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THE CITY OF NIŠ COMPETITIVENESS ANALYSIS IN THE FIELD OF FOREIGN DIRECT INVESTMENT*

Analiza konkurentnosti Grada Niša
na polju stranih direktnih investicija

Abstract

The favourable climate and the environment in which economic activity takes place is one of the factors for attracting investments, both in terms of the state or when it comes to regions, cities and municipalities within the state. At the international level, states are competing for funds and investors and they are trying to attract as much as possible of investments for starting or accelerating economic activity. Analogue process has been taken within the state, where cities and municipalities are rivals to each other in attempt to emphasize their comparative advantages. Due to specific characteristics that make them able to stand out in relation to other cities and municipalities and with the prior support of a favourable climate for investors, municipalities become "business friendly". Experiences from the past in Serbia shows that local government can create a business environment such that the level of competitiveness of the city, municipality or region is far above the level of competitiveness of the state. City of Niš has attracted a significant number of investors over the past period and positioned itself in third place in Serbia in the amount of foreign direct investment, as well as in fourth place by the total number of jobs created after the activation of these investments. The aim of this paper is primarily analysis of the results that City of Niš achieved in the previous period in the field of attracting FDI, but also to emphasize its competitive advantages and opportunities to improve competitiveness.

Key words: *FDI, competitiveness, "business friendly" environment, municipality certification, regional development*

Sažetak

Povoljna klima i ambijent u kome se odvija privredna delatnost predstavlja jedan od faktora privlačenja investicija, kako kada je reč o nivou države, tako i kada je reč o gradovima i opštinama unutar države. Na međunarodnom nivou države se međusobno nadmeću za sredstva investitora i nastoje da ih privuku što više radi pokretanja ili ubrzavanja privredne aktivnosti. U okviru države odvija se analogni proces, gde gradovi i opštine predstavljaju konkurente jedni drugima i nastoje da istaknu svoje komparativne prednosti. Zahvaljujući određenim specifičnostima koje ih ističu u odnosu na druge gradove i opštine, uz prethodno obezbeđenje povoljne klime za investitore opštine postaju „prijateljski naklonjene investicijama“. Iskustva iz prethodnog perioda u Srbiji idu u prilog tvrdnji da lokalna samouprava može kreirati poslovnu klimu takvu da nivo konkurentnosti grada, opštine ili regiona bude daleko iznad nivoa konkurentnosti same države. Grad Niš jeste jedan od gradova koji je privukao značajan broj investitora u proteklom periodu, što ga je pozicioniralo na treće mesto u Srbiju po ukupnom iznosu stranih direktnih investicija, a na četvrto mesto po ukupnom broju novih radnih mesta otvorenih nakon aktivizacije ovih investicija. Cilj ovog rada jeste pre svega analiza rezultata koje je Grad Niš ostvario u proteklom periodu na polju privlačenja FDI, ali i da istakne njegove konkurentske prednosti, kao i mogućnosti unapređenja konkurentnosti.

Ključne reči: *strane direktne investicije, "business friendly" okruženje, sertifikacija opština, regionalni razvoj*

Introduction

Global foreign direct investment (FDI) has not yet bounced back to pre-crisis levels, though some regions show better recovery than others, according to data in *World Investment*

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Report 2011 [15]. The reason is not financing constraints, but perceived risks and regulatory uncertainty in a still fragile world economy. The main benefits of FDI in host countries is increased production, improve technology and increase the efficiency of domestic companies, development of human capital, promotion of foreign trade, increased revenues and use for domestic investors - a good investment climate is beneficial to all investors in the country [7] and [10]. In 2010, for the first time, developing economies absorbed close to half of global FDI inflows [4]. Increasingly, transnational corporations are engaging with developing and transition economies through a broadening array of production and investment models, such as contract manufacturing and farming, service outsourcing, franchising and licensing [8] and [11]. These relatively new phenomena present opportunities for developing and transition economies to deepen their integration into the rapidly evolving global economy, to strengthen the potential of their home-grown productive capacity, and to improve their international competitiveness.

The scientific approach to evaluating the competitiveness of cities and regions in terms of ability to attract FDI is through benchmarking of these cities and regions. At this moment there are only two benchmarking models for cities and regions which are available for cities and regions in South-East Europe. One is European level benchmarking in the area of FDI competitiveness conducted by FDI Intelligence Unit and Financial Times named "European Cities and Regions of Future 2012/13" and the other is Serbian national level benchmarking in the area of "business friendliness – business climate" conducted by National Alliance for Local Economic Development - NALED via Business Friendly Municipalities Certification Process. According to the World Economic Forum, Serbia is at the 95th place on Competitiveness Index (GCI = 3.9) [17]. On the other hand, FDI Intelligence Agency in its report "European Cities and Regions of Future 2012/13" and the magazine Financial Times ranked the Municipality of Indjija as a second region in Europe, in terms of cost-effectiveness of the investment immediately after the Bucharest-Ilfov, Romania [18]. Besides Indjija, at third place in this list is Sremska Mitrovica, and at fourth Vojvodina, as region as well. Evaluation is based on data of FDI benchmarking

of 253 European cities and 110 regions. The evaluation was conducted in six standard categories: (1) economic potential, (2) human resources, (3) cost effectiveness, (4) quality of life, (5) infrastructure and (6) a favourable business environment [6]. The seventh category was introduced in the evaluation process is a strategy to promote foreign direct investment in the city and the region. In the evaluation of this category participated 60 regions and 73 cities in Europe. In addition to these regions, on the list of micro cities (up to 250,000 people) who are considered attractive to investors in terms of cost effectiveness, are Vranje and Zaječar, while in the category of Top 10 large cities (over 1 million inhabitants) Belgrade is positioned in 7th place. In the category of Eastern European cities with the best FDI promotion strategy, in the top ten is Subotica. Such relation between the competitiveness of the state and certain regions and municipalities within the state is the result of initiatives of local governments to improve their competitiveness.

One way of improving the competitiveness is the certification process of cities and municipalities. The process of certification which is implemented in municipalities in Serbia in past five years has been conducted by the National Alliance for Local Economic Development (National Alliance for Local Economic Development - NALED). According to the methodology of NALED, every city or municipality that is involved in the certification process, receive specific recommendations and based on them improve the functioning of its institutions and create a favourable business environment through efficient administration, transparent local governance, adequate infrastructure and partnership with local industry. So far, Serbia has 17 cities and municipalities that are received a «business friendly» certificate [19]. All cities in Serbia that FDI Intelligence pointed out as attractive to investors are on the list of certified cities.

Foreign direct investments in the City of Niš - Experiences and perspectives

City of Niš is one of the cities that received a "business friendly" certificate and made the best result in this process comparing to other participating municipalities

and cities. The City of Niš has 257.000 habitants and its size by population makes it middle size city in the evaluation methodology of European Cities and Regions of the Future 2012/13 by FDI Intelligence and financial Times.¹ Being in the group of cities with the high developed mid-size European cities, made almost impossible for City of Niš to be on top of the list (among top ten) in this benchmarking process. Having in mind that this two models are currently the only available benchmarking processes for cities and regions in the field of direct investments and business climate it makes the City of Niš very interesting for the analysis of its competitiveness in the market of foreign direct investment.

Analysis of foreign direct investments in Niš for the period 2001 – 2011

SIEPA (Serbian Investment and Export Promotion Agency) database of foreign direct investment projects in Niš shows total of 18 completed projects since 2001. These projects amount to value of 963.4 million €, which puts

Niš as third most interesting city for foreign investments in Serbia (after Belgrade and Novi Sad). In addition to this the foreign investments in Niš have created 5,252 jobs, putting Niš in fourth place overall (after Belgrade, Novi Sad and Smederevo) [20]. The list of FDI projects in Niš are presented in Table 1.

Analysis of FDI projects in Niš by country of origin display the leading role of several countries such as USA, Italy, South Korea and Germany. US leads dominantly in value of projects, but the attention must be paid that this is only one, capital intensive, FDI project in question – the investment of Philip Morris into the privatization of Niš tobacco industry. The project dates back to 2003, and since then there have been no new US FDI projects in Niš. Italian investments display a steady result of two projects, valued 113 million €, with a creation of 1203 jobs. This is an overall good record, with balanced score in all categories, that displays potential for further growth of Italian investments, especially given the fact that both Italian investments are from 2010 and 2011. German investments lead in number of projects (3 overall), but show lower results in value of projects (25.3 million €) and number

1 Statistical Office of Republic of Serbia, according to population census in 2002 [12]

Table 1. List of completed FDI projects in Niš in period 2000-2011

Name	Country	Sector	Type	Land (m2)	Buildings (m2)	Value (mil €)	Jobs	Announced
Philip Morris - DIN	United States	Tobacco	Privatization		60,900	630	560	2003
Italnis	Italy	Tourism	Greenfield	150,000		100	800	2011
Idea	Croatia	Retail	Privatization			70	600	2007
Mr. Bricolage	France	Retail	Greenfield	15,000	6,500	40	90	2009
Mercator	Slovenia	Retail	Greenfield	25,000	33,000	40	159	2008
Metro Cash & Carry	Germany	Retail	Greenfield			16	186	2006
Yura Corporation	South Korea	Automotive industry	Greenfield	40,000	18,735	15	1500	2010
Dytech F&F Serbia	Italy	Automotive industry	Greenfield	25,827	9,255	13	403	2010
Yura Eltec	South Korea	Automotive industry	Greenfield	15,378	14,000	11	300	2010
OMV	Austria	Oil & Gas	Greenfield			7.6	60	2003
Harder Digital Sova	Germany	Electrical & Electronics	Privatization	0	2,350	6.3	70	2010
Hellenic Petroleum Eko	Greece	Oil & Gas	Greenfield			6	40	2004
Frezenius	Germany	Medical	Greenfield			3	36	2010
U-63 Skaj servis Jastebac	Russia	Machinery & Equipment	Privatization			2.2	274	2007
Batiqoc	France	Construction	Privatization			2	80	2011
Ergomade	Denmark	Wood & Furniture	Brownfield	9,000	2,000	1	23	2009
Seavus Macedonia	[FYROM]	Software & ICT	Brownfield	0	500	0.3	56	2007
MOL	Hungary	Oil & Gas	Greenfield				15	2006
				280,205	147,240	963.4	5,252	

Source: Author's preview based on data from the SIEPA - Serbian Investment and Export Promotion Agency and City of Niš Local Economic Development Office, [20] and [21]

of jobs (292). The conclusion is that German companies are looking for opportunities in Niš, but did not discover them yet, and that they are showing restraint in investing into more capital intensive projects. The record of South Korea displays highest result in job creation (1800), with lower capital value (26 million €). The Korean companies clearly recognize Niš as source of inexpensive labour, which is a mid-term potential for investments. FDI projects of other countries do not differ much from each other, and are often focused on retail business. The graphical preview of the above results is on the Figure 1 and Figure 2.

Similar to analysis of FDI projects in Niš by country, analysis by sector display large dominance of tobacco industry in project value (630 million €). This is, of course, based on project of Philip Morris and should not be regarded as growth potential without bearing in mind that this is the only FDI project in tobacco industry in Niš since 2003, and one of totally three in this sector in Serbia. The Table 1 also

shows excellent results for retail and oil and gas sectors in both number of projects, value and number of employee. This must be regarded more through the size of Niš (third largest city in Serbia) as a local market, then through GF, BF or privatization opportunities. Similar result is for tourism industry, showing good figures in value (100 million €) and job creation (800), but all in one project (aqua park) that is focused only on local market. Out of manufacturing sectors only the automotive industry stands out with excellent results in both number of projects and leads in job creation with total of 2203 jobs.

The analysis of FDI projects by type of investment show extreme dominance of privatization or Greenfield type of projects. Once again, with results of Philip Morris project of privatization seems to be the dominant type, but it is the Greenfield projects that amass for the largest number of projects and job creation. The parameters of FDI projects by type are presented in Table 2.

Figure 1. Ranking of investors (by country origin) according to amount of FDI

Figure 2. Ranking of investors (by country origin) according to job creation

Table 2. FDI projects realized in Niš the by type of investment

	Number of projects	Value in Mil €		Jobs Created	
Privatization	5	710.5	73.75%	1,584	30.16%
Greenfield	11	251.6	26.12%	3,589	68.34%
Brownfield	2	1.3	0.13%	79	1.50%
Total	18	963.4	100.00%	5,252	100.00%

More importantly it is the Greenfield projects that are showing the greatest potential in the last years, with privatization generally running out of steam in Serbia in 2006. The results also show evidently the poor results for Brownfield projects which can only be explained by poor condition of the Brownfield locations in Niš. The poor result for the Brownfield projects is also the reason of the strong result of Greenfield projects, where interested investors obviously had no other means of realizing their intentions then through Greenfield. Figure 3 shows the structure of FDI projects in Niš by the project value and the investment type.

Figure 3. FDI projects in Niš by value of projects and type **Figure 4. FDI projects in Niš by number of jobs created and type**

The influence of FDI projects that are realized in Niš in past ten years is reflected primarily through increase in economic activity, and then, indirectly, through the reduction

of unemployment. In terms of evaluation of this influence are conducted following statistical analysis: χ^2 square test and correlation analysis. Those analyses are referent for the field of determination of (co)relation between variables.

Primarily, it's been testing the relation between the value of FDI investment and jobs that are created its activation. The results of Chi Square Test are presented in Table 3 and Table 4.

Table 3. Chi-Square Tests between "Type" and "Value"

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34,000(a)	30	,281
Likelihood Ratio	31,411	30	,395
N of Valid Cases	17		

Source: Author's calculation using SPSS

Table 4. Symmetric Measures between "Type" and "Value"

		Value	Approx. Sig.
Nominal by Nominal	Contingency Coefficient	,816	,281
N of Valid Cases		17	

Source: Author's calculation using SPSS

As in previously discussed in the review of the Table 2 and Chi-square test, also shows that there is a correlation between the variables Type and Value (0.816), but this dependence is not statistically significant ($p = 0.281 > 0.05$). Based on this result it can be concluded that the higher values of investments are in the type of Privatization and Greenfield, but it cannot be conclude that these types of investments are necessarily related to the higher values of invested assets.

In the next segment been tested the relation between the type of investment and jobs that this investment creates, using the same statistical procedure. The results of Chi-Square Test for these two variables are given in Table 5 and Table 6.

Table 5. Chi-Square Tests between "Type" and "Jobs"

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36,000(a)	34	,375
Likelihood Ratio	32,433	34	,545
N of Valid Cases	18		

Source: Author's calculation using SPSS

Table 6. Symmetric Measures between “Type” and “Value”

		Value	Approx. Sig.
Nominal by Nominal	Contingency Coefficient	,816	,375
N of Valid Cases		18	

Source: Author's calculation using SPSS

Similar to the previous, the Chi - Square Test showed that there is a correlation between the variables Type and Jobs (0.816), but this dependence is not statistically significant ($p = 0.375 > 0.05$). So, it cannot be concluded that there is a specific type of investment which will create larger number of jobs.

Finally, trough correlation analysis has been tested relation between value of investment and jobs that investment creates. Results are shown in Table 7.

Based on the values of Pearson correlation coefficient can be concluded that between value and jobs is negligible direct correlation ($r = 0.242$), which is not statistically significant ($p = 0.349$).

Table 7. Correlation between “Value” and “Jobs”

		Value	Jobs
Value	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	17	
Jobs	Pearson Correlation	,242	1
	Sig. (2-tailed)	,349	
	N	17	18

Source: Author's calculation using SPSS

Realized vs. missed opportunities in past as a valuable lesson for the future

SIEPA database of FDI interest will be used to analyze the foreign investor's interests in terms of Greenfield and Brownfield locations in Niš. The database displays total of 17 FDI interest projects, since 2007. that were looking to be located in Niš. This makes Niš the most desired investment location in Serbia in comparison to other cities and municipalities. The list of potential FDI projects in Niš are presented in Table 8. Due to SIEPA rules of client confidence the investor's names are not displayed.

The analysis of project status displays the key

Table 8. List of FDI projects with an interest for realization in Niš

Country	Sector	Value (mil €)	Jobs	Type	Status	Announced	Land	Buildings
United States	Automotive industry	7	2,000	Brownfield	Dead	16.03.2007		15,000
Belgium	Machinery& Equipment	3	200	Brownfield	Dead	01.05.2007		5,000
Italy	Automotive industry	23	504	Brownfield	On-hold	23.06.2009		13,000
South Korea	Automotive industry	15	1,500	Greenfield	Complete	23.04.2010	40,000	
Italy	Automotive industry	13	403	Greenfield	Complete	31.04.2010	30,000	
Italy	Textile	43	2,700	Privatization	Active	28.05.2010	76,356	35,973
Austria	Construction	9	200	Brownfield	Dead	31.05.2010		2,000
Germany	Electrical&Electronics	6.3	70	Privatization	Complete	23.07.2010	2,138	3,336
Russia	Electrical&Electronics	4.3	160	Brownfield	On-hold	26.07.2010		5,000
South Korea	Automotive industry	11	300	Greenfield	Complete	06.09.2010	20,000	
France	Electrical&Electronics	6.5	250	Greenfield	Active	15.10.2010	10,000	
Greece	Food&Beverage	0.7	95	Greenfield	On-hold	26.10.2010		Unknown
South Korea	Metallurgy & Metalworking	10	100	Greenfield	Intent	10.12.2010	20,000	
Italy	Software&ICT	50		Brownfield	Intent	15.11.2010		Unknown
Poland	Electrical&Electronics	1	50	Brownfield	On-hold	10.02.2011		1,000
Germany	Automotive industry		600	Greenfield	Active	07.04.2011	20,000	
Slovakia	Plastic&Rubber		230	Privatization	Active	29.04.2011	257,418	21,097
		202.8	9,362				475,912	101,406

Source: Author's preview based on data from the SIEPA - Serbian Investment and Export Promotion Agency and City of Niš Local Economic Development Office, [20] and [21]

information regarding the current potential for Brownfield projects in Niš – out of 7 potential Brownfield investment projects in Niš none is successfully completed with all of them being in status “dead” or “on-hold”. The interpretation of SIEPA for this occurrence is due to the poor condition of Brownfield locations where their refurbishment in addition to administration entanglements becomes higher cost than a Greenfield project. This fact is also underlined by the much better result of Greenfield projects – three completed, only one on-hold.

Analysis by project type display dominant interest of investors in Greenfield and Brownfield projects and lower interest in privatization according to the number of projects. However, in terms of projects value and job creation the results are almost similar. The comparison of project types is presented in Table 9.

Table 9. FDI projects with an interest for realization in Niš the by type of investment

	Number of projects	Value in Mil €		Jobs Created	
Privatization	3	49.3	32.26%	3,000	31.87%
Greenfield	7	56.2	36.78%	3,248	34.51%
Brownfield	7	47.3	30.96%	3,164	33.62%
Total	17	152.8	100.00%	9,412	100.00%

The equal distribution among different types of investments in terms of value and created jobs is obvious from the Figure 5.

As an investment location in the period 2001 – 2011, the City of Niš displayed very strong record in realization

of FDI project being the third most attractive location in Serbia in terms of value of investment and the number of FDI projects. As a point of interest for further FDI projects, according to the track record of SIEPA, Niš is the leading investment location in Serbia in terms of investment value, number of projects and number of jobs. This can be contributed to cities size, position on Serbia's main highway, proactive local government, higher subsidies from Republic of Serbia (4,000 to 10,000 €/job created), but unfortunately also to low wages cost and high unemployment.

Statistical analysis for FDI projects with an interest for realization in Niš is given in the following tables. Chi-Square Tests between variables “Type” and “Value” is presented in Table 10 and clearly shows that there is a correlation between the variables Type and Value, but this dependence is not statistically significant ($p = 0.363 > 0.05$).

Table 10. Chi-Square Tests between “Type” and “Value”

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30,000(a)	28	,363
Likelihood Ratio	29,725	28	,376
N of Valid Cases	15		

Source: Author's calculation using SPSS

By the same analogy, as it is shown in Table 11, it can be concluded that there is a correlation between the variables Type and Jobs, but this dependence is not statistically significant ($p = 0.252 > 0.05$).

Figure 5. The structure of FDI projects (by type) with an interest for realization in Niš according to invested amount and created jobs

Table 11. Chi-Square Tests between “Type” and “Jobs”

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26,000(a)	22	,252
Likelihood Ratio	26,321	22	,238
N of Valid Cases	13		

Source: Author's calculation using SPSS

The result of correlation analysis between variables “Value” and “Jobs” are presented in Table 12.

Table 12. Correlation between “Value” and “Jobs”

		Value	Jobs
Value	Pearson Correlation	1	,846(**)
	Sig. (2-tailed)		,001
	N	15	11
Jobs	Pearson Correlation	,846(**)	1
	Sig. (2-tailed)	,001	
	N	11	13

Source: Author's calculation using SPSS

It is interesting when it comes to FDI with an interest for realization in Niš that the value of Pearson correlation coefficient (Table 12) clearly shows existence of high level of direct correlation relation ($r=0.846$) which is statistically very significant ($p=0.001$).

Table 13. Cross-tabulation between “Status” and “Type”

FDI Type with an interest for realization in Niš				Total
	Brownfield	Greenfield	Privatization	
STATUS				
Active	0	2	2	4
Complete	0	3	1	4
Dead	3	0	0	3
Intent	1	1	0	2
On-hold	3	1	0	4
Total	7	7	3	17

Source: Author's calculation using SPSS

Trough the cross-tabulation between variables “Status” and “Type”, it is evident interest of investors into the Brownfield projects in Niš was equal or higher to the interest into Greenfield or privatization projects since 2007. However, the realization of Brownfield projects in Niš had no result at all unlike for the Greenfield or privatization projects (Table 13). With this in mind there is a strong and justifiable reason to develop existing Brownfield locations in Niš.

Table 14. Chi-Square Tests between “Type” and “Status”

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.571(a)	15	.005
Likelihood Ratio	25.661	15	.042
N of Valid Cases	17		

Source: Author's calculation using SPSS

Table 15. Symmetric Measures between “Type” and “Status”

	Value	Approx. Sig.
Nominal by Nominal	.803	.005
N of Valid Cases	17	17

Source: Author's calculation using SPSS

Chi - Square Test showed that a high degree of dependence between the variables “Type” and “Status” (0.803), the dependence was statistically significant ($p = 0.005 < 0.05$), as it is presented in Table 14 and Table 15.

Analysis of FDI competitive advantages of City of Niš - Chances for the future

Important determinants of the host country or region for foreign investors include political and economic framework, and government regulations to facilitate investment and business. The importance of individual determinants of implementation depends on the motives of FDI [1] and [14]. Hence the importance of individual economic determinants of the country varies depending on the motives for investment. Theoretically, foreign investors are likely to invest in countries where competitiveness indicators such as human resource capability, resource endowment, market opportunities and per capita incomes are high [16]. Regarding to these investor's demands, in this section will be presented competitive advantages of Niš in terms of (1) location, (2) industrial zones, (3) labour force, (4) business support infrastructure and (5) business climate and development strategy.

Location. City of Niš is one of the oldest cities in the Balkans. It is the third largest city in Serbia. Niš is the administrative centre of the Nišava District and the region of South and east Serbia, and it is located at crossroads of Balkan and European highways, connecting Europe to Near East [3]. Niš is among the developed Serbian cities

and industrial and tourist centre of national importance. It is a modern university city and at the same time natural, social, economic, educational, health, cultural and sports centre of South and East Serbia. Niš is situated at the crossroads of the most important Balkan and European traffic routes.

Industrial Zones. On the territory of City of Niš there are four industrial zones: Industrial Zone Donje Medjurovo, Zone in Ivana Milutinovica Street, Industrial Zone East and Industrial zone North. Those zones are fully equipped with infrastructure including gas, electricity, waste water and sewage system, access roads, internet and railway, according to the highest demands of investors. Besides industrial zones there are 25 more locations on the territory of City suitable for FDI [22].

Labour Force. Generally, labour force in Niš combines exceptional working efficiency with sizable labour supply. With a unique combination of high quality and low costs, it is one of the key factors in reaching a strong business performance. The quality of the local labour force is best reflected in robust industrial productivity, rising at an 11% rate between 2004 and 2008 [3]. As well educational level of labour force is one of important criteria for investors [5] and [9]. Including the size of the City, as well as the fact that whole Nišava district (area of approx. 30 km distance from the City centre) is the source for labour force. According to Statistical Office of Republic of Serbia, working age population (15-64 years old) in Niš amount to 173,151 [13]. At the other hand, City of Niš is facing a huge unemployment problem (the unemployment rate is 20.1%), but at the same time it makes the competitive advantage in sense of the availability of labour force.

Business Support Infrastructure in the City of Niš includes: Office for Local Economic Development, Centre for Construction Permit Issuance, Job Centre, Business Incubator Centre (BIC) and Free Trade Zone South (Export processing zone). The main tasks of these institutions are:

- Strengthening of Local economic development
- Attracting new investments
- Supporting local business community
- Strengthening of entrepreneurship

- Creating better conditions improving life quality, commercial development of Niš City through managing, monitoring and implementation of project implementation and activities of local economic development.

Business Climate and Development Strategy. For last three years the City of Niš managed to regain the investors' trust and to become a serious partner on the road to faster economic development. All this was made possible by taking seriously the problem of equipping infrastructural the land properties to be offered to potential investors. Niš created positive business climate for initiation of big investment project which directly influence the problem of unemployment. Finally, after 20 years, the City created favourable climate for investing in this part of Serbia. The City of Niš managed to attract foreign investors in these times of global economic crisis and it managed to become the most attractive destination in Serbia for the construction of new factories and production facilities. Niš has become the one of the cities with the most direct investments. The interest of investors in Niš is the direct consequence of the changed attitude of local self-government towards potential investors.

With the analysis of the prior results achieved, the main goals of the City of Niš Development Strategy (2010-2020) are [2]:

- Territorial development oriented to environmental sustainability (transform the City of Niš into an urban regional centre with high environmental quality, communal services and transport links in accordance with advanced development policies and best practices of the developed European towns and cities);
- Establish a safe and reliable environment for investment conducive to sustainable economic development (create conditions for adequate workforce formation, opening up of financial opportunities, logistics, attracting of investments, industrial relocation and creation of new enterprises in high-added value economic sectors);
- Balanced and comprehensive improvement of the quality of life in the City of Niš (create an encouraging and safe social environment in which

all citizens will be able to express and fulfil their needs for belonging and identity, socialization and personal growth);

- Improvement of the institutional setting and the governance processes (implement institutional reforms aimed at increasing the capacities and the efficiency of the community decision-making processes, following principles of subsidiarity on the territory of the City).

Conclusions

Having in mind all the above mentioned we can draw conclusions in two ways: (1) Overall conclusion related to existing methodologies for benchmarking of competitiveness of local self governments and on direct investment market and (2) Conclusion about the analysis of City of Niš competitiveness on direct investment market.

Overall conclusion related to existing methodologies for benchmarking of competitiveness of local self governments and on direct investment market. It has been satiated in the introduction that there are two available ongoing benchmarking processes for local self-governments in the area of foreign direct investment attractiveness and business climate. These are European level research "European cities and regions of future 2012./2013." conducted annually by Financial Times FDI Intelligence Unit and Serbian national level project Certification of Business Friendly Municipalities implemented by National alliance for local economic development - NALED.

European level research "European cities and regions of future 2012./2013." conducted annually by Financial Times FDI Intelligence Unit is excellent benchmarking for potential investors since it is conducted by relevant, reliable and well known agency and it can be used for international promotion of investment potentials but it has at least three big problems. First, It 'covers only participating local self-governments and promote only 10 best ranked participants per category which is not relevant since it depends on the numbers of participating cities and regions per category. Second, It does not provide any assistance for participating cities and regions for improvement of competitiveness of participants and

third is a fact that this is European level survey and it cannot take into consideration specifics of different macro regions such as transition economies in south east Europe, since cities and regions are competing for investors with the neighbouring cities and regions within the wider macro regions.

Certification of Business Friendly Municipalities implemented by National alliance for local economic development - NALED is unique methodology which is implemented in Serbia for last five years and it gives results. This project becomes regional project since this methodology will be used regionally by partner organisations from Croatia, Bosnia and Herzegovina, Macedonia and Montenegro, with the support of German GIZ. Methodology covers support to participating cities and municipalities in improvement of their results and facilitate competitions among local self-governments. At the same time this methodology is focus on business environment and cooperation with local business community and grading process can make mistake since it gives too much importance to certain criteria which are very important for business environment but they are not important for direct investments competitiveness.

It can be concluded that it is needed to develop model for direct investment competitiveness benchmarking of local self-governments and regions which will take into account regional specifics and based on the investors needs and location de vision making process and jurisdictions of local self-governments and their role in improvement of local self government and region competitiveness on direct investment market.

Conclusion about the analysis of City of Niš competitiveness on direct investment market. Conclusion of this paper must be that City of Niš is very attractive for direct investments and that it is competitive on the local self government direct investment market.

If we start with the analysis of the needs and implemented FDI projects we can conclude that Niš has proven capacity for investment implementation and that it started improving its position in the investor's point of view. One can also recognise proactive approach of the marketing and bending activities in the area of promotion of investment potentials.

It can be also concluded that key competitive advantages of the City of Niš are:

- its geostrategic position and excellent traffic connection including intermodal accessibility,
- availability and quality of labour force due to the existence of University and vocational school network and industrial tradition,
- developed and functional business infrastructure, both physical (industrial zones) and proven institutional capacities,
- growing business environment and positive business climate and development trends, and
- best practice examples both from commercial and industrial investments and local and multinational investors.

Based on statistical analysis of previous period in terms FDI realized and with an intention for realization in Niš can be pointed out that City of Niš had quite good results in privatization and Greenfield investments. At the other hand the realization of Brownfield investments wasn't so good. This is the segment where local government should make improvements in future period.

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