

**SUSTAINABLE LOCAL DEVELOPMENT, PROMOTION AND FUNDING**Mr. Anita Cucović  
anitacucovic@hotmail.com**Abstract**

One of the basic concepts of economics of natural resources and environment is the concept of sustainability or sustainable development. Despite the different interpretations that can be found in the literature, this concept now belongs to a central place in the consideration of long-term prospects for survival and prosperity in the economy, and society as a whole. Sustainability, or sustainable development, it appears that as an essential prerequisite, as well as the ultimate goal of effective organization of a number of economic and social activities. Very notion of sustainability is not new. Its roots can be found in works of classical economics, the early attempts to answer the question about the prospects of development of human society. Not only Smith, but Ricardo and Malthus, especially, seek answers to questions related to the limited natural resources, primarily land, then the demographic growth and the diminishing returns in production. However, the issue of sustainable development has attracted the attention of the nineties of the twentieth century. Its fundamental objective can be defined as the maximization of human welfare and to provide clear economic and social basis - both for the present, and future generations. Thus, the concept of sustainable development implies the process towards achieving a balance between economic, social and environmental requirements to ensure to "meet the needs of present generations without compromising the ability of future generations to meet their needs." Operationalization of the concept and its application in practice are the result of theoretical and political aspirations aimed at ensuring long-term development of human society and the preservation of the environment.

**Key words: Economic, resource, stabile development****Jel klasifikacion: G,H4,O13,R15****1. Definition and meaning of sustainable development**

In contemporary literature we can find a multitude of different concepts of the notion of sustainability, as well as the concept of sustainable development. It is possible to classify all definitions of sustainability into five groups.

The first group includes definitions that consider viable state in which any utility, any level of consumption, over time, are not decreasing. Robert Solow stated the first requirement for intergenerational equality in the enjoyment of natural resources, in accordance with Rawls' theory of moral justice. In a famous paper in 1974. Solow states the request that each generation of people must have equal access to the collection of benefits from nature, ie. the environment, and only the form of economic development that provides that during the unlimited period of time, can be considered sustainable. John Hartwick (1977, 1978) defines sustainability in terms of constant consumption of mankind, over time, and trying to determine the conditions that cause them. Somewhat similar to the previous definition of the final report Brundtland Commission (WCED 1987), which states that sustainable development that meets present needs without compromising the ability of future generations to meet their needs.

The second group of definitions, are considering a viable state in which resources are used so that future production possibilities of mankind remain preserved. Bearing in mind the fact that the preferences of future generations for us are quite unknown, and that is impossible today to think about the level of utility that will provide some natural resources for future generations, the authors have chosen to highlight as a criterion of sustainability preserved production possibilities. This means that economic growth is likely to be sustainable, despite the past non-reproducible resources expended, if the reduced supply of resources are to be compensated by increased quantity and quality of physical capital, and accumulated intellectual capital.

The third concept to definitions, are considering a viable state in which the stock of natural capital does not decrease over time. This definition of sustainable development, adopted by a wide range of economists, assumes that the possibility of mutual substitution of different types of capital considerably less than previously thought. Moreover, as the stock of natural resources are being consumed, substitution opportunities will become less and less. Thus ensues a strict requirement for a development that does not diminish the supply of certain natural resources.

According to the fourth group of definitions sustainable development is state in which resources are used to deliver the sustainable yield, or gain. This interpretation corresponds to sustainability, primarily, for the exploitation of renewable resources. If, however, we generalize all possible types of natural resources, this view is inevitably at odds with the fact that resources are in fact diverse, and the yield, which they provide is incommensurable due to heterogeneity.

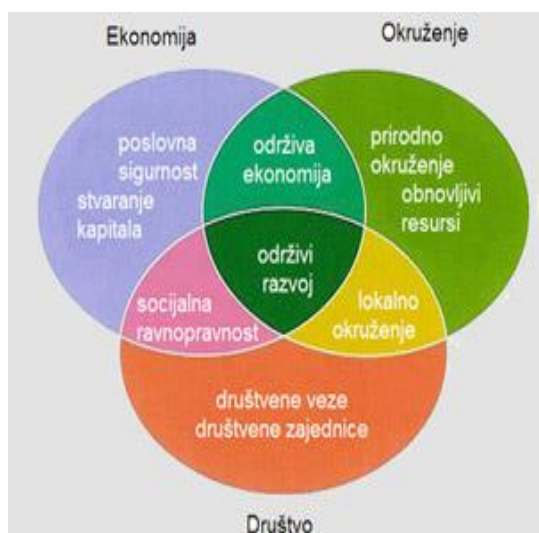
The fifth group of definitions is based on the concept of stability and balance of ecological populations over time. Specifically, it is considered viable state in which it met the minimum conditions of stability and equilibrium of ecosystems. The system, which after the disorder is not experiencing the disastrous state of discontinuous change, but retain the earlier form of organization is considered to have a balance.

**2. The concept of sustainable development**

Sustainable development is development that meets present needs but also takes into account the rational use of scarce resources in order not to prejudice the future use of resources in order to meet the needs of future generations.

Sustainable development is the harmonious relationship between economy and ecology, so that the natural riches of

our planet can be preserved for future generations. It can be said that sustainable development is a general direction, striving to create a better world, balancing social, economic and environmental factors. Sustainable development can be explained as a process of change in which exploitation of resources, direction of investments, the orientation of technological development and institutional changes (changes in political, educational, legal, financial system, etc.) are in mutual harmony and allow the fulfillment of the needs and expectations of present and future generations.



**Figure 1.** The elements of sustainable development. Sustainable development is an important topic which increasingly takes place in discussions about environmental protection, and its basic concept is the harmonious relationship between ecology and economy, in order to preserve the natural richness of our planet for future generations.

The concept of sustainable development relies on the idea that development should not endanger the future of coming generations by exhausting non-renewable resources, long-term destruction and environmental pollution. The main goal is to ensure sustainable use of natural resources at local, national and international level.

The concept of sustainable development is to answer the questions: for whom the development, what kind of development and how to achieve it. It must be sustainable economically, environmentally, socially, culturally and politically. The goals of these efforts are improving the quality of life by joining the three groups of factors: economic development, environmental protection and social responsibility. The factors are interrelated and must exist together to make a stable support development.

Principles of this concept are followed by beliefs that:

- defining a vision and creating an enabling environment for local development, where local governments have the ability to plan, fund, implement and monitor the activities of sustainable local development in a standardized manner, is one of the key steps in strengthening development efforts;
- standardizing the local planning is done entirely on the basis of existing legal and institutional framework in the

state of local governance and local development planning;

- acceptance of a systemic approach to local development planning, which is based on the idea of modernization, strengthening local capacity and inclusive policy making is an important step forward for local governments and their citizens in the process of accession to the European Union.

The concept of sustainable development offers a comprehensive approach to solving problems in the community, through the integration of measures to mitigate poverty, social protection, economic growth and environmental protection. This concept provides a reasonable use of available local resources, and takes into account the rights and potential needs of future generations. Although the development of local self-government is based on economic development, looking through the perspective of local development planning, the concept of sustainability is here to ensure that equal importance and attention given to social, human and environmental aspects of community life. Therefore, the concept of sustainability implies a multi-sectoral nature of the strategies and directions for local development.

Establishing the necessary balance between economic, social and environmental elements of our lives can be most effectively taught, conducted and controlled at the local level, because this applies to everyone clearly and directly and everyone feels good and bad sides of the undertaken activities. National structures must help, guide and encourage local processes towards sustainability, without the ambition to impose these processes or to control them. Since the existence of an effective process of sustainable development at local level, is a prerequisite for the existence of sustainable development on higher levels (regional, national and global), national and local development priorities should immediately adjust to these circumstances.

Local development policies can contribute a lot to accomplish these goals because they are the ones based on adaptive spatial structures and economies, and allow companies to more easily adapt to the changeable conditions, combat social marginalization and maintain social equality, and also in order of the best usage of their social, economic and natural resources in the local community. Through the process of planning, local development policies can identify and implement measures for sustainable development model. Today, many local development strategies are based on an explicit long-term goals and try to avoid projects that match the current priorities. In many areas, economic and social problems are geographically concentrated. Therefore, local development policies are of particular importance in addressing the problem in a particular community.

The development must be aimed at long-term solutions for local development, and never on short-term and interim solutions of current problems and future needs. A common mistake is a desire and need for rapid economic development that goes at the expense of environmental protection, which does not contribute to sustainable development. The process of sustainable development is

not possible to start by boosting economic development in order to respond to the existing pressure, without taking into account the principles of social and environmental requirements. Therefore it is important that, despite the need for faster development, not to ignore social and environmental aspects.

Therefore, one of the key goals of planning should be the protection of the environment. This means the introduction of environmental protection as one of the dimensions in all the major topics of economic and social development that in the next period ahead of us: from industrial development, construction transport infrastructure, restructuring and privatization of the energy sector to a different shaping of the tourism product, adjustment of agriculture, preservation of environment, particularly national parks and, of course employment policies. For these reasons it is very important to keep a special focus on environmental protection in order to avoid distortion of the concept of sustainable development.

### 2.1. Factors of sustainable development

The first key element of sustainable development is to achieve a broad and flexible economic base. So small businesses that have a chance to survive may be the basis for investment by large firms.

Improving quality of life and social development is another important factor for sustainable development, particularly because of its growing importance in recent years, such as improving services in the local community. Also important are measures taken to mitigate the level of social inequality and marginalization.

Many local communities are trying to preserve their cultural heritage as one of the most important elements in achieving quality of life in social terms. While they were once a social and economic goals a central part of local development plans, what is now the new is that they are not important by themselves, but as a condition for future economic development.

Improving the quality of the environment and avoiding the harmful effects of activities (which are also part of the policy of local development) is a third important factor of sustainable development. It means preventing the destruction and pollution of the environment as one of the measures to improve the quality of life and nature preservation. Protection of nature and improving the local economy and social situations can often go hand in hand, and initiatives aimed at protecting the environment can also be an important factor in generating new products, services and businesses.

Furthermore, as the final crucial factor for sustainable development is good governance. Measures that have the ambition and aim to be a permanent building on the consensus between good governance and local capacity. Local development policy operates in conditions of different circumstances and structures, and therefore must be flexible to such changes. Local development programs must be based on a network of participants in a community network that allows implementation of various development measures that can be achieved.

In this regard, an important factor in local development is the degree of autonomy given to the development agencies responsible for the creation and implementation of development policies. Where there is a pronounced political control over local development, or if the central or local government decides to change some development agencies, there are real possibilities of harmful impacts and discontinuities in development. Local development bodies are often able to provide a degree of independence and permanence in a way to secure funds from various sources, particularly from market-oriented utilities.

### 3. Financing for sustainable local development

Local governments, both here and around the world are faced with the problem of inadequate financing for sustainable development. The structure of revenues and expenditures in local budgets everywhere shows that the expenditures are prevailing. However, with the aim of economic and all other developments, sources of financing must be structured in a completely different way.

These include:

1. Public-private partnerships with shared risks and benefits. Projects such as local roads, sporting facilities, facilities for water and sewer infrastructure and all other projects, their construction and maintenance are compelling financial cost. Because of this pressure, local governments are forced to seek alternative funding mechanisms and management of activities related to infrastructure, aware that the efficient provision of services will be crucial in bridging gaps in funding of future infrastructure. The search was mainly focused on the involvement of private sector resources and private sector to provide services related to the infrastructure of local governments.
2. Cash-pooling system (integrated management of accounts) that allows the use of the existing surplus of financial resources, and
3. Municipal bonds.

These are still relatively new experience in Southeast Europe, but they shows the capabilities of local government with the vision and leadership. One of the key issues stressed in the Montenegrin case is the crucial role of the regulatory framework that must be transparent, efficient and must provide the necessary powers.

Lack of public funds is the main reason for involving the private financial sector in local and regional investment and development projects. There are several reasons for involving the private sector in financing such projects. These are:

- the growing needs of the local and national level;
- inadequate revenue structure of local and national government;
- the size of capital projects at local and national level;
- restrictions on borrowing by local and national level.

Municipalities and cities also need to be able to identify and analyze all the technical and financial options and to persuade private investors to have sufficient, reliable income that can meet their debt service obligations.

A small number of Montenegrin municipalities and towns are able to financially cope with their developmental needs. Most local governments depend on transfers from the

central government when it comes to the provision of compulsory public service. This means

- a. that the municipal revenue to finance capital investments are limited;
- b. that, however, there are a number of innovative instruments for financing local government that can be used;
- c. that the use of such instruments requires national regulatory and institutional framework, and a range of skills and municipal capacity, and
- d. that these instruments can best take advantage of when you link up with local development strategies, programs and projects.

Today, the leadership of local government has new opportunities for funding available to include: International financial institutions and state funds that provide grants and direct loans to local governments, such as the European Bank for Reconstruction and Development, European Investment Bank, and so on. These institutions and programs they offer are already well-established processes that meet the local government on how to apply for credit and credit terms.

Local governments are now using leasing to some extent as a financing mechanism, but the application of this type of financing are limited to vehicles.

So, there are five basic sources from which local governments can finance it's sustainable development:

1. loans of commercial banks;
2. finance leasing (operating and financial leasing);
3. issuing bonds;
4. Loans and grants from government financial institutions;
5. Loans and grants from international financial institutions.

## Literature

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## Conclusion

Sustainable development is development that meets present needs but also takes into consideration the rational use of scarce resources in order not to prejudice the future use of them in order to meet the needs of future generations. Sustainable development is the harmonious relationship between ecology and economy, so the natural richness of our planet can be preserved for future generations. It can be said that sustainable development is a general direction, striving to create a better world, balancing social, economic and environmental factors.

Sustainable development is maintaining a balance between usage, saving and restoring all of our resources and the understanding that the generations to come largely depend on our present actions.

Many problems related to economic development, quality of life and preservation of the environment, and their solutions, have roots in local activities, so because of that local authorities must play a key role in achieving sustainable development. Therefore, the basic orientation of local government in the future, should be related to work on creating the preconditions for sustainable community development. Thus, exploitation of resources, investment management, direction of technological development and institutional changes must be accommodated within the current and future needs.

Sustainable development must start from the local community with the changes at the local level, and later these changes must be transferred to the national level.