

# LAW AND ECONOMIC ASPECTS OF APPLICATION ELECTRONIC BUSINESS IN LOCAL SELF-GOVERNMENT UNITS

*Review paper*

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## **Apstrakt**

*The use of e-business is the result, the application of information communication technologies (ICT) in modern business. A wide array of information and financial innovations intensifies competition, affects the improvement of business processes in the business environment, in business between businesses and related institutions and individuals. The use of ICT, as services implemented for better quality electronic services for citizens in the public sector, especially at the level of local self-government units, increases the quality of public sector services.*

*The subject of this research is the analysis of characteristics, development factors and economic effects of electronic business in local government units in Bosnia and Herzegovina. The aim of the paper is to point out possible economic benefits, new ways: communication, access to services, education,*

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*acceptance of feedback, organization and delivery of information. The paper emphasizes the necessity of innovating and completing the legislation in this field. The underlying hypothesis is that e-business in local government units is necessary to positively affect the speed and efficiency of operations and that the success depends on effective protection of the financial privacy of users.*

**Key words:** *electronic bussines, law aspects, economic aspects, local self-government.*

## INTRODUCTION

E-business means bussiness activities that take place online. This does not only involve the purchase and sale, but the organization of the business of businesses in the network environment, the organization of business communication towards clients and the care of clients. In addition to the aforementioned E-business, it implies the introduction and improvement of this type of business in the units of local self-government, for the users of their services. Electronic technology implies the combined use of information technology and telecommunications. This type of technology allows the sending of a large number of information, over long distances over a short period of time. This allows local self-government units, which use electronic technology in their business, to achieve significant savings in operating costs, perform administrative and business tasks more efficiently. The advantages of electronic in relation to the traditional operation of local self-government units are related to increasing quality, agility, for additional services on the one hand, and reducing administrative costs. It also intensifies the joint presence in the electronic market related to the development of electronic partnerships. In the continuation of this article are listed elements that in addition to Internet access, are meant for the safe application and improvement of e-business in local government units.

Digital Signature is used to sign electronic documents and has the legal power of a personal signature. Electronic handwritten signature is a

digital signature, which is not a digital handwriting image. The electronic signature protects the integrity of electronically signed messages. It is a technology that is applied in e-commerce systems that allows checking subscribers and ensures the accuracy of electronic documents.

An electronic document is a document in electronic form used in legal affairs and other legal actions, as well as in administrative, judicial and other proceedings before a state body. In the Republic of Serbia, the Law on Electronic Document, Electronic Identification and Services of Confidentiality on Electronic Business states that: an electronic signature is a set of data in electronic form that is associated or logically connected with other (signed) data in electronic form so that the electronic signature confirms the integrity of these data and the identity of the signatories (“Official Gazette of Serbia”, No. 94/2017). A qualified electronic signature is an advanced electronic signature created by a qualified electronic signature creation tool and based on a qualified electronic signature certificate. The most important fields of electronic signature implementation are electronic banking (e-banking), electronic commerce, e-business, e-government, e-healthcare, payment systems based chip card.

The most popular applications that use the electronic signature are: secure web transactions, secure e-mail messages, secure FTP service, VPN (IPSec) networking, secure document management, secure internet payments, etc. By the mid-1980s, governments around the world were committed to improving internal operations and activities, and with the advent of the Internet, the focus was on relations with businesses and citizens (Ho, 2002). This resulted in more intensive development of the e-Government concept.

The e-Government portal exists since 2010 in the Republic of Serbia (eUprava, 2018). From 2014 - 2016, the Republic of Serbia has had the largest index of e-government development in Europe, according to a survey of the e-Government of the United Nations from 2016. Based on the overall development index, Serbia was ranked 69th in 2014, but in 2016 it was at 39, on the UN Global List, making a 30-point jump, the largest in Europe, according to a UN statement 2016 (UNPAN, 2018). The survey also shows that the Republic of Serbia was the leading country of the region in the field of e-participation - involving citizens in public debates, commenting

on laws and decisions of state institutions on the Internet. On the global list in this category for 2016, Serbia was ranked 17th out of 193 countries, according to ANSAmed (ANSA *med*, 2018).

Having in mind the current nature of e-business and its importance for the modern operation of e-Government, the legal aspects as well as the economic effects of its implementation in this field are discussed in the paper. The main hypothesis in the work that started is that e-commerce in local self-government units, as a form of market communication, is necessary to positively influence the speed and efficiency of operations and that the success depends on effective protection of the financial privacy of the users. The efficiency of the e-business of the local self-government unit is achieved when the unity of the documentation, data and process (without paper documents) is achieved.

## LEGAL ASPECTS OF IMPROVING ELECTRONIC BUSINESS

The Internet has become an indispensable part of everyday life in contemporary society. He brought many benefits with him. First of all, it enabled people to communicate with each other without interruption, regardless of the distance between them (Vrućinić, & Rodić, 2016). Application of e-business, has requested legal support by standardizing the issue of protection of the integrity of the electronic document and the identity of the digital signature.

In the Republic of Serbia, the Strategy for the Development of the Information Technology Industry for the period 2017-2020 was adopted on the basis of Article 45 paragraph 1 of the Law on the Government and was published on November 30 2016. year (“Official Gazette of Serbia”, No. 95/2016). The main strategic priorities from the above document in this area are: development of successful companies and products in the field of information technologies, improvement of the administrative environment suitable for the development of IT industry, strengthening of personnel potential, modernization of business in all branches of industry using IT.

The Strategy for the Development of Information Security in the Republic of Serbia for the period 2017-2020 was adopted on the basis of

Article 45 paragraph 1 of the Law on the Government and was published on May 30, 2017. year (“Official Gazette of Serbia” No. 53/2017). In the mentioned strategy, it is emphasized that e-government is developing, that the number of electronic services of public authorities is on the rise, thus enabling citizens to obtain the various documents they need.

Public companies that perform activities of general interest, as well as companies, use information systems to a large extent, and in certain activities, such as, for example, the activity of production, distribution and supply of electricity, the work relies heavily on ICT systems.

The area of information security in the Republic of Serbia is regulated by the following regulations: the Law on Information Security (“Official Gazette of Serbia”, No. 6/16), the Law on Organization and Jurisdiction of State Authorities for Combating High-Tech Crime (“Official Gazette of Serbia”, no. 61/05 and 104/09), Criminal Code (“Official Herald of Serbia”, No. 85/05, 88/05 - correction, 107/05 - correction, 72/09, 111/09, 121/12, 104 / 13, 108/14 and 94/16), Law on Data Privacy (“Official Gazette of Serbia”, No. 104/09), Law on Personal Data Protection (“Official Gazette of Serbia”, No. 97/08, 104/09 – second Law 68/12-US i 107/12) Law on Electronic Communications (“Official Gazette of Serbia”, No. 44/10, 60/13 - US and 62/14), Law on the Confirmation of the Convention on High-Tech Crime (Official Gazette of Serbia. Law on the Confirmation of the Additional Protocol to the Convention on High-Tech Crime relating to the criminalization of a part of a racist and xenophobic nature committed through a computer (“Official Gazette of Serbia”, No. 19/09), Law on Ratification of the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (“Official Gazette of Serbia”, No. 1/10), Law on the Military Security Agency and the Military Intelligence Agency (“Official Gazette of Serbia”, no. 88/09, 55/12 - US and 17/13).

Please note that the adoption of the Law on Electronic Signature (“Official Herald of Serbia” No. 135/2004) and the Electronic Document Act (“Official Gazette of Serbia” No. 51/2009) started the process of developing the legal framework necessary for initial development of e-business in the Republic of Serbia.

By entering into force of the Electronic Document Act, Electronic

Identification and Trusted Services in Electronic Commerce, the previous law have ceased to apply: the Law on Electronic Signature (“Official Gazette of Serbia” No. 94/2017).

The new law regulates electronic signature, electronic stamp, time-stamp, electronic delivery and electronic document storage, which will enable simple and inexpensive use of qualified electronic certificates, electronic document exchange and destruction of paper documents when qualified electronic reservation service is provided.

The implementation of the Law envisages the adoption of 17 by-laws that will define e-identification, e-delivery, e-keeping, e-signature in “claudu” and other services of trust in e-commerce and the establishment of a network of service providers of trust (Article 72 Law on Electronic Document, Electronic Identification and Trusted Services in Electronic Commerce (“Official Gazette of Serbia” No. 94/2017)). So far, bylaws of this Law have been adopted: the Regulation on the Conditions for Providing Qualified Services of Confidentiality (“Official Gazette of Serbia”, No. 37/2018), this Regulation entered into force on 19 May 2018, the Rulebook on the Register of Qualified Resources for Creation electronic signatures and electronic stamps (“Official Gazette of Serbia”, No. 31/2018), this Rulebook entered into force on May 5, 2018, Rulebook on technical and technological procedures for establishing a qualified electronic signature and the criteria to fulfill the funds for the formation of a qualified electronic signature (“Official Gazette of Serbia”, No. 26/2008, 13/2010 and 23/2015), the amendments to this Ordinance entered into force on March 10, 2015, the Regulations on the Register of Certification Bodies for the Issuance of Qualified Electronic Certificates in the Republic of Serbia (“Official Gazette of Serbia” No. 26/2008), this Regulation entered into force on 22 March 2008, the Regulations on the Registration of Certification Bodies (“Official Gazette of Serbia” No. 48/2005, 82/2005 and 116/2005), the amendment to this Ordinance entered into force on 30 December 2005, the Regulations on the Register of Providers of Qualified Services of Confidence (“Official Gazette of Serbia”, no. 31/2018), this Rulebook entered into force on May 5, 2018, the Ordinance on the Requirements for Eligible Electronic Certificates (“Official Gazette of Serbia” No. 34/2018), this Regulation entered into force on May 12 In 2018, the Ordinance on the Conditions to

be met by a qualified means for creating an electronic signature or seals and the conditions to be met by the designated body (“Official Gazette of Serbia” No. 34/2018), this Regulation entered into force on 12 May 2018 . year.

We emphasize two more laws that target digital signatures: the Law on Information Security (“Official Gazette of Serbia”, No. 6/2016 and 94/2017) and the Law on the Information System of the Republic of Serbia (“Official Gazette of Serbia” No. 12/96).

The Law on Information Security regulates measures for protection against security risks in information and communication systems, the responsibilities of legal entities in managing and using information and communication systems, and the competent authorities for the implementation of protection measures, coordination between the protection factors and monitoring the correct application of the prescribed protection measures are determined.

The Law on the Information System of the Republic of Serbia regulates the rights and obligations of state bodies and organizations, bodies of territorial autonomy and local self-government bodies when performing entrusted tasks of state administration, as well as enterprises, institutions and other organizations when performing the entrusted administrative powers, in keeping the prescribed records, , use and exchange of data that lead to other issues of importance for the functioning and development of the information system of the Republic of Serbia.

## **ECONOMIC EFFECTS OF ELECTRONIC BUSSINES**

The development of ICT affects the dynamic changes in the economy, as well as the transformation of state administration. To a certain extent, the substance of the digital signature application has touch points, or some of the activities that can be quantified on the business of businesses, citizens and e-government. The effects are multiple of increasing business efficiency, reducing data processing costs to lowering the cost of services to users.



Bosnia and Herzegovina has a unified system of local self-government units, monotypical in the Republic of Srpska and non-monotypical in the Federation of BiH, with a different structure of competencies and with different regulations of territorial organization and functioning. The diversity is also in terms of the bodies of local self-government units by entities (Bašić, & Bašić, 2015).

The development of the e-Government service greatly contributes to the social and economic development of the country, primarily improving the availability of public services. This includes: providing on-line services, obtaining permits, documents, payments, etc. The efficient functioning of e-Government can increase the efficiency of the public sector and the productivity of its employees, improve inter-institutional cooperation and increase the utilization of capacities and resources.

According to the Statistical Office of the Republic of Serbia, published in the document "Usage of Information and Communication Technologies in the Republic of Serbia, 2016", 98.6% of companies use electronic public administration services, and over 1.510.000 persons use electronic public administration services.

According to data published on the Internet live stats from 2016, China is the world's first place with 721,434,547 users, followed by India, the United States, Brazil, 72 places Serbia with 4,758,861 Internet users. The reasons for the existence of such differences in the penetration of the Internet in the global context are primarily of economic nature, but there are other reasons, such as digital illiteracy, insufficient knowledge of English language, insufficiently developed infrastructure for Internet access, resistance to the introduction and acceptance of new technologies, (Simović, 2015).

The state apparatus is often exposed to criticism, primarily because of the slow process of communication at all social levels. As a result, many countries have a common goal of responding to the demands of other institutions, businesses and citizens in a quick and efficient way, by minimizing opportunities for misappropriating money through non-transparent and unbiased decision-making, promoting public participation in decision-making of public importance, encouraging political accountability and and similarly (Schuppan, 2009).



In 2000, the Law on Electronic Signature was adopted in France, which recognized the equivalence of the digital signature with a signature in a traditional manner (Loi, 2000).

The Bill on Electronic Administration, adopted by the Government of the Republic of Serbia, should enable simpler, more transparent and efficient functioning of electronic public services. One of the key objectives of this law is to facilitate the electronic communication of citizens, legal entities and non-governmental organizations with the administration body. The law is also one of the pillars of the functioning of e-Government, necessary for harmonization and harmonization with the applicable European regulations.

Some of the advantages of using e-commerce in local government units are: reducing corruption, clearer interpretation of administrative needs and legal decisions, easier access to information, increased revenue through more regular collection of taxes and fees, cost savings. Through these advantages, the following goals are achieved: better quality services to citizens and businesses, clearer regulations and procedures and less opportunities for corruptive activities, better control of the costs of local self-government units and their receivables.

## **IMPROVING ELECTRONIC BUSINESS IN SOME UNITS OF LOCAL SELF-GOVERNMENT OF BOSNIA AND HERZEGOVINA**

The use of new ICT is a way for public administration in Bosnia and Herzegovina and the Republic of Srpska to transform and improve citizen relations (Government-to-Consumer - G2C), government-to-business - G2B, but also between the administration of different levels Governance (Government - to - Government - G2G), with the aim of achieving greater transparency and efficiency of administration.

Modern public administration covers various activities, starting with the conduct of public affairs, the purpose of which is to satisfy public interests, within which the public administration performs a range of legal and material activities. It prepares laws and other regulations, provides

legal acts that can have an individual and general character, provides public services related to the protection of the security of the state, persons and property (military and police) provides social and cultural services (health, education, social protection, culture and other) and economic and financial services (energy supply, transportation, finance, etc.), serves and prepares acts for the government, and carries out administrative tasks for parliament and courts (Kunić, 2009).

When it comes to social capital and politics, we consider it important to mention the concept of social policy, from the point of view of local self-government units. Social policy can be said to be a public policy area whose main goal is to improve the social situation, especially when it comes to vulnerable groups in need of help, in order to improve the overall social order (Kovačević, 2017).

The intensity of changes in the technological and economic sphere of social life, which is unprecedented in the history of mankind so far, requires the administration not to be a brake on economic development (Vlaški, 2015). Sometimes, people want change and new experiences, because they are not satisfied with the old practices and procedures, which we can see in e-government that needs to be constantly improved, innovated and brought closer to the users. Resistance to change, even e-government, is caused by the attitudes of individuals influenced by many economic, psychological and social factors (Perić, 2018).

E-government involves the overall organization of public management in order to increase efficiency, transparency, access to information, reactivity to the needs and needs of citizens, through the strategic use of information communication technologies. Under the influence of international and domestic doctrines and practices today, there is basically a total and continuous formation of public administration at all levels of government with the aim of applying general standards and principles regarding the work of good and quality administration (SIGMA, 2001). Through the reform based on the model of EU member states and adapted to the order, legal theory, legal framework and practice, Bosnia and Herzegovina's goal is also to join modern administrative systems based on new knowledge, electronic technology and information systems (Marković, 2004).

The key features of local self-government are: autonomy and autonomy, decentralization and democratization, volunteering in action. These features make local self-government significantly different from the state administration, characterized by a hierarchical relationship, subordination of lower bodies to higher ones, centralization and predominantly coercion in action (Bašić, & Bašić, 2015). Local self-government in the Republic of Srpska is entrusted to municipalities and cities, and executed by citizens and organs of local self-government units.

Citizens directly participate in local self-government and when it comes to deciding on: construction of communal facilities, launching an initiative for passing and amending regulations and acts within the competence of the municipality, recommendations and objections to the work of local self-government bodies, allocation and acquisition of settlements from / to the municipality and the like through referendum, citizens' choices, civic initiatives, local communities, citizens' panels, proposals, hours of citizens in the municipal assembly and other legally defined forms.

Local self-government in Bosnia and Herzegovina is defined by laws on local self-government (Entity Law in Republika Srpska, Entity Framework Law and Cantonal Laws in the Federation of Bosnia and Herzegovina). In addition to the organization, competencies and tasks of municipalities, these laws: Law on Local Self-Government of Republika Srpska ("Official Gazette of Serbia", No. 101/04, 42/05 and 118/05), Law on Principles of Local Self-Government in the Federation of Bosnia and Herzegovina ("Official Gazette of FBiH, Law on Local Self-Government of Tuzla-Podrinje Canton, Law on Local Self-Government of the Zenica-Doboj Canton, etc. (in the remaining eight cantons) contain rights and instructions for the work of municipalities in accordance with the basic principles of the rule of law: such as an independent judiciary, a division of powers, the creation of conditions for the protection of human rights and rights minorities, mechanisms of participation for citizens, duties and obligations of the municipality to operate in an efficient, effective and open way in order to meet the needs of citizens, as well as mechanisms that will ensure the responsibility of the municipality (Miličević, et al. 1999).

Territorial units in the Federation of Bosnia and Herzegovina include 10 cantons, 6 cities, 79 municipalities and 3337 settlements. The

paper analyzes the contribution of e-Government to the development of the following municipalities: Drvar, Bosanski Petrovac, Bosansko Grahovo, Glamoc. Of these municipalities, only Glamoc does not have an official website available. In Table 1, according to the World Bank report, the gross domestic products of Bosnia and Herzegovina and the Republic of Serbia and their changes in the period from 1990-2015. years.

Table 1. Results of the World Bank research

Country	Gross domestic product		
	Average annual % growth		
	1990-2000.y.	2000-09.y.	2009-15.y.
Bosnia and Herzegovina	28.5	5.3	1.1
Republic of Serbia	0.7	5.5	0.4

Data source: <https://openknowledge.worldbank.org/handle/10986/26447>

In addition to collecting and processing data, the general tasks of eGovernment are the creation and distribution of elements and information that are necessary for the decision-making process (Prohaska, 2012). This is especially unfavorable in the municipalities listed in Table 2, which shows the economic situation of the same. These four municipalities represent returnee municipalities where about 15,000 Serbs live. Although representatives of these municipalities are trying to integrate new knowledge into the economic environment, employment opportunities are very small, as the organization of educational and health institutions, as public enterprises responsible for natural assets (forests and water) at the level of cantonal authorities. People are mostly engaged in personal agricultural production and the exploitation of personal forest resources.

Integration of business processes and communications among businesses through the Internet enables more efficient offer of products and services and their purchase and sale on the market. The extent of e-commerce in relation to conventional trade is still quite low in Bosnia and Herzegovina.

Only 18.9% of turnover is realized on the internet according to data from 2016. It is necessary to establish more rigorous mechanisms for monitoring the implementation of the Law on Free Access to Information, including an independent body whose decisions would be binding. In addition to classic communication channels, local government units must also use modern ways of communication with citizens, ie online communication, e-consultation, etc. Each municipality should have its own official website.

Table 2. Socio-economic indicators of some local self-government units

Canton	Drvar	Bosanko Grahovo	Bosanski Petrovac	Glamoč
	West Bosnia Canton	West Bosnia Canton	Una-Sana Canton	West Bosnia Canton
Population in 2016. y.	6.511	2.311	6.924	3.658
Absolutely population	-9.195	-6.000	-8.334	-8.935
Working population (%)	62,0	61,9	64,6	62,0
Unemployed	537	1.158	1.034	303
Number of employees	943	351	1.127	523
Active population	1.480	1.509	2.161	826
Working Active population	4.040	1.431	4.470	2.269
Unemployed (%) <sup>1</sup>	13,3	80,9	23,1	13,4
Unemployed (%) <sup>2</sup>	36,3	76,7	47,8	36,7
Number of pensioners	242	80	579	231
Import coverage by exports in %	1451,56	490,97	195,47	3215,61
Agricultural area (ha)	17.941	47.665	28.400	60.769
Number of economic subjects	526	168	466	345

Sources of data: Federal Bureau of Statistics, Indirect Taxation Authority of BiH, through the Agency for Statistics of BiH

According to the research of the Federal Institute for Research, published in 2017, the extremely underdeveloped municipalities in the Federation of Bosnia and Herzegovina are: 1) Sapna, 2) Donji Vakuf, 3) Drvar, 4) Glamoc, 5) Vareš, 6) Ključ, 7) Domaljevac-Šamac, 8) Pale, 9) Foča, 10) Bosanko Grahovo.

When it comes to the municipalities listed in Table 2, the possibilities for implementing ICTs are large (state administration, public institutions, health system, business systems, e-commerce, etc.).

ICT requirements that these municipalities should implement in eGovernment in order to improve the economic situation: to develop Internet applications that reduce operating costs, primarily in relation to the use of paper documents, to accept, develop and invest in e-commerce in particular field of agriculture and tourism. Special attention should be paid to applied IT education of the population that will be reflected in: training of agricultural producers for the use of mobile devices and computers in order to accept new knowledge and experience as an added value in the production of healthy food, sending individuals, groups and cooperatives to creating electronic food stores that would present their products to a broad market, training citizens for possible ecological tourism, specifically forming a family tourist offer and entering the electronic tourism market.

The introduction of e-Government in these municipalities would lead to the following benefits: operating costs (paper documents) would be reduced, business mistakes reduced, accessibility and information sharing would increase, economic development would be enabled, the number of available services, it would improve and improve the work of the administration. All the aforementioned advantages of using e-Government in these municipalities would lead to the building of an e-society based on knowledge.

The effectiveness of the system of local self-government units depends on the available resources, the level of organization, as well as the personnel and technical equipment of certain parts. It can be increased by applying a complex set of measures in the domain of improving the organization of the local community, improving staffing and applying ICT. These activities lead to the modernization of local self-government units that have multiple objectives: to enable citizens to exercise their rights and obligations with one

contact with management and public enterprises, to shorten the response time of management and public enterprises at the request of natural and legal persons, to increase efficiency work, as well as the level of work quality, to enable intensive monitoring of financial flows, to enable transparency of work of the local self-government unit (Trajković, & Mikarić, 2013).

Local government units with modern electronic commerce are practical, interactive with citizens and transparent.

## **INTERNATIONAL ASPECTS OF THE LOCAL ADMINISTRATION UNITS**

The basic function of the European Charter of Local Self-Government is to reduce the lack of common European standards to determine and preserve the rights of local authorities that are closest to citizens, and to enable citizens to participate fully in decision-making related to their everyday environment.

The Charter starts from the principle that the local self-government will be regulated by law, and it is considered desirable that these issues be regulated by the Constitution. It implies the right and ability of local authorities to regulate and manage a significant part of public affairs within the boundaries of the law on the basis of their own responsibility and in the interest of the local population. The European Charter of Local Self - Government is a Council of Europe - Act ETS No. 122, adopted in June 1985, opened for signature on 15 October 1985 and entered into force on 15 September 1988. The Charter accepted (ratification, accession) many countries - members of the Council of Europe: Austria (1987), Bulgaria (1995), Czech Republic (1999), Denmark (1988), Estonia (1994), Finland (1991), Greece Netherlands (1991), Croatia (1997), Iceland (1991), Italy (1990), Cyprus (1988), Latvia (1996), Liechtenstein (1988), Lithuania (1999), Luxembourg (1987), Hungary (1994) Macedonia (1997), Malta (1993), Moldova (1997), Germany SR (1998), Norway (1989), Poland (1993), Portugal (1990), Romania (1998), Russia (1998), Spain (1988), Sweden (1989), Turkey (1992), Ukraine (1997), United Kingdom (1998) and others.



Bosnia and Herzegovina joined the Council of Europe on 24 April 2002 as the 44th member. Its accession to the Council of Europe contains a number of obligations that its Entities need to fulfill within the prescribed deadline. A special obligation to harmonize domestic legislation with the Charter for Bosnia and Herzegovina was the ratification of the European Charter of Local Self-Government on 12 July 2002, which certainly does not represent a simple business considering the complexity of the constitutional order and, in this regard, the fact that the matter of local self-government within the competence of the Entities (Blagojević, 2005).

Switzerland is a federal parliamentary republic composed of 26 cantons, with three cantons divided into semi-cantons, and thus the relevant number is for the Cantonal Council 23 election. Each canton has its capital. They are constituents, federal units, the Swiss Federation. Each canton is equal and has its own constitutional, legislative, judicial and executive power. The government of each canton consists of five to seven members (depending on the canton).

All competencies that do not belong to the government under the Constitution, or are not legally assigned to the federal level, are under the jurisdiction of the canton (cantonal organization, school system, sometimes healthcare, sometimes planning and construction, police, judiciary). In some areas, the government has great powers, and this sometimes causes tensions between the cantons and the government.

The largest canton on the surface is the Graubünden which covers 17.2% of the surface of Switzerland, and the canton with the highest population is Zurich.

The cantons are constituents, the federal units of the Swiss Federation. There are a total of 26, with the three cantons divided into semi-cantons, and so is the relevant number for the Cantonal Council 23.

Nevertheless, the cantons are equal and everyone has their own constitutional, legislative, judicial and executive power. The distinctive feature of the two small cantons in Switzerland (Appenzel A. and Appenzel S.) are also Landsgemeinde - assemblies of all adult citizens (similar to ancient polis), where decisions are made on cantonal legislation and the choice of representatives for the Cantonal Council.

The powers of the cantons are determined on the one hand negative according to the Constitution, and on the other hand they are limited by the autonomy of the constituent municipalities of the canton. Each Canton determines for itself the degree of municipal self-government. On the other hand, all jobs that are not explicitly given to the federal government are under the authority of the canton. Let's repeat once again that the principle of overlapping and co-operation between the federal and cantonal authorities is very frequent in the Constitution. Of the areas that are nominally entirely under the jurisdiction of the canton (although there is a possibility of assistance to the federation), the primary and secondary education, culture, regulation of local church issues, urbanism, the language of the cantons, the protection of cultural and historical heritage, care of certain social categories and local taxes (Canton of Switzerland, 2018).

In order to successfully apply electronic commerce in local self-government units, in addition to legal regulations, economic indicators and ICT, it is necessary to provide professional training of employees, readiness of managers to implement new forms of business. It also requires informational literacy of the targeted people, as well as stimulations that will encourage citizens to apply new forms of electronic commerce to local government units.

## CONCLUSION

The introduction of digital signatures in the field of e-government is very important, as the e-business system has many advantages over the traditional system that implied the dominant use of paper and paper. The paper presents the main hypothesis through the review of the legal regulations and the economic effects of e-business in local self-government units, contributing to the success and speed of operation of the users of local self-government units.

The application of e-business in local government units contributes to the success of a democratic society through well-implemented ICT procedures. In Bosnia and Herzegovina there is a disjointed system of units of local self-government on an entity basis, with a very low level of mutual cooperation, which greatly complicates and hampers the functioning of local government units at the state level. There is no unity of regulation and harmonization of the

functioning of local self-government units at the state level with the European Charter of Local Self-Government or the documents of the Council of Europe, which is contrary to the aspiration of Bosnia and Herzegovina in the process of Euro-Atlantic integration with the rest of Europe.

Developed countries have recognized the benefits of e-commerce and have allowed application at local government level, while developing countries tend to take over and implement the aforementioned benefits in the e-Government. The situation in the e-Government in the Republic of Serbia is constantly improving in the field of digital signature.

The legal regulations are mostly improved, and then planning in this area is carried out at the strategic level, but also at the operational levels.

The introduction of e-Government portal in the Republic of Serbia has significantly improved transparency and information, but it is necessary to further improve certain parts of the system. This relates primarily to the procedures of international organizations and financial institutions, the creation of portals in English and the like.

The Republic of Serbia also does all the necessary activities to harmonize with the European Union in this area, and one of the activities is the standardized implementation of the indicator system for measuring the performance of the e-Government system.

The Republic of Serbia, together with the Republic of Srpska, should make a special effort to implement the Electronic Administration and Electronic Signature Service as a separate verification tool in proving identity in the Cyber environment in Serbian returnee communities on the territory of the Federation of Bosnia and Herzegovina. This primarily concerns the facilitation of obtaining personal documents, the right to education and health care, facilitating communication at the local and global level, as well as their independent performance of economic activities in the field of agriculture, agricultural processing of agricultural products and ecological tourism.

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(Footnotes)

1 The level of unemployment is calculated by dividing the number of unemployed with the working population (the population aged 15-65 years and multiplied by 100).

2 The unemployment rate is calculated by dividing the number of unemployed persons with the active population (labor force ie employees + unemployed) and multiplying by 100.