

## **HALAL QUALITY AS A FACTOR FOR DEVELOPMENT OF ENTREPRENEURSHIP INFRASTRUCTURE IN BOSNIA AND HERZEGOVINA**

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### **1. INTRODUCTION**

According to the results of all the relevant research, Bosnia and Herzegovina (BiH) fails to keep pace with other countries in the region when it comes to the development of entrepreneurship infrastructure. That puts it among the most underdeveloped European countries in that segment. The nonexistence of a strategic approach to the creation of business centers, business incubators, business zones, technological and scientific parks additionally worsens the present condition, which can lead to further slowing down the economic growth.

In such a situation any individual initiative regarding the development of elements of entrepreneurship infrastructure is given a special meaning. Precisely one such initiative, related to the establishment of a specialized manufacture and service business zone – the Halal Park in Gračanica is described in this paper. The paper aims at pointing out the importance of individual entrepreneurship initiatives of strong potential which significantly affect the level of entrepreneurship activity development. That results in numerous individual effects which are reflected the best in the increased economic and social growth of Bosnia and Herzegovina. A specific quality of the development of this business zone lies in the fact that it was created on the concept of Halal quality, which makes it the first such business zone in Europe.

### **2. BUSINESS ZONES IN BOSNIA AND HERZEGOVINA – UNDERDEVELOPED INSTRUMENT OF ENTREPRENEURSHIP STRUCTURE**

All over the world, business zones are seen as a powerful instrument for entrepreneurship development. Actually, they are only one of many important links in the chain of entrepreneurship infrastructure. They are preceded by the development of entrepreneurship centers and business incubators and they are followed by the development of technological, scientific or scientific-technological parks as the combination of these two. Only a complete system of entrepreneurship infrastructure enables a continuous growth of entrepreneurship which will inevitably result in higher economic growth which could be measured by creating new jobs, opening new businesses, strengthening national economy competitiveness as well as personal competitiveness of entrepreneurs and managers of newly opened and existing companies.

Bosnia and Herzegovina fails to keep pace with other countries in the region when it comes to entrepreneurship growth. Some of the indicators of this situation are the longest procedures for business registration, the lowest number of small and medium enterprises per 1000 inhabitants and the most underdeveloped entrepreneurship infrastructure. There are four reasons why Bosnia and Herzegovina fails to keep pace with other countries on the region: (1) the importance of entrepreneurship for the country's economy has been realized at a very late point – historical category. (2) A negative influence was also created by slow privatization and transition. (3) A complex administration structure of the state with four levels of government, vaguely defined authorities and constant political crisis caused the inconsistency of economic policies and legal regulations. (4) The inconsistency of institutional regulations for the growth of entrepreneurship.

The lack of systematic and strategic approach to the development of business zones in Bosnia and Herzegovina causes a diversity of business zones but also problems in handling property rights, zone activating and managing as well as a total nonexistence of additional services for zone users. The research conducted in BiH, whose results can be seen in the documents and papers of the authors mentioned in the references, show a large number of obstacles to the creation and development of business zones.

The strategy for the development of small and medium enterprises in Bosnia and Herzegovina for the period 2009-2011, introduced in 2009, was the condition for the use of new EU funds and fulfilling the obligations of Bosnia and Herzegovina towards the European Union. It defined the institutional framework for entrepreneurship growth which enabled the strategic approach to the development of business zones in Bosnia and Herzegovina. However, even though the document was introduced, the authorities did not start fulfilling the obligations prescribed by the document.

From the ownership aspect, business zones can be public, private or public and private partnership. In BiH, business zones are mainly in public ownership, established by municipalities stimulated by modest budgets by canton, entity or state government levels. There are several private business zones which are mainly oriented towards services in trade, catering and tourism (ethno-villages for example) like the ones in Laktaši, Vitez, Bijeljina and Čitluk. There are a very few entrepreneurs who decided to build private business zones oriented towards manufacture. The leading one is the Širbegović business zone which will be mentioned later on.

### **3. BUSINESS ZONE GRAČANICA**

Business zone Gračanica is an investment project of Širbegović Group, established with the aim to build a set of modern business infrastructure on a turn-key basis and to commercialize them and make them available to business subjects and potential investors. The construction site of the Business zone is next to the main road M4 Tuzla –Doboj and a local road Gračanica-railway station-Sočkovac. The land is owned by the company “Širbegović ltd Gračanica”. The business zone in Gračanica is planned to cover 200.000 m<sup>2</sup>.



*Picture 1. Business zone Gračanica – expected layout after construction*

The task of the Business zone Gračanica is to create location and provide resources for their clients' businesses. Thus, it continuously contributes to local, regional and state economic development of Bosnia and Herzegovina. For domestic and foreign investors' needs there is the space for various purposes, from production and service buildings to hotels, kindergartens and recreation centers. The construction is planned to improve investment and entrepreneurship environment which will stimulate domestic and foreign investors and thus create new jobs with the rational use of land, lower infrastructure costs and taking into consideration sustainable development.

Širbegović Group prepared the master plan for this project, prepared the land and did the groundwork. Significant marketing efforts have been done regarding this project's promotion. However, the expected participation of higher levels of government did not happen, which resulted in slowing down the activities on the construction of Business zone Gračanica.

Halal Industry Development Corporation Sdn Bhd (HDC) from Kuala Lumpur expresses its interest in this project as a potential partner. During the 4<sup>th</sup> International Halal Forum, they signed the Memorandum on cooperation in the project for the first Halal Park in Bosnia and Herzegovina, which created an opportunity for the transformation of the concept and specialization of the business zone Gračanica.

#### 4. SPECIALIZED BUSINESS ZONE FOR HALAL PRODUCTS – HALAL PARK GRAČANICA

Halal Park is a business zone with production, storage, trading, distribution, banking, service, housing and other elements necessary for high-quality business in accordance with the demands of world halal market. The role of halal parks is to provide optimal business conditions for all interested on the world halal market.

The world halal market is the fastest growing market in the world, with the year growth rate of 40%. Its value in 2004 was € 423 billion while in 2009 it is € 456.4 billion. This market satisfies the needs of 1.8 billion Muslim customers with a large number of non-Muslim customers who consume this type of products. World halal market potentials are strong and that is a large development prospect for Bosnia and Herzegovina.

It is important to mention that Bosnia and Herzegovina is the only country in Europe which has established the **Agency for halal quality certification**. Its activities include education about halal, certification and promotion of halal certified producers and their products. According to the latest ranking of 170 halal certification institutions in the world, the Agency for halal quality certification in BiH is among the first five when it comes to its regulation and functionality. Halal quality is a set of characteristics of a product, which are in accordance with the Islamic regulations, meet the quality demands and are permitted to Muslims for consumption and use. It was based on the sharia-Islamic law, Codex Alimentarius, Halal standard BAS 1049:2007 and other acts which regulate the principles of halal certification.

In BiH, halal products are used by 75% of citizens who recognize the advantages of the use of halal products. The geographical position and traffic connections to Europe and the Middle East, natural resources for the production of healthy food, drinking water quality, food production tradition, the size of European halal market estimated at € 67 billion and around 89 million Muslims who live in Europe are only some of the important elements which are mentioned in favor of proving the long-term warrants for investing into the Halal park project.



*Picture 2. Halal park Gračanica – expected layout after construction*

It is expected that Halal park, as a specialized business zone attract domestic and foreign investors, primarily investors from Malaysia and other Islamic countries. The master plan predicts the investments worth € 56 million for the construction of 102.623 m<sup>2</sup> of production facilities on an area of 200.000 m<sup>2</sup> which will be completely developed. The investments are planned as follows: € 9.5 million for land and infrastructure, € 40 million for facilities and € 6.5 for landscape works.

## 5. CONCLUSION

The realization of the development project of Halal Park is extremely important for further development of entrepreneurship structure in Bosnia and Herzegovina. Its effects on employment, attracting foreign investments, export growth, encouraging domestic agricultural production, rational use of natural resources would, to a large extent, encourage other entrepreneurs and municipalities to establish manufacture business zones. It should be emphasized that we in Bosnia and Herzegovina are prone to copying and that, by using precisely that concept, this project would have a direct effect on encouraging development of entrepreneurship activities in many local communities.

The project of Halal Park is interesting from the aspect of the development of the system of quality. In other words, a specialized business zone would motivate companies in the Food and Drink Industry to adapt their business to the demands of the Halal standard in order to meet the needs of their clients. The Halal standard is registered at the Standards Institute of BiH as a national standard named Halal food – demands and measures, BAS 1049:2004. The Halal standard is compatible with other international standards which regulate the quality management of production (ISO; HACCP and others).

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