage (defined by the General Town Plan)
  Area of the industrial zone 12.9 ha
  Area of the work zone for storage 19.8 ha
Industrial work zone Sredorek and Barje
Activities: Industry and storage
Area of the industrial zone 29.6 ha
Area of the work zone for storage 14 ha
APPENDIX 6: INSTRUMENTS OF LOCAL ECONOMIC DEVELOPMENT - FREE ZONE PIROT

The key instruments of local economic development of the Municipality of Pirot intended for attracting direct investments is also Free Zone Pirot. Having in mind the current project and stages of equipping of the Industrial Zone “Beg Basca” with an area of 6.5 ha, which is connected to the Free Zone by area, the basic concept of Free Zone Pirot development would imply (in accordance with the Law on Free Zones) business activities which unite infrastructurally well-equipped land intended for direct investments in the regime of export-import businesses through determining the zone area as a free zone in connection to which the Industrial Zone “Beg Basca” will be established.

The advantage of such concepts is that by providing special advantages for business activities, they attract direct foreign investments which enable increase in employment of labour force on the economic and geographic area of the host country.

Development strategy of the Free Zone defines the following goals:

- Providing infrastructurally well-equipped area with special accompanying contents for incubation of production activities
- Attracting direct investments and new technologies into the free zone
- Increase in employment in the Municipality of Pirot
- Improvement of standard of living and development of local community
- Development of small and medium-sized businesses in the Municipality of Pirot.

Since the Free Zone fits into the industrial and business complex by area and by function, the Municipality of Pirot has had research papers about the Economic Zone of the Municipality of Pirot done. The papers predict and project all necessary measures to achieve positive effects in order to attract foreign and domestic capital into Pirot, goods production and providing services, employment, transfer of new technologies, industrial restructuring and how business in the Industrial Park will assist to the achievement of the strategy of development and measures of economic policy of the government of the Republic of Serbia.
The papers about the realisation of the project Economic Zone - the Municipality of Pirot define all the stages of development: from the preparatory to the realisation stage, by ways of providing the necessary means, purchase of land, construction work, way of organisation and forming institutions, marketing strategy and attracting users.

The papers completely rely on the strategy of development and measures of economic policy of the government of the Republic of Serbia, development plans of the Municipality of Pirot and development plans of the Free Zone Pirot with which the industrial park presents a comprehensive, joint and compatible project.

The goal of founding the Economic Zone Pirot is also a direct inclusion into the world market through the operation of multinational companies in the zone, as well as the development of the logistics centre for a quick connection with other parts of the world.

An additional advantage of the Economic Zone is possibility to implement the modern world concept of foundation and development, which enable the creation of a universal area intended for all kinds of investments in several stages of development.

The business concept of the Free Zone viewed through the complex of the Economic Zone Pirot in this way relies on the examples of the most successful free zones in the world (Dubai, Turkey, Egypt, Hungary etc.) where it is necessary to add the particularities of the economic moment in which Serbia is. The location on the perimeter of the European Union, it can use all the advantages of its position providing maximum advantages for attracting direct foreign investments which should be greater than the ones allowed in the EU. Using the right combination of state and local advantages, with the help of the local self-government, the Economic Zone Pirot can in the following years generate a large number of foreign investments. In this way the Municipality of Pirot should try to secure beneficiaries and attract companies of all profiles. The logistics centre should attract those who participate in the international goods flow. In the industrial zone and industrial facilities intended for brownfield investments the work-intensive industrial production should be attracted, especially those companies which use new technologies, and export-import programmes should be implemented in the Free Zone. Since the industry in Pirot was technologically developed in the past. Its advantage is personnel equipment and labour force and labour force with leaning and acquiring new skills abilities. Users in the fields of processing raw material and especially in the field of electronics and technique, mechanical engineering, rubber and plastics should be a potential target group.
### Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

**DINAMIC PLAN OF PROGRAMME REALISATION IN THE ECONOMIC ZONE PIROT**

#### REALISATION OF PLANNED ACTIVITIES TO REALISE THE ECONOMIC ZONE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time frame</th>
<th>Planned value (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Expanding the offer of profitable services of FREE ZONE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forming TLT - Transport Logistics Terminal – doing a feasibility study</td>
<td>7/2009</td>
<td>20.000</td>
</tr>
<tr>
<td>Construction of TLT - Transport Logistics Terminal</td>
<td>2014</td>
<td>2.400.000</td>
</tr>
<tr>
<td>Necessary equipment for expanding the offer of profitable services of the zone (services TLT, insurance, banks, legal services, consulting)</td>
<td>ongoing</td>
<td>74.000</td>
</tr>
<tr>
<td>Making investments for users (engineering)</td>
<td>2014</td>
<td>40.000</td>
</tr>
<tr>
<td>Realisation of strategic partnerships of interested users with Corporation Tigar AD in the zone - GEOX, etc.</td>
<td>2010</td>
<td>8.000.000</td>
</tr>
</tbody>
</table>

| **2. Attracting direct foreign investments and state grants FREE ZONE INDUSTRIAL PARK** | | |
| Improvement of space conditions for business (construction conditions, infrastructure and technical conditions, maintenance and security of the space) | ongoing | 150.000 |
| Creating an even more favourable business ambience in the zone (conditions for operation in the zone, inside order, doing business of interest for the zone users), developing new profitable production programmes, engaging foreign capital increasing export, employment of labour force | ongoing | from regular business |

| 2. Greenfield investments of users - Pirotex-Triko | 2010 | 800.000 |
| Greenfield investments on the locations of zone expansion (Tigar 3, Old Footwear factory – revalorisation of the location “Old Footwear factory” in the free zone regime – engaging storage space, small production activities, incubation of business activities etc.) | 2009 | 3.200.000 |
| Brownfield investments on the locations of zone expansion (Tigar 3, Old Footwear factory – revalorisation of the location “Old Footwear factory” in the free zone regime – engaging storage space, small production activities, incubation of business activities etc.) | 2009 | 138.000.000 |

| 3. Realisation of own investment programmes and cooperation with the local self-government on the projects of strategic municipal development (cooperation with the local self-government in the realisation of the project Industrial park and Free zone Pirot and infrastructure development in the Zone, as well as requirements for the arrival of foreign investors) FREE ZONE INDUSTRIAL PARK | | |

### Strategy of Local Economic Development of Pirot for the successful operation of BLEDP (Bureau of Local Economic Development of Pirot)

1. Establishment of the bureau of local economic development of Pirot partnership with Montana municipality, Republic of Bulgaria
2. Programme supported by the neighbouring programme with R. Bulgaria
   - Reference number: 05SER03/04/006/TD04

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the industrial park concept (realisation of the government programme through the national investment plan in the industrial park and free zone)</td>
<td>2014</td>
<td>3,250,000</td>
</tr>
<tr>
<td>Construction of storage spaces for users and own facilities (storage space)</td>
<td>2014</td>
<td>750,000</td>
</tr>
<tr>
<td>Forming an Incubator of production activities</td>
<td>2014</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Forming an Incubator of business activities</td>
<td>2014</td>
<td>100,000</td>
</tr>
<tr>
<td>Developing new profitable programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forming an educational and training centre aimed at business knowledge and skills development</td>
<td>2009</td>
<td>150,000</td>
</tr>
<tr>
<td>Participation in the construction of transformer substation 35/10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction of the bridge in Zukovo as a vital road for access to the Industrial Park and Free Zone Pirot</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Doing a study and appropriate project documents for the waste water treatment system</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Feasibility study of the construction of gas-steam power plant in the free zone</td>
<td>2014</td>
<td>20,000</td>
</tr>
<tr>
<td>Doing a feasibility study of the water filling plant in the Zone in order to use the natural resources of the Municipality of Pirot – Dag Banjica</td>
<td>2014</td>
<td>10,000</td>
</tr>
</tbody>
</table>

### Space expansion and equipment of infrastructure

#### FREE ZONE INDUSTRIAL PARK

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Year</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unused facilities in Pirot should be placed in the zone regime</td>
<td>2011</td>
<td>from regular business</td>
</tr>
<tr>
<td>Zone regime expansion on the area of the Industrial Park Pirot</td>
<td>2014</td>
<td>from regular business</td>
</tr>
<tr>
<td>Supply of all fuels to particular construction parcels (electricity, gas, water, telephone)</td>
<td>2014</td>
<td>from NIP</td>
</tr>
<tr>
<td>Asphalting all main roads</td>
<td>2014</td>
<td>from NIP</td>
</tr>
<tr>
<td>Providing modern surveillance methods (video surveillance, electronic entry/exit control)</td>
<td>2009</td>
<td>9,000</td>
</tr>
<tr>
<td>Participation in the construction of Corridor 10 and the gas line</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Environment preservation and protection

#### FREE ZONE INDUSTRIAL PARK

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Year</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing a study and appropriate project documents for the waste water treatment system</td>
<td>2009</td>
<td>NIP</td>
</tr>
<tr>
<td>(environment preservation and protection, not only including the ecological aspect, but all-including: informational, sociological, cultural, etc. of the area where people live and work)</td>
<td>ongoing</td>
<td>paid by the investor</td>
</tr>
</tbody>
</table>
|   | Promoting the concept of the Economic zone Pirot  
(marketing sector development with clearly defined target market, sale of services market, specifying potential users, marketing activities strategy of selling services to new users, marketing activities control, presentations on target markets (Bulgaria, Turkey, Greece), direct contacts with potential and future users, affirmation of the TLT concept) | ongoing | 168,000 |
|---|---|
| 7. | **Cooperation with state institutions** (influence on passing regulations for increasing advantages provided in the zone (tax relief – working on passing good-quality regulations – tax exemption in the zones), cooperation with domestic and foreign agencies which promote export (SIEPA), cooperation with Free Zone Management in the Ministry of Finance, cooperation with foreign free zones associations)  
FREE ZONE INDUSTRIAL PARK | ongoing | from regular business |
| 8. | **Affirmation of the concept of the Economic zone as the centre of chemical industry specialised for rubber processing** (relying on zone Tigar AD, Tigar Tyres) (attracting cooperatives of great systems of Zone users (Tigar Tyres), rubber waste recycling plant, physical lab for testing rubbers and homologation, chemical lab for testing raw material, small production plants (gaskets, neoprene suits, chemical metal treatment etc))  
FREE ZONE INDUSTRIAL PARK | ongoing | from regular business |
| 9. | **Support to the strategic partnerships of the users**  
FREE ZONE INDUSTRIAL PARK | **Support to small and medium-sized businesses in joint realisation of the programme**  
Doing a feasibility study | 2009 | 10,000 |
| 9. | **Realisation of partnerships of interested users with Corporation Tigar AD** | ongoing | from regular business |
| 10 | **Attracting subventions**  
FREE ZONE INDUSTRIAL PARK | **Realisation of foreign subventions (IPA, Marco Polo, Euro Platforms, Freight Village, etc.)** | ongoing | from regular business |
| 10 | **Realisation of domestic and state subventions (NIP)** | ongoing | from regular business |