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Handbook on How to Manage Local Economic Development

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2009

Decentralization and Local Government Program in the Kyrgyz Republic

Strategic Objective 2.1: Governing Justly and Democratically
USAID Central Asian Republics
Contract No. DFD-I-00-05-00129-00
Task Order No. DFD-I-05-05-00129-00
UI Project No. 07862-005

This report is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of the Urban Institute and do not necessarily reflect the views of USAID or the United States Government.

INTRODUCTION

The purpose of this handbook is to serve as a guide for launching local economic development (LED) programs in cities and towns in Kyrgyzstan. It provides preliminary and introductory recommendations on the main methods of developing and implementing strategic plans that have been applied by numerous municipalities in CEE countries as well as with 12 municipalities of various sizes in Kyrgyzstan.

This publication is intended to serve different categories of readers:

Local government (LG) leaders can find here an explanation of LED as well as encouragement to address LED needs in their communities. They can gain basic knowledge of LED and learn some of the factors that often are incorporated into LED decisions. Some of the cases discussed may help them better understand and shape their philosophy of LED management.

This publication will also help them to understand the strategic planning process and its requirements. As a result, LG leaders will have more background to make a decision to launch the strategic planning process. While reading the manual may not provide sufficient information to conduct the process on their own for many leaders, others who are well prepared and have sufficient capacity could undertake the strategic planning process with the help of this manual.

The most important sections for local government leaders to read are *Process Organization* (Part I), *Development of Strategic Plan* (Part III), and *LED system Implementation and Strategy Realization* (Part IV).

Representatives of Government and NGOs will find this publication helpful if they work with local governments or have responsibility for issues of economic development. Reading it may help them better understand local government functions, especially in the area of LED management. It would serve to create better partnership and thus more effective economic development activities.

LED specialists and consultants can use this handbook to assist local governments in conducting the LED process insofar as it provides detailed explanations of the process. However, real skills and knowledge of the LED process are learned by doing.

It is important for all to remember that the process is not a simple exercise where everybody is in agreement about the right course of action. Rather, LED is a dynamic, participatory and iterative process that requires commitment from local citizens as well as LG leaders, even when the assistance of specialists is available.

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FOREWORD

Currently, local governments in Kyrgyzstan cannot afford to stay passive in the process of their territorial economic development. They have to become real locomotives of their municipalities. We can single out two main approaches to addressing local economic development (LED).

First, supporting development of a business-friendly climate, appropriate conditions for existing businesses, attraction and development of new businesses, entrepreneurship activity; supporting development of new properties; guaranteeing operation of sectors and services necessary for businesses to thrive.

Second, the most important task of LGs is enhancing the economic capacity of their territories, first and foremost through development of their economic infrastructure: transport, communication, land parcels, production premises, power and water supply, etc.

Nowadays, among the most important activities of local governments are to search for, attract and keep investors. Each new investment means new jobs, new business opportunities for the existing enterprises, as well as greater taxes and fees paid to the budget, including local budget. The same is true when a local government manages to keep an existing enterprise operating.

This *Handbook* has been developed for the purpose of assisting local governments

to address the tasks of managing local economic development. It includes a detailed analysis of the ways of developing and implementing strategic plans for economic development; describes the methods of evaluating business environment conditions and identifying economic priorities. It also explains how to carry out specific efforts, and monitoring and evaluating outcomes. The Handbook also includes a number of examples of practical implementation of LED projects in Kyrgyz municipalities. It is a useful reference document for local governments, non-government and public organizations and other municipal level stakeholders.

This publication has been prepared by the USAID Decentralization and Local Government Program in close cooperation with local consultants and numerous specialists of 12 municipalities, which have been implementing economic development strategies. I hope that these materials will help local governments enhance the effectiveness of their efforts in the area of LED, and at the same time will help to strengthen democratic processes at the local level.

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State Secretary

KR National Agency on Local Self-Government Affairs

LIST OF ACRONYMS

KR	Kyrgyz Republic
CEE	Central and Eastern Europe
LSG	Local self-government
NALSG	KR National Agency for Local Self-Government Affairs
MEDT	KR Ministry of Economic Development and Trade
USAID	US Agency for International Development
DLGP	USAID Decentralization and Local Government Program
ARIS	KR Community Development and Investment Agency
GTZ	German Technical Cooperation
UNDP	United Nations Development Program
NGO	Non-governmental organization
SMB	Small and medium business
LED	Local economic development
SPED	Strategic Plan for Economic Development
SPC	Strategic Planning Committee
ICT	Information-communication technologies

INTRODUCTION

*Those who implement plans must make these plans.
Patrick Haggerty, Founder of Texas Instruments*

History of strategic planning in Kyrgyzstan

The history of strategic planning in Kyrgyzstan goes back several years, to when local governments first prepared strategic plans to prioritize infrastructure rehabilitation needs. These first strategic plans were developed more in the form of long term investment plans, as the plans made it possible to apply for donor funding to address those immediate needs. The result was substantial investment in technical and social infrastructure with significant donor support, the most important project being the Agency for Community Investment and Development (ARIS) with World Bank funding. ARIS adapted the strategic planning methodology developed by USAID's local government program implemented by the Urban Institute and replicated it in almost all Kyrgyz municipalities. As a result, most Kyrgyz municipalities have experience in mobilizing the local community, creating a strategic planning committee, and preparing a municipal profile.

Having addressed many of the urgent infrastructure needs, some local governments began addressing local economic development issues. Some received support from Helvetas for community based tourism or agricultural extension services, others from GTZ for supporting particular economic activities (for example in Batken area) or Mercy Corps, which developed clusters around particular economic activities. UNDP also assisted local governments with developing strategic plans with a focus on Millennium Goals.

What is local economic development?

Can we say that local economic development is when revenues in the local budget are increasing and, thanks to that, the municipality is able to provide more and better quality services? No. Local budget revenues are critical for providing services to citizens (including local businesses), but this is NOT the goal of local economic development. Local economic development focuses on increasing the "purse" of citizens, not the "purse" of government.

There is often confusion about this in Kyrgyzstan as well as elsewhere, because the structure of local government includes financial and economic departments. Although they are economic in name, these departments are not actively involved in improving the local business environment or the local economy. These departments are concerned with obtaining revenues from business, but not about what businesses need. There is a tendency for local government to perceive local businesses only as "cash cows" to be contacted for collecting taxes or fees or for requesting their participation in fundraising events.

How would local governments approach businesses if they perceived local economic development as increasing the financial means of the citizens? They would see local businesses and potential investors as partners in this process. That is because most household income is a result of private sector jobs, and private sector jobs are a result of business activity.

So *Local Economic Development* is first of all entrepreneurs, companies, jobs and increased household income and reduced poverty and unemployment. Keep in mind that economic development takes place on a local level and local people benefit from it.

Why and how local governments should assist LED?

“*Primum non nocere*” – the most important thing that local government can do to promote local economic development is NOT to put obstacles in the way of business activity. The local government’s first priority is to organize its own activity in an efficient manner to create amenable conditions for entrepreneurship and local development. Asked to rank the most problematic factors for doing business in Kyrgyzstan, the most common response was government corruption. (Global Competitiveness Index.) Only after a local government has improved its own performance to reduce barriers for

development, does it make sense to utilize other supporting special programs such as business incubators.

Sometimes local governments think that they can create local economic development by creating new municipal enterprises, but in fact these create unfair competition and actually inhibit development of the private sector. An example is the creation of municipal bakeries that compete with private bread producers. Instead, local governments should focus on providing quality public services that are not provided by the private sector.

Illustration 0.1. Competition between the City and the Private Sector

Is a municipal farm or a municipal bakery a good idea? In a small country after a weak harvest, influenced also by downturns in the global market, the price of flour has increased rapidly and causes the increase of the price of bread. It becomes a political issue and local leaders are attacked for allowing the situation to happen. Politicians try to find a scapegoat – either the wholesalers of flour, the bakeries, or the vendors selling bread.

What solutions were proposed? One mayor proposed that his city start farming the land to produce cheap food for its citizens. Others had the idea to run municipal bakeries.

How would bread baked in a municipal bakery be cheaper? Only with subsidies from the municipal budget. Who ends up paying for this subsidy? Taxpayers, including of course, enterprises. So to produce cheap bread the city will use funds from local business (among them local bakeries) and go into competition with them, maybe even to the extent that some private bakeries will go out of business. By subsidizing the production of bread, a private good, the city will create unfair competition to existing private bakeries. If local bakeries go bankrupt, then in the future there will be even less competition in the market and prices will increase. If firms go bankrupt, there will be less revenue going to the city budget. In order for taxes to be sufficient to cover subsidies for the bread, they will have to rise. This will cause more bankruptcies – on and on in a vicious circle.

What could the city have done instead?

The most important action would be to check whether market rules are followed. Maybe one of the elements of the chain has a monopolistic position. Maybe it is flour wholesaler, maybe a bakery, maybe a bazaar and vendors. If any of the elements in the market is utilizing an unfair monopolistic position, this should be reported to the anti-monopoly committee. The city could also encourage the market by offering more investment land for bakeries, maybe with targeted investments. It could also increase the competition among bazaars by promoting more investments into bazaars by the private sector. This would create more competition and lower the price for a stall or shop at the bazaar. Prices could be lowered through competition within the private sector not between the private sector and the city.

Illustration 0.2. Airport Investment

At the beginning of the 1990s, a large city in central Europe recognized the importance of the airport that was located nearby. The owner of the airport did not have sufficient funds to expand the airport to meet the needs of the developing economy.

As with any other city in a transitional economy, there were many different investment needs but the city authorities understood that the airport was an important priority. Despite the awareness that local governments should not get involved in economic activities but only create a climate for investments, city decided to participate in the improvements of the airport. It became the shareholder of the airport and a participant in a joint venture of public and private investors supporting improvements to the airport.

As result of improvements, the airport enhanced the city’s image, and connects to city to a network of international as well as other domestic airports.

This is an example how city can participate in economic activities in a situation where private resources were inadequate to accomplish the needed work.

The role of local government is to create amenable conditions for local businesses to retain and expand their activities and to attract external investors. Only after these basic conditions are fulfilled is it time to think about interventions to support businesses. There is no sense in building incubators, launching guarantee funds or supporting entrepreneurs in another way if local government activities are inhibiting business activities.

Stages of LED

Promoting local economic development takes place in five stages:

- Getting organized
- Evaluating the previous strategy
- Developing the strategic plan for economic development
- Creating a LED system and implementing a strategic plan
- Monitoring and evaluating results.

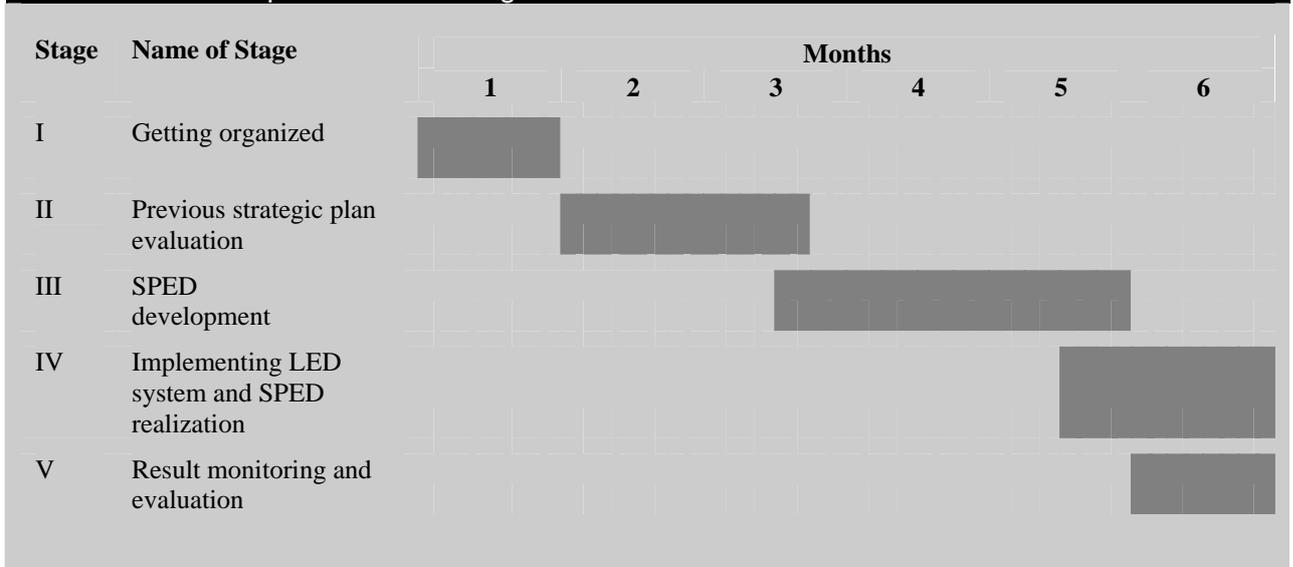
In each stage, active participation by the public is essential. Citizens should be aware of the goals of the activities and should have the opportunity to voice opinions about

their priorities. In the long run, citizen participation will help in implementing the strategic plan, and opens up an excellent opportunity to developing the participatory decision making process that underlies any democratic society.

Going through all of the LED stages may take from 6 to 12 months, but practice has shown that local governments can begin improving LED before they finish the whole process. In some municipalities, Strategic Planning Committees have discovered that the more time spent on planning, the more detailed and comprehensive a resultant SPED will be. On the other hand, it is difficult to ensure voluntary participation of citizens over a long period of time. Moreover, certain problems faced by a municipality may require taking some urgent steps. The SPC will have to try to balance the desire to develop a detailed SPED and demands on energy and time spent by its members.

Below is an illustrative timeframe for implementing the five stages of LED, proceeding from an optimistic scenario (6 months).

Illustration 0.3. Sequence of LED stages



Conclusion

Although we recommend applying the stages described here, this Manual is not at

all a cookbook with recipes for all occasions. On the contrary, when compiling a SPED it is necessary to proceed only after evaluating local conditions, needs and



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priorities. Each city must undertake an individualized process of planning, and adjust the materials of this Manual and other reference materials for strategy

development that's meets the interests of its own situation.

Good luck!

PART I. GETTING ORGANIZED

*“A journey of a thousand miles starts with the first step”
Confucius*

Introduction

Strategic planning for LED is a process of involving citizens in decision-making to improve the local economic situation. This implies close cooperation between local community members and the local government. A Strategic Planning Committee (SPC) representing various stakeholders embodies this close cooperation. A SPC is in the vanguard when going through all the LED stages. But the most important responsibility for the SPC is to establish relations with the public and ensure that its activities meet the needs of the overall community.

1.1. Initiate a LED process

Anyone can initiate a LED process! It may be initiated by a group of active people interested in uniting local community forces to address economic issues.

Nevertheless, in order for a LED process to succeed, it is absolutely necessary to have local government support and leadership. It is the local government that will implement most of the projects included in a SPED, including: pass appropriate resolutions, approve budgets, exercise oversight and manage municipal utilities and institutions.

In Kyrgyzstan, experience has shown that successful economic development of a municipality depends on the dedication of the chief executive to this goal. Others may be responsible for practical organization, but continuous political support of the chief executive is essential. S/He has to convince the local community of the need to adopt a development plan and is personally involved in attracting influential community and business representatives, including local council deputies, to serve on the Strategic Planning Committee. S/He will also help identify which agencies to involve that will later be important for implementation of the plan.

Illustration 1.1.1. To remember before starting the process

- Focus is the “purse” of citizens, not the local government’s “purse”
- Understand and respect entrepreneurs as partners to be treated fairly and transparently
- Believe in the local government’s role in promoting LED
- Be ready to adjust the local government administration to meet LED needs
- LED is not a game – it’s better not to start if you are not prepared to carry through

1.2. Find sponsors and financing

A LED process can be a costly undertaking. The costs may be divided into two main categories: startup and operations. Startup costs include expenses related to the initial promotion of a LED concept in the community and creating working bodies, including development of publicity materials, mailing them and organizing local resident meetings.

Operating costs are related to implementing a LED program. They include office maintenance (paying telephone/fax, bills, photo copying, mail costs, office equipment and stationary), conducting research and paying remuneration to the coordinator. A full-time coordinator can play an extremely important role in addressing logistical and policy issues related to LED.

The organizer’s first priorities include mobilization of adequate financial resources to cover startup costs and, if possible, operating costs at least for the early phases.

Here are a number of finance mobilization tips:

- *Try to diversify finance sources.* Search for various sources of finance, including locals and regional governments, industrial enterprises, local business circles and NGOs. Such diversity will be a proof of the fact that LED is a common cause for all of them. It will also help to avoid over-dependence on one specific source and potential problems stemming from the desire of one or another finance source to “control” the overall process.
- *Try to secure non-monetary contributions or donations.* Some

expenditures do not require money spending. For example, your local government or NGO may provide office space, computers, telephones and other office equipment. Editing and printing houses may print posters and brochures either free of charge or at reduced prices.

- *Try to obtain some grants.* They are one of the important sources of LED financing. For example, your municipality may have some finance in its local ecological fund. Private or state ecological funds may also be a source of obtaining grants.

Illustration 1.2.1. Model: LED budget format

<i>Expenditure item</i>	<i>Starting expenses (1-3 months)</i>	<i>Operating expenses (1-2 years)</i>
Major expenses		
Project coordinator		
Expendables/training materials		
Introductory events		
Photocopying/printing		
Telephone/fax		
Mailing		
Office expenses (lease, heating)		
Other		
SUBTOTAL:		
Additional expenses		
Traveling expenses		
Consultants		
Computers and hardware peripherals		
Local ecological initiatives		
Translation (as necessary)		
TOTAL		

1.3. Identify stakeholders

What key figures should, in the first place, be involved in a LED process? What people, organizations, companies and state agencies may have a direct interest in economic development? Whose interests does your activity meet? What people and organizations are able to do their bit in addressing economic issues? Below, you can see a list of potential stakeholders:

- *Local governments* – the most important LED stakeholder. As has been mentioned above, it is a direct responsibility of a local government to

carry out most activities planned in the area of LED. Both local government executive and representative bodies are obliged to participate in a LED process.

- *Small, medium and large enterprises* – as the main players and generators of economic development.
- *Public organizations* dealing with business development issues. These may be business associations, business support centers, business incubators, clubs of businessmen, etc.
- *Public utilities* engaged in operating water supply and sewage systems, waste management. Their services

availability and quality have a direct impact on economic activity concentration.

- *Economic development experts and specialists*, including other natural science specialists, landscape designers, and specialists in land planning and natural resource utilization.
- *Regional state institutions*, including their structural divisions dealing with economic development issues.
- *Local colleges, institutes, universities and high schools*, particularly economics, urban planning and other natural science departments.
- *Trade unions and other professional organizations* – representing the interests of enterprise employees.
- *Local residents*, representing specific interests of the public at large.
- *Mass media* – local newspapers, radio and TV representatives.

Remember that one can also find stakeholders outside one's jurisdiction. Is your municipality a trading center for neighboring municipalities? Is part of your workforce located in neighboring municipalities?

Attracting the right stakeholders from the start is a key to success, as it gives them a chance to be involved in decision-making. They will be more willing to cooperate if they are involved in the process of developing decisions from the very beginning rather than at the final stage.

1.4. Organize preparatory events to involve public

The two main goals of a public information campaign on the LED process are 1) to inform people about the goals of your efforts; and 2) to find out their opinion of LED priorities. To achieve this, we recommend several options:

- *Holding a public hearing*. A public hearing is an opportunity to bring together all the interested citizens and inform them of LED and take the first

steps in identifying problems faced by people.

- *Holding a series of focus group meeting for different stakeholders*. This creates an opportunity to obtain more detailed information regarding the problems faced by a specific group, say, businessmen. In addition, focus groups help to identify individuals willing to participate in working bodies.
- *Working with mass media*. Provide information on events through local TV, radio, newspapers and Internet. We recommend the following methods of working with media: 1) meeting with newspaper editors or journalists to familiarize them with LED; 2) holding events which may attract media attention, for example, press conferences; 3) providing press-releases and newsletters on a regular basis.
- *Public opinion surveys*. Consider opportunities for conducting local residents' opinion surveys by mail or telephone, or directly at public places or meetings. Do your best to find out people's opinion regarding the necessity of LED, what problems they consider to be most serious, and who, in their opinion, should be included in a SPC.
- *Creating promotional materials*. Consider publishing a promotional brochure describing LED, its goals and tasks, implementation period and what benefits it will bring to your municipality's residents. Distribute this brochure among the residents as best you can. You may also produce a poster advertising future SPED or some specific event.

1.5. Create working bodies

As has been discussed above, an LED process implies creating some working bodies: *Strategic Planning Committee (SPC)*, *Steering Committee (SC)* and *Secretariat*.

The most representative of these working bodies is the *Strategic Planning*

Committee (SPC). The SPC should represent the community and its interests, as well as promote larger citizen involvement in implementation of the LED

plan. Having an open process for selecting SPC members will strengthen its legitimacy in the eyes of the public.

Illustration 1.5.1. Sample composition of Strategic Planning Committee

- City Mayor
- Local Council Chairperson
- Local councilor
- Local councilor – businessman
- Local councilor – businessman
- Deputy Mayor
- Head of Financial and Economic Department
- Head of Municipal Property Department
- Deputy Director of Architecture and City Development Department
- Tax inspector
- State Registry Agency specialist
- Local construction company director general
- Cafe owner
- Trade outlet owner
- Local hotel director
- Guest house owner
- Milk processing workshop owner
- Condominium chairperson
- Deputy Director of the municipal water utility
- Public utility director
- High school director
- Children’s doctor, pensioner
- Executive director of Association of Businessmen
- Business incubator director
- Business support center coordinator
- Adult training center director
- Ex Mayor
- Youth center director
- Higher educational establishment teacher
- Local newspaper chief editor

The role of a SPC is generating new ideas. As a consultative body, the SPC develops recommendations to be submitted to a local council for consideration. These recommendations will require investments by the local government, so it is important for the SPC to win local government support for its recommendations.

Thus, it is important to attract influential and thoughtful people to serve on the SPC. As a rule, these are people who are already very busy, so it may take considerable efforts to convince them to participate. It may be done by sending personal letters, having face-to-face discussions, or conducting focus group meetings of specific stakeholders, e.g. representatives of businesses or universities. Participation of

women and young people in the SPC activity is also important.

Explain why their participation is so important. For example, emphasize that a SPC will develop a long-term plan of economic development of the overall community and an investing process will be based on it.

The usual number of SPC members is from 25 to 30. The more members in such a Committee, the less opportunity there is for each member to participate in discussions and the more difficult it is to hold an effective meeting and take a deliberate decision. On the other hand, the more people included in a SPC, the easier it is to distribute the working load. These factors

should be reasonably balanced when a SPC is created.

In an official manner, the Mayor should delegate to the SPC responsibility for developing a LED strategy. An official decision in the form of local government resolution should include:

- LED goals;
- Specific joint efforts;
- SPC members' functions and responsibilities;
- Responsibilities of SPC Chairperson and members;
- Deadlines for each LED stage;
- Types of provided information and procedures for providing information;
- Resources provided for the overall process implementation;
- Procedures for integrating SPC recommendations in the law stipulated planning process and municipality regulatory activity.

A *Steering Committee* is responsible for managing the whole process, analyzing and

processing ideas and materials proposed by the SPC and coordinating the activity of all the working bodies and municipal institutions. A Steering Committee may include 7-9 members, holding high-ranking positions, and taking key decisions. As a rule, Steering Committee members are also SPC members.

Finally, a *Secretariat* of 1-2 members is responsible for logistics. The functions of a Secretariat may include:

- Making arrangements for holding SPC meetings (including taking minutes and sending agendas);
- Arranging meetings;
- Arranging data collection and other necessary research efforts;
- Addressing tasks related to providing information and ensuring public participation;
- Providing assistance in drafting descriptions of issues, action plans and other key documents.

Illustration 1.5.2. Model composition of Steering Committee

- Mayor / Deputy Mayor
- Local Council Chairperson
- Local council deputy, businessman
- Head of Financial and Economic Department
- Head of Municipal Property Department
- Deputy Director of Architecture and City Development Department
- State Registry Agency specialist
- Executive director of Association of Businessmen
- Business support center coordinator

1.6. Invite/appoint LED coordinator

A LED coordinator (coordinators) may play a decisive role in addressing many issues related to LED implementation.

It is better to outsource this to skilled specialists, given that adequate finance is available. It will ensure that he/she will spend enough time and energy to make the process a success.

The role of a coordinator is of special importance as a SPC consists of volunteers working pro bono and, therefore, are time-constrained.

Being aware of this fact, USAID's Decentralization and Local Government Program (DLGP) trained several consultants as part of its activity. The consultants worked closely with several partner municipalities in developing strategic plans for economic development. They have gone through the full process and are certified as LED Coordinators. (See *LED consultants' contacts attached*).

It is better to select a coordinator through an open and objective process to have the most suitable person in this position. An open selection process will demonstrate to the society the fairness of

the approach and that the selected candidate is really the best one.

When defining a coordinator job description, include the following requirements: some experience in the area of strategic planning and local economic development, communication skills, managerial abilities, document developing skills and compulsory knowledge of facilitation principles. The same requirements may be used as criteria for your coordinator selection.

After announcing a vacancy, a Steering Committee may receive and consider applications, schedule interviews with the most suitable candidates and select the best among them.

Conclusion

The success of LED implementation depends on close cooperation of all the

local community stakeholders, with significant input from the business community. The successfully implemented LED strategies have proven that it is those who are directly affected by economic problems that take an active part in the process of taking decisions. In its turn, it requires that a wide circle of stakeholders is involved in the process. The key to LED success is cooperation. It, in turn, requires strong leaders, municipality support, and open and trustworthy work processes.

It requires hard work, patience and devotion to the cause. An effective group of stakeholders is capable of playing a vital role in compiling a strategic plan for local economic development, enjoying a wide support of the municipality residents. And though a cooperation process is not smooth from beginning to end, it is rewarded by creating an active and motivated community!

PART II. EVALUATION OF PREVIOUS STRATEGY

“We step into our future looking back at our past”.
Paul Valery, French poet, prose writer, thinker, critic.

Introduction

Every once in a while, a local government should evaluate what has been accomplished in order to move forward. As part of its technical assistance, DLGP has provided support to local governments in evaluating their local development strategies and formulating conclusions for the purpose of updating their strategy.

The evaluation of the previous strategy will create a basis for compiling a Strategic Plan Evaluation Report for an LG and other stakeholders. This process will help to collect, process and evaluate information on strategic plan implementation, and to formulate conclusions to be used for this plan updating.

To properly evaluate an existing strategic plan, it should be divided into “parts”. These parts are strategy components: Vision, Mission, Strategic goals/tasks, and Projects. If necessary, these components should be further subdivided into subcomponents. For example, Vision is usually related to various aspects of a future municipality.

After breaking a strategy into parts, information should be prepared on each of its components or subcomponents. Then, the collected information should be evaluated (and compared with a “more general picture”). The final and most significant stage is putting together conclusions / proposals for updating the development strategy.

When applying this methodology, a strategic plan is deliberately divided into parts for evaluation purposes. In some cases, Vision, Mission and even strategic projects are defined without a profound understanding of the meaning of the applied terminology and its impacts.

For example, some European cities put an emphasis on environment issues in their Vision. It is not difficult to make a declarative statement, it but it is much more

difficult to implement such a Vision. The main question is whether the community is of the same opinion. If it is, we should expect that the community will leave no avenue unexplored before the Vision is implemented.

More specifically, consider environment in the context of water delivery. It is a very expensive undertaking to create an appropriate infrastructure to deliver potable water and treat wastewater. Local budgets, as a rule, do not have enough capacity for such investments or are unable to do it quickly. However, there are some ways of accelerating the rate of investing. It can be achieved through better use of long-term loans. But this approach, usually, results in the increase of potable water and sewage tariffs, as these loans have to be repaid.

In case of such consequences, a local government should again ask the public a question if they really want to address an environment problem and are ready to have tariffs increased.

Another option of increasing an investment rate is a public private partnership (PPP). In this scenario, the PPP means that local government’s control will, for a while, be restricted. As private investments will have to be paid back, an appropriate tariff policy will have to be pursued (it should, certainly, be coordinated with the LG). Again, a tariff policy implies a tariff increase and stricter approach to payment collection. Will the residents be in favor of this approach and recollect that their Vision is clean environment?

So, the reason for the necessity of such a detailed analysis of strategy components and subcomponents is the need to understand the idea and impact of a specific decision. These are very important aspects if we intend to evaluate the expediency of a strategic plan.

The answer to the question of who should evaluate the previous strategic plan is evident: it is a Strategic Planning

Committee (SPC), which works in groups at each element of Vision, Mission and strategic goals at its sittings. The Steering Committee does the final processing of the developed materials and compiles an Evaluation Report.

2.1. Evaluate municipality Vision

Sometimes, a Vision definition seems to be an abstract task, which is not so important. A Vision, on the contrary, is a

very specific and significant element of a strategy.

Therefore, it is important to evaluate the municipality's Vision.

For this purpose:

- Divide the Vision into elements – key terms;
- Define these elements' meaning;
- Provide appropriate information on each specific element;
- Evaluate provided information;
- Formulate your proposals on Vision amending, if you believe that it should really be changed.

Illustration 2.1.1. Evaluation of municipality Vision elements

Element meaning

What did we mean to say by this statement? What did we imply by this term when including it in our Vision definition? What did we plan with regard to this statement?

As a rule, a Vision is a description of an ideal situation to strive for. For example, all the households are self-financing and well-to-do, poverty level is very low, majority of the residents have jobs, economic activity is growing year in and year out. So, an element meaning should be a description of a picture the residents are striving for.

Current situation

What is the current situation regarding a specific element? What can we say about this element at this point in time?

This part includes information of static nature, i.e. a current situation description. For example, the municipality poverty level is 30%, unemployment level is 40%, average salary is 2,500 Som, etc.

Evaluation

Are you satisfied with the changes related to this element? Have you achieved your Vision? Are you getting closer to your Vision?

Unlike a current situation, an evaluation includes information of a dynamic nature, i.e. a description of the changes and course compared to the element meaning. A course may be either positive or negative. For example, the level of poverty has reduced from 35% (previous year) to 25%, and unemployment level had got down to 30%. The reason for it is that three new businesses have been created. At the same time there is some increase of migration level. The number of people leaving the municipality has increased by 15%.

Conclusion

Is this Vision element still correct and actual? May it be necessary to somewhat change it? Is it reasonable to preserve it in the new Vision definition?

Illustration 2.1.2. Example of Karakol City Vision element

Element – "Mountain and water tourism"

Element meaning:

The City of Karakol is located at the height of 1,690-1,850 meters in the South-Eastern part of Issyk-Kul hollow, 12 km off the Issyk-Kul lake, at the foot of the picturesque mountain ridges of Terskey Ala-Too. The famous peaks of Victory, Khan Tengry, unique mountain lakes, rivers and gorges are situated not far from the City. The City is located close to the undisturbed ecological systems. All this creates favorable conditions for mountain and water tourism development and is a prerequisite for local budget revenue increase, creating new jobs, attracting investments, developing partner relations with other countries, getting world known, developing and expanding the sphere of services. In general, Karakol's residents well-being will improve.

Current situation:

There is a one ski base operating in the City of Karakol, its relief meeting the international standards. The ski base infrastructure has been improved and attracts many tourists from the neighboring and far away countries. The operating tourist firms mostly specialize in providing mountainous tourism (equestrian and hiking routes, jurta settlements, recreational tours).

The City is not far from the shore of the Issyk-Kul lake and has its own beach zone, used primarily by the local residents.

Evaluation:

The mountainous tourism has been dynamically developing in the past years. However, it has been a chaotic development - some of the tourists have not used the services provided by the local tourist firms. Tourists are, mostly, brought here by Bishkek tourist firms or come on their own. Mountainous tourism has been developing chaotically and has not been organized. Nevertheless, the residents gain some benefits from those who come here to do some mountainous tourism. They stay in the guest houses, buy meals, souvenirs, etc. Indirectly, the local budget also gains some revenues in the form of taxes and fees.

The ski base has made an important contribution to the local mountainous tourism, though its prices are too high for the local people and are rather intended for foreign tourists.

As for water tourism, it should be noted, that there exist good natural conditions for rafting, though it is not developing at the moment. The city beach is not suitable for servicing tourists by reason of its undeveloped infrastructure and some natural features of a restricting nature (at this place two mountainous rivers run into the lake and so the water is muddy and cold).

Conclusion:

Given the natural, geographical and climatic conditions, this element should be preserved. But it is necessary to develop all types of tourism, rather than only mountain and water tourism.

2.2. Evaluate LG Mission

If a Vision directly relates to a municipality and its local community, then a Mission, in its compressed form, shows why an organization exists and what its intended purpose is. A Mission can add special meaning to people's work.

Some local governments in Kyrgyzstan have developed their own Missions. By defining their own missions, they can then

evaluate from time to time if they are succeeding at fulfilling this Mission.

For this purpose:

- Divide your Mission into different elements – key terms;
- Define these elements' meaning;
- Provide an appropriate information regarding each specific element;
- Evaluate the provided information;
- Present your proposals on making changes if you believe that the Mission should be changed.

Illustration 2.2.1. Evaluation of LG Mission elements

Element meaning

What did you mean to say by this statement? What did you mean by this term when including it in the Mission definition? What were your plans regarding this statement?

Current situation

Are we (LG) doing what we defined as our role in the Strategy implementation?

Evaluation

Does our management of the Strategy support its implementation?

Conclusions

Should we do anything else? Should we change our role in the Strategy implementation?

Illustration 2.2.2. Example of evaluating Kara-Balta LG Mission

Element – “Addressing economic tasks”

Element meaning:

Creating favorable conditions for local economy strengthening, including industry, small and medium businesses.

Current situation:

The city faces an industrial production recession. Despite the fact that the LG is unable to revive the city industry on its own, it has been taking some efforts. Under the City Council Resolution, land parcels totaling about 550 hectares were exempt from the land tax in 2007. In addition, the service tax rate for the local motor vehicle company was reduced to 0.2 % in 2007 to support the company. The local government provides unused municipal buildings and land parcels, located on city territory, to private entrepreneurs and enterprises through direct sale on a competitive basis. The city also is leasing some vacant space of municipal assets, which are now being used as education, healthcare, culture and sport establishments. An association of businessmen including the city entrepreneurs was created in Jayil Rayon. The City Administration leased 175 square meters of vacant space in the city administration building to the Credit Company, providing businessmen with easy access to financial capital.

Additionally, the Adult Training Center plays an important role in retraining staff, where 60 unemployed people were trained and 100 people improved their skills in various professions in 2007.

Evaluation:

Despite the fact that some industries have reduced their gross output and some others have closed, there are still mini businesses opening in the city. The City Administration provides assistance in obtaining land parcels that can be leased to new businesses. For example: some land parcels have been leased to construct a brick building plant, and a center that processes distillery dregs.

However, many skilled workers have moved away from the Republic due to the closure of industrial enterprises. Furthermore, some private businesses do not file reports, making it difficult to analyze the industrial output of city enterprises as a whole.

Conclusion:

This is an important role of the local government and it should be preserved and improved in the new Mission definition.

2.3. Evaluate strategic goals

If a Vision is the main goal and sounds a bit abstract, strategic goals are narrower and address quite specific issues in a specific area. It is logical that, like a Vision, strategic goals should be evaluated.

For this purpose:

- Define the meaning of these goals
- Provide appropriate information on each respective goal,
- Evaluate this information, and
- If your opinion is that these goals should be revised, provide your proposals on this revision

Illustration 2.3.1. Strategic goal evaluation

Goal meaning

What did you mean by this goal? How did you plan to achieve this goal?

Current situation

How has the situation, underlying the set strategic goal, been changing?

Evaluation

Have we achieved our strategic goals? Does this strategic goal refer to our Vision?

Conclusion

Do we have to change/reword our strategic goals to meet our Vision?

Illustration 2.3.2. Example of evaluation of a strategic goal of Kara-Balta City**Goal – “Developing competitive and diversified business”*****Goal meaning:***

The city economy has been dynamically developing. It is based on various small and medium businesses. A healthy, competitive environment is favorable for producing high quality goods and providing a wide variety of services in demand. A high quality of goods is the result of implementing new production technologies. The sphere of services has been expanding due to the city advantageous geographical position. A real estate market has been developing in the city.

Current situation:

Currently, small and medium business are quickly growing in all production branches, such as production of bakery, dairy, construction, garment and other goods.

The city businesses are implementing new technologies, and as a result, increasing their output. For example, “Bakay Inpack” Joint Venture has increased sack-tare production and exports it to the neighboring and far away countries. Another example is that recently created “Karabaltametal” LLC plans to launch metal melting. “BARS” Brewery Company has increased its production rate by nearly four times and produced 370,000 Som more than in the previous year as a result of introducing new technologies, upgrading its equipment, and inviting high quality specialists to work at its workshops.

The fact that Kara-Balta City is a transportation center accounts for a flurry of development activity surrounding services along the “Bishkek-Taraz”, “Bishkek-Osh” motor roads and in the railway station area. In the recent years, the real estate prices have increased several times.

Evaluation:

Despite the general development of small businesses it is necessary to streamline the procedures for registration, permit document issuing, provide tax preferences, and develop investment proposals on the use of transit motor traffic capacity. In addition, the development of external economic ties through the city government may result in expanding small and medium business development opportunities.

Conclusion:

This strategic goal should be preserved in the updated Strategic Plan.

Despite being very specific, the evaluation of strategic goals and their relation to projects may prove to be a rather difficult task given the following aspects:

- It is not clear why these goals were identified as strategic (the goals themselves lack a narrative explaining the reasons for them to be included in the Strategy);
- Strategic goals have no indicators;
- Strategic goal are supported by various events, but there is no explanation of why these events are important for achieving these goals;
- Strategic goals achievement is outside the circle of LG influence;
- The definition of strategic goals sounds more like a direction or area of activity rather than a goal.

2.4. Prepare Report on previous strategy evaluation

It is essential to compile a report on the evaluation of the previous strategy, proceeding from the evaluation of Vision and Mission elements as well as strategic goals. This document will, on the one hand, be a good analysis of the situation and on the other hand, it will provide recommendations and conclusions regarding specific elements of Vision, Mission or strategic goals.

As has been mentioned above, a Steering Committee shall apply SPC findings and compile a report summarizing these findings. So, the report should be an output of collective efforts and it is very important for further joint efforts.

The report should not be too long; its information should be concise, concrete and cohesive. The more facts and data are used in this report, the more useful and interesting it will be for the reader.

However, in some cases, one may come across some problems when developing the wording of various elements of a report. For example, in some cases, the wording and sense of some Vision elements and strategic goals may be somewhat similar. In such cases, it is necessary to differentiate them. Put more emphasis on non-material aspects when defining Vision elements, and

dwell more on material aspects when describing a strategic goal. For example, let us consider education: “*literacy and knowledge level*” – for a Vision element, i.e. something intangible. As for a strategic goal, it may be “*the number of educational establishments, teachers, schools and kindergartens condition,*” etc., i.e. something tangible. In the long run, we have the following logic:

A strategic goal realization (*material aspects*) ensures Vision implementation or getting close to it (*non-material aspects*).

Illustration 2.4.1. Model front page of previous strategy Evaluation Report

MUNICIPALITY NAME

REPORT ON EVALUATION OF (municipality name) _____ STRATEGY

DEVELOPED BY:

Steering Committee
supported by
_____ (name of institution, if any)

APPROVED BY:

Resolution №__
_____ of the Local Council
«__» _____ 20__

Illustration 2.4.2. Model previous strategy Evaluation Report

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2.5. Familiarize local community with your report and have it approved

A SPC shall have to familiarize the community with its report evaluating the previous strategy. This document will be a kind of LG report addressed to the local community on its performance in the area of the previous strategy implementation. A SPC may also issue a simple brochure including a brief evaluation and conclusions of the report and spread it among residents.

Local council participation in the evaluation process plays a significant role. Some local councilors directly participate in the process of evaluation during SPC meetings. It helps the SCP and Steering Committee to promote the understanding of the strategy among other local council members. This work is not a waste of time, as better-informed councilors ask more specific questions and help to develop a better quality document. The final step is a

consideration of an Evaluation Report at the local council session and its approval by the council. In this way the process is legitimized by a local representative body.

Conclusion

It is indeed necessary to evaluate what has been accomplished in the past before you move on. It is only upon developing a good foundation by analyzing the past that one can take a decisive step into the bright future.

A previous strategy evaluation is an effective way to involve simple people and officials in discussing your community development prospects. Situation analysis, conclusions and recommendations developed at this stage of LED establish a firm base for developing a new strategy to address urgent economic problems of your community.

PART III. SPED DEVELOPMENT

*"A vision of the future without a plan is no more than a dream. A plan without a vision is dull
rosiness. But a vision of the future supported by a plan is capable of changing the world"*
(Author is unknown)

Introduction

A strategic plan for economic development (SPED) is at the core of LED. The main elements of SPED are its goals, tasks and projects focused on addressing the main economic issues. In essence, a SPED may be considered an agreement between many stakeholders on optimal ways of addressing local community economic issues. Thus, a successful process of developing an SPED will depend on revealing and considering, in detail, the opinions of all persons directly or indirectly affected by the proposed actions.

Ideally, a local council approves a SPED and in this way confirms its support of this plan. For a SPED to be effective, it is essential that its recommendations be incorporated into established planning processes and local regulatory documents: annual budgets, land use documents, master plan, etc.

The methodology proposed below is one approach to developing a SPED. We advise you to also study other methodologies and develop an approach most suitable for your community.

3.1. Formulate new municipality Vision

Defining a municipality's Vision is one of the most essential elements of a strategic plan. By Vision we imply a general goal or desirable future picture, which is understood, supported and implemented by the overall local community. A Vision presents a situation that a municipality desires to have in 10-15 years. It is not an abstract statement; despite its brevity, it is full of meaning.

With a Vision, a municipality starts out from the future rather than the present. All interventions are focused on working towards the future, rather than on addressing the current problems.

As a rule, a Vision definition includes a description of a municipality in the foreseeable future, local economy development level, focuses on key sectors, living conditions and the life environment of the people, and implies compliance with certain civil society standards.

Illustration 3.1.1. Examples of Kyrgyz municipalities' Visions

Jalalabat

Jalalabat is a prosperous municipality on the Great Silk Road, with a developed economy based on industry, small and medium businesses. The city is the center of production, trade and services. It is also famous for a health resort of universal importance. Jalalabat is a city with an educated, intellectually wealthy and physically healthy population.

Jalalabat is a city where citizens realize their goals, where the rule of law is ensured and where a favorable living environment is provided.

Mombekov AO

Mombekov municipality is the homeland of educated, polite, healthy, active, and wealthy citizens, where human rights are respected and a favorable living environment is provided.

Mombekov municipality is a prosperous territory, where the agrarian and processing sectors are developed based on new technologies, conditions for private entrepreneurship are created and encouraged, and high-quality services are provided.

Kun-Chygysh AO

We, Kun-Chygysh Ayil District residents, see our municipality becoming Manjly-Ata City: the administrative, business and cultural center of Ton Rayon. The enabling environment creates a possibility for the city to become a center of international ecotourism, producing and processing agricultural goods meeting high standards. Easy access to bank services supports a dynamic development of small and medium businesses. Our city is proud of its well developed social and technical infrastructure required for each citizen’s vital activity. Our city is a home of healthy and well-off citizens, both intellectually and spiritually.

Balykchy

We, Balykchy residents, see our city as a gate to the Issyk-Kul with its attractive image and unique architecture. Balykchy is known to be a center of modern transport communications, including shipping, and a city applying alternative power sources.

Its diversified economy, based on tourism, construction, processing and commodities production, enables Balykchy to play the role of a regional leader.

Our city is a home of creative, positive and spiritually rich citizens enjoying a comfortable urban environment.

A Vision is not only part of a SPED, but it should be a guiding statement for all other plans, programs and activities. When a local government decides to promote local economic development it doesn’t mean that all other activities will be neglected. On the contrary, once a general Vision is defined, it will be easier to guide other activities, programs, projects, and even activity of enterprises, local organizations and citizens. The following diagram illustrates different contributions to a Vision.

Like any other goal, Vision should be regularly monitored and evaluated. As it is not easy to evaluate a general statement, you can see detailed descriptions of various Vision elements. In combination with indicators they are benchmarks for future Vision evaluation. Vision monitoring and evaluation are at the same time a way to conduct monitoring and evaluation of the general social and economic situation in a municipality.

Illustration 3.1.2. What contributes to Vision?

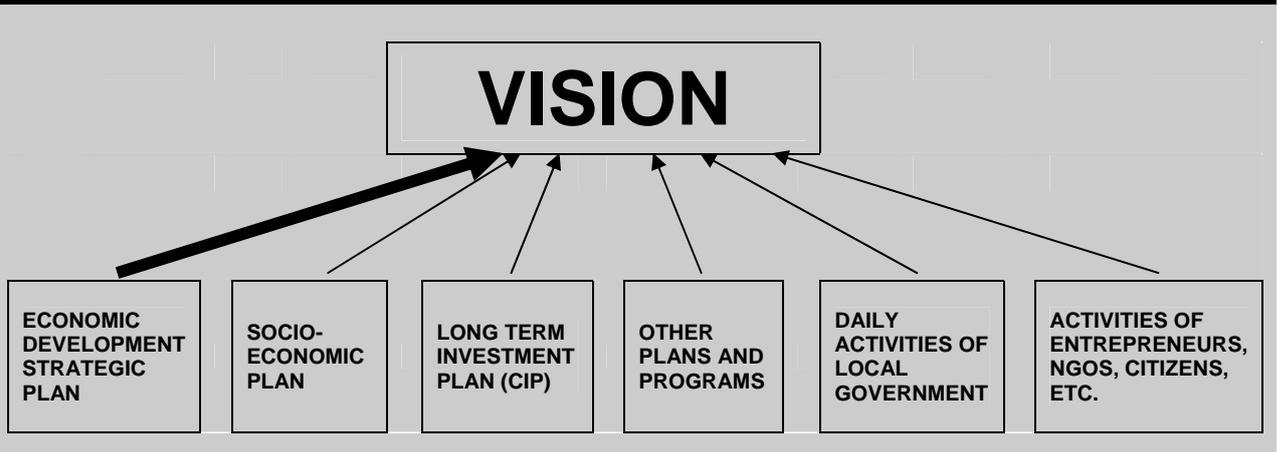


Illustration 3.1.3. Elements of Karakol Vision

The City of Karakol is the face of the Issyk-Kul region with its rich historical heritage and unique architecture. The city is an international tourist center with developed service and processing industries, which produce ecologically clean products.

Karakol is a multinational city of students. It strives to develop its intellectual and spiritual human potential. In Karakol, the citizens live in a natural and well-balanced environment

The Vision of Karakol City includes the following elements:

Element	Element meaning
<i>“The face of the Issyk-Kul region”</i>	The city of Karakol is an administrative, industrial, cultural and intellectual focal point of the Issyk-Kul Oblast. The city is the largest settlement in the region and has a rich historical heritage and multiethnic population. Karakol is a tourist center of international significance.
<i>“Rich historical heritage and unique architecture”</i>	The city of Karakol is one of the few Kyrgyz cities with unique architecture and town planning, which are characterized by elements of Eastern culture and Russian merchants from the end of the 19 th century. The city is laid out in a rectangular fashion and is bathed in the greenery of its gardens, conifers and white poplar trees.
<i>“International tourist center with developed services”</i>	The city of Karakol is one of the most picturesque places in Central Asia. More than two-thirds of the surrounding territory is mountainous, hence its landscape, variety of flora and fauna, and varied climate create favorable conditions for the development of various types of tourism. The city is characterized by well developed tourist service infrastructure and has a beach that offers a variety of services.
<i>“Agro-processing industry, which produces ecologically clean products”</i>	The city is an oblast center of the processing industry, and it produces and exports ecologically clean products. The availability of a competitive market and other favorable conditions stimulate small and medium business development.
<i>“Multinational city”</i>	Karakol is a city of many different ethnic groups, which positively impacts on each of them as a result of different nations’ cultural tradition interchange. All the nations’ representatives enjoy equal rights in Karakol. The Friendship House operates in the city uniting and developing all expatriate communities, which helps to guarantee the development of international, cultural, educational and economic relations.
<i>“City of students, striving to develop its intellectual and spiritual human potential”</i>	Karakol City is an oblast center, characterized by a wide network of educational establishments with a well developed technical base, providing education to children and young people from all over the oblast. Its high school graduates are well educated people that go on to study at both higher and specialized educational establishments. The city is a “forge” of scientific manpower sending its young scientists to other regions and countries. Each member of the city community is eager to get more knowledge and share it with others. The city’s general development is assisted by its citizens of advanced intelligence and culture.
<i>“Natural and well-balanced environment”</i>	Karakol is a green, clean and comfortable city where the citizens are provided conditions favorable for their life and development. There are recreation areas and entertainment facilities operating in the city, giving citizens places to spend their leisure time. Each member of the city community is taking an active part in efforts to preserve their natural environment for future generations.

3.2. Define new local government Mission

A Mission is the role of municipal servants and local government in implementing a Vision. In other words, a Mission shows what types of activity must

be carried out by a local government to create enabling conditions to achieve the Vision. It may be called a LG philosophy.

A LG Mission is defined by its leader/leaders, proceeding from its Vision, for the purpose of serving and creating some benefits for the local community. A Mission is an input of a LG in implementing

its Vision that was developed with their assistance.

If local governments were a business, we might call their Mission a business plan.

The Mission is an obligation of a LG to create something useful for the purpose of achieving a Vision

Illustration 3.2.1. Examples of Missions of Kyrgyz local governments

Karakol

Karakol City LG creates favorable conditions to achieve the city’s Vision and ensure continuity of LG policy.

LG uses external and internal resources in an effective way, provides high quality services to the population and creates equal opportunities for each member of the city community to meet his/her goals.

LG guarantees that laws and rights are complied with, ensures openness and transparency of decision making and creates conditions for local economic development.

Mombekov AO

Mombekov local government bodies create enabling conditions to reach the Vision of Municipality.

A strong “ayil Kenesh” and professional apparatus, by efficient management of internal and external resources, deliver high-quality services to local community.

Mombekov local government bodies maintain an environment that sets preconditions for the rule of law, strengthening of democracy, and development of local economy.

Kun-Chygysh AO

The local government provides good quality services to the residents through mobilization and efficient use of its internal and external resources.

The local government strictly follows the principles of transparency and accountability and it is a guarantee of equal conditions for each citizen to achieve his/her personal goals.

The local government facilitates an effective cooperation of the government and business community and creates enabling conditions for business development.

Uzgen

Uzgen LG Mission consists in applying open and transparent management procedures to create enabling conditions for the City economic and social development.

The local government conducts its activity through efficient use of its internal and external resources in partnership with the local community.

Illustration 3.2.2. Elements Kun-Chygysh AO Local Government Mission

The local government provides good quality services to the residents through mobilization and efficient use of its internal and external resources.

The local government strictly follows the principles of transparency and accountability and it is a guarantee of equal conditions for each citizen to achieve his/her personal goals.

The local government facilitates an effective cooperation of the government and business community and created enabling conditions for business development.

The following elements are included in the Mission of Kun-Chygysh AO:

Element	Element meaning
<i>“Providing good quality services to residents”</i>	The Local Government provides good residence and public utilities and administrative services at affordable prices and tariffs. The citizens have an opportunity to receive the services of education, healthcare and social protection in a timely manner and full amount. The public order protection in the AO is at an adequate level.
<i>“The Local Government mobilizes and efficiently uses its internal and external resources”</i>	The Local Government creates enabling conditions to attract investments, actively cooperates with business and international donors. Its decisions on budget allocation are priority-based. Its financial assets are effectively managed, legal taxes and fees are collected in the full amount and timely manner. The municipal land is sold or leased through open tender and

	<p>auction, which results in budget revenue increase. By increasing the human potential, the Local Government mobilizes the local community to address social and economic issues. It is active in improving the management system efficiency.</p>
<p><i>“The Local Government strictly follows the principles of transparency and accountability”</i></p>	<p>An information access to decisions taken in all the areas of the LG activity is provided to the citizens through creation of an official information fund. The local budget is formulated with the local community participation through a public budget hearing, budget execution is overseen by the Ayil Council deputies and local community leaders. The Local Government pursues a transparent policy in the area of selling land and providing it for use. The Local Government also submits to the public other issues of vital importance for an open discussion. To the extent possible, services are provided on a competitive basis. Their quality is monitored on an on-going basis, for example, through a box where the community members may put their complaints. These complaints are, then, considered by the LG, which take some steps to address them in a timely manner.</p>
<p><i>“The Local Government creates equal opportunities for each member of the city community to meet his/her goals”</i></p>	<p>The Local Government provides equal conditions for all citizens; a system of providing social support, different types of benefits, aid, social and every-day services, and National and Local Government guaranteed payments. The LG actively pursues a social policy related to opening access to education and healthcare and improving their housing conditions. Gender equality is ensured in public and political activity.</p>
<p><i>“The local government facilitates an effective cooperation of the government and business community”</i></p>	<p>Cooperation of business and government is based on mutual respect and trust. The LG develops and implements long-term plans, attracts business community to creating enterprises processing local resources.</p>

A LG Mission, like its Vision, should be monitored and evaluated. In this case, Mission elements should be also defined. Thus a benchmark is created to enable an LG to evaluate, in future, the extent of its success in its role execution.

3.3. Analyze the situation

Upon developing a new municipality Vision and a new LG Mission, a SPC will have to conduct several analyses to be summed up in various reports. The main report is the municipality’s profile, which contains information on population, economic structure, social and technical infrastructure, public utilities, natural and built environment, and transportation and communication links. Two areas should be considered in greater detail, given their importance for local development: local budget and municipal property. Moreover, it is necessary to analyze the external environment to identify external development opportunities and threats.

Special attention should be paid to analyzing local conditions for economic development. This issue should be considered when conducting a survey of local entrepreneurs. All these reports, including the conclusions of the previous strategy evaluation reports and citizen survey results, will be an input in SWOT analysis.

3.3.1. Prepare a municipality profile

To provide information to a wide range of potential investors on a municipality economic, social and cultural capacity and opportunities available for investment projects implementation, an effective way is to develop a municipality profile – a collection of informational materials.

A municipality’s profile is usually the first information to be requested by an investor see if the territory is a potentially suitable location for investment. Profile information is used by an investor to evaluate the impact of doing business in a specific community.

A profile will provide an informative, concise and clear picture of the municipality and will help an investor to compare territories. By means of this initial contact an investor tries to identify what main resources a municipality may offer.

This document is intended for a wide dissemination among potential investors. An important annex to this document is a database on land plots for investment, available in the municipality, including a detailed description of each plot (its location, boundaries, available technical infrastructure, etc.).

Proceeding from the fact that such a document is a marketing tool and helps to promote a municipality onto the external market (outside its territory), it should meet specific requirements:

- Profile goal – it is not reduced to describing the situation in a municipality, but is supposed to help to attract investments. That is why the so-called “advertising approach” is preferable: being objective in providing information, one should put an emphasis on the positive features, strengths, which can arouse a potential investor’s interest.
- You should remember that your profile is one of a hundred to be considered by an investor. If your document is too large it will be too difficult and boring for an investor to consider and keep your municipality in mind. It is important that a profile should include the latest and most accurate information, as you are unlikely to have a chance to tell your story to the investor in person. Accuracy of each entry in a profile should be checked. Moreover, an investor should be provided any information requested, even if it means an additional cost and effort.
- Information should be provided in a clear and easy to understand language. In particular, one should try to avoid special and scientific terminology; where such terms are unavoidable their meaning has to be explained. Similarly, abbreviations, except the generally -known ones, should be deciphered.

- When developing a profile it is necessary to create it in an electronic format to be mounted on the Web on the official municipality site. A tree-like pattern seems to be an optimal one: a sequential set of pages linked by hyperlinks in accordance with the narrative logic.

The following profile structure sections are most often sought for by investors: general information on a municipality; its socio-economic development features: living standards, economy, local budget, labor market, quality; utility infrastructure: transport, telecommunications, financial sector, real estate market, production, technical, scientific and educational, social, hotel infrastructure; regulatory acts related to the investment process; procedures for business creation; proposals on investment projects, contact information. (See *Model Profile* attached)

The process of municipality profile development should be a regular one to update the information to be provided. With this purpose in view, a regular collection of reliable statistical data on the condition of all municipality activity spheres should be arranged.

Upon profile development completion, a SPC may analyze it and select some data required for SPED development.

3.3.2. Analyze local budget

As this report’s goal is to provide background information for developing a SPED, it will not contain a detailed analysis of all aspects of the local budget. Rather, it will focus on revenues available for investment. (The SPC should keep in mind that the LSG may have other sectoral strategies in addition to the SPED that will be competing for the same investment revenues.)

It may analyze expenditures from the perspective of cost-effectiveness and if they truly reflect priorities. The report will present:

- Financial forecast plan (for three years) and surplus revenues;
- Municipal property value and receipts from its use;

- Analysis of budget execution in previous years, what were the main problems;
- Long-term loans or other credit obligations, if any.
- General structure of budget revenues (own revenues versus Republican transfers)
- Analysis of the tax and fee burden on local businesses and possibility of LSG to influence this;
- Per capita budget revenues compared to other jurisdictions (if available);
- Oversight of budget expenditures by the executive and legislative branches;
- List of capital investments.

Local budget revenues:

It is recommended that LGs analyze trends for each main revenue item with the purpose of defining LG revenue capacity. Were increases or decreases in specific revenue items due to changes in collection efforts, changes in the tax base, or changes in legislation (e.g. changes in tax sharing arrangements or definition of local taxes)? Planned and actual revenues should be compared and explained.

It is helpful to include a list of the municipality's main taxpayers and it is also desirable to indicate the amounts (shares) of their payments to the budget and off-budget funds. It is necessary to include data on taxes owed and a list of the main non-payers. It is reasonable to analyze the practice of LG granting deferred tax payments and estimate budget losses as a result of this practice. It is also necessary to evaluate the current means of business encouragement/incentives for businesses, in particular, for beginning businesses.

It is advisable to present your conclusions in the form of a proposal on budget revenue increase, including increase of non-tax revenues.

Local budget expenditures:

It is suggested to analyze trends for each main expenditure item and compare these to stated local government budget policy priorities. Taking away operating costs, how much of expenditures have been left for investments and how have these been used? Are operating costs such as

labor and social fund payments growing? Why? Are there ways to optimize operating costs such as utility payments?

If water, sewerage, or solid waste removal services are provided by municipal enterprises, are these operating with subsidies from the local budget? At what level of cost recovery are they operating (that is, what share of their operating and maintenance costs are covered by fee collection?) What investment needs do they have?

Overall local budget balance:

To estimate revenues available for investment, it is suggested to calculate and analyze trends in operating surpluses. These are calculated by subtracting operating costs from revenues (aside from property sales). The report should consider surplus revenues generated in the previous year and expected surplus revenues for the current and future years. It should also propose what share of the expected surplus will be used for implementation of SPED.

3.3.3. Analyze municipal property

In nearly all the countries of the world, local governments own or keep control of a large amount of local/municipal assets in one or another form. But it is only a limited number of municipalities that consider these resources to be their asset "portfolio", with its structure changing proceeding from local community development strategic goals.

As a rule, local community asset management is not based on some clear linkage to long-term goals of municipality development, but is limited to addressing certain current goals. And it is proposed to address local asset development issues through massive investments in municipal infrastructure modernization. But the international practice analysis shows that a detailed review of each type of asset and defining an optimal asset structure enables one to find some reserves to improve asset management effectiveness even when financial resources are scarce.

The goals of municipal property analysis are to evaluate LG local asset management capacity, identify the main problems related to property management, and identify these

assets potential in promoting local economic development.

This report is a valuable input in creating a new strategic plan for economic development. An ideal option is when an official responsible for asset management in the municipality administration will bear the main responsibility for developing this report.

Issues to be discussed in this report:

- Is there an inventory of municipal assets and vacant land? Have properties been registered with the State Registry?
- Amount and features of municipal assets, land and premises available (according to the register) for both sale and lease;
- Zoning plan status. What may be constructed on available land, what types of activity may be conducted in available premises? Is this plan sufficient, does it create any obstacles?
- Documentation of municipal property transactions, including leases. Are these computerized? Are they published or available to the local council?
- Does the local government have a program or plan guiding municipal property management?
- How are asset management decisions monitored to ensure that they meet social and economic goals of municipality development?
- Availability of appropriate staff and their proficiency;
- Information on infrastructure located on development land: water and sewage system, electric power, roads, telephone, etc.;
- Procedures and conditions of land and premises sale or lease. Which organizations are involved? What are the number of steps and average number of days involved?
- Construction permission procedures. Organizations and time required for issuing such permissions.
- Investment proposal. Municipality's experience in developing an investment proposal. Such proposal outcomes.

3.3.4. Analyze external environment

Municipalities depend on their external environment. Both positive and negative factors should be considered when developing an analytical report on the external environment. Positive factors represent opportunities that can be used for building on strengths or minimizing weaknesses. Negative factors represent threats.

The following are examples of positive external environment factors that came up during the SPED development process for Kyrgyz municipalities:

- Improved regulatory environment for business (one-stop shop for business registration);
- Relatively stable political environment;
- Economic growth in the country;
- Increased demand of tourist services;
- Implementation of the Government Program of the State **Gasification**;
- Government protection of the national resources;
- Positive trends in customs policy, protection of domestic producers;
- Construction and reconstruction of transnational roadways;
- Increased capacity of a commodity market;
- Expanded activity of various donor and other organizations.

The following are examples of negative external environment factors:

- Low availability of commercial bank loans;
- Lack of own raw material resources;
- Migration;
- Unemployment;
- Aging population
- Competition from cheap manufactured products from China
- Insecure electricity supply

3.3.5. Identify citizens' priorities

To take people's opinion of development priorities into consideration, one can use a simple survey in the form of a brochure. Within the framework of its activity, DLGP provided assistance to its partner municipalities in developing and issuing

simple two-sided brochures. 500 brochures were distributed among the residents of rural municipalities, and 1,000 brochures were distributed in the cities. The experience of Kyrgyzstan has proven that its citizens take this effort quite positively.

A brochure may have several functions: reminding citizens of the previous strategy, informing them of its evaluation results and, at the same time, providing them information on the process of a new strategy development. Such a booklet may have one tear sheet where citizens may be

requested to make their input in developing a new strategy by expressing their opinions on the following issues:

- Preferable area of municipality development (for example, industry, agriculture, tourism, small and medium business, etc.)
- What is most important: job and family income, education for their children, healthcare, leisure, etc.?
- Priority areas for investment projects, among the current municipality projects.

Illustration 3.3.1. Example of Citizen Priority Survey

Questionnaire

Would you answer the following questions and in this way make your input in developing an updated version of Karakol City Strategy. Your input is very important for us!

*Mark **ONLY ONE** version which you prefer or put down your own.*

1. What area should the City develop?

- Tourism and recreation services
- Education (schools, universities, etc.)
- Industry (manufacturing)
- Small and medium business
- Agriculture and agro-processing
- Other _____

2. What is most important for you?

- Sufficient family income (thanks to having a job or your own business)
- Opportunity for your children to get educated or for you to upgrade your qualification
- Access to good quality medical services
- Cultural recreation and leisure
- Housing issue (“roof over your head”)
- Clothes, restaurants, bars
- Other _____

3. What projects are most necessary for the City?

- Capital repair of all Karakol roads
- Water filtering and treatment
- Water supply system rehabilitation
- Sewage system rehabilitation
- School – in “Voshod” residential area
- Other _____

4. Other comments and proposals to the City Government

Citizens fill out these questionnaires and return them to the Steering Committee to be processed. The SPC uses these materials to identify citizens’ priorities. Such survey

results may be an input in creating a new SPED.

Illustration 3.3.2. Example of Citizen Survey results (based on Brochure)

General data:

- 1,000 brochures distributed, 545 responses received (534 - processed, 11 – provided too late).
- Even distribution of brochures among residential areas, organizations, companies.

1. Main areas of development:

- tourism (278)
- industry (processing) (171)
- education (69)
- small and medium businesses (33)

2. Citizens' priorities:

- jobs and family income (326)
- access to healthcare services (119)
- education (44)
- housing (44)

3. Priority interventions:

- all roads rehabilitation (483)
- potable water treatment (74)

Note: in brackets you can find the number of answers.

3.3.6. Identify entrepreneurs' needs

Identifying entrepreneurs' needs is one of the elements of the situation analysis. This survey goal is to collect useful and reliable information for SPC members on the opinions of those who do the investing and create jobs in their municipality. Questions included in a Questionnaire may deal with enterprise type, size, status and current condition, its activity type, staffing and employment issues, availability of production facilities, public services and relations with the government, as well as general impression of a municipality as a place for doing business (See *Business Survey for Analyzing Conditions for Economic Development attached*).

A survey may be organized by a steering committee and conducted by a Secretariat as part of their work at developing a strategic plan.

To obtain the most complete and sincere answers to the questions included in a

questionnaire, respondents should be assured that this report will not include any references to specific businesses and that confidentiality will be guaranteed. A report includes aggregated responses provided by all the respondents.

It is preferable to include in a sample group representatives of different economic sectors: manufacturing, agriculture/ agro-processing, construction, services, trade.

Within the framework of partnership with the DLGP, the municipalities distributed from 50 (in rural municipalities) up to 100 (in cities) questionnaires. It is obvious that a survey of 50 or 100 businesses cannot demonstrate the opinions of all the municipality entrepreneurs, but the respondents represent a considerable part of the local economy – both medium businesses, which have recently developed from small ones, and a currently growing small business sector (mostly “family” businesses).

Illustration 3.3.3. Example of Business Survey results (based on Questionnaire)General information:

- 78 respondents: 24 – small business representatives, 40 – medium business representatives, 2 – large enterprise representatives, 1– no answer, 9 – production, 24 – trade, 38 - services, 1– other.

Question 1: Business environment

- Business climate in Karakol was rated highly (for most categories).
- The strongest categories proved to be:
 - o Karakol residents have a strong sense of entrepreneurship;
 - o Local residents respect those who are doing business
- Some concern was expressed as regard:
 - o Creating conditions for private investors, i.e. attracting investors and streamlining investment processes,
 - o Transparency of municipal land sale and lease procedures

Question 2: Obstacles in the way of business development

- The largest obstacles in the way of managing and expanding companies are:
 - o Availability of finance;
 - o Opportunities for purchasing or leasing land.
- Many respondents marked the following issues as obstacles:
 - o Labor force (at the same time rather a lot of the respondents stated that they could find the required help);
 - o Insufficient transparency of the local tax and fee system;
 - o Inadequate business supporting infrastructure.
- On the other hand, the entrepreneurs state that the below mentioned issues are not very much in the way of doing business (i.e. that the below mentioned issues are not serious obstacles):
 - o Knowledge of company management;
 - o Public utilities.
- Many respondents selected “I do not know” (most likely indicating that these issues are not quite clear to them) in the following cases:
 - o Administrative services;
 - o Knowledge of company management;
 - o Information on goods and service demand at the market.
- The respondents were, in all probability, not quite clear on the following things:
 - o Opportunities for goods and services promotion at the market;
 - o Business supporting infrastructure.

Question 3: Specific obstaclesFinancing:

- Nearly half of the companies are satisfied with the financial services.
- Most companies stated that access to capital is not easy and the main obstacle is:
 - o General terms for obtaining a loan (interest rate);
 - o Providing collateral.
- Many companies also stated that there were some problems related to preparing the required documents.

Land:

- Most companies indicated a problem of obtaining land for development.
- Most companies state that it is rather easy to find a place to do one’s business.
- Representatives of companies having purchased and leased some land state that they found it difficult to understand the procedures.

3.3.7. Formulate conclusions based on previous strategy evaluation Report

This report summarizes the work performed in Stage 2 – Evaluation of the Previous Strategy. LGs should extract conclusions on all the elements of Vision, Mission, and each strategic goal from the

prepared previous strategy evaluation report and put them in a table format as is shown below in the Illustrations.

At the same time, it should be noted that these conclusions are not yet a guide to action and it is not necessary for all of them to be included in developing a new strategy. However, they may provide some food for thought and creative work.

Illustration 3.3.4. Conclusions from evaluation of Karakol Vision elements

№	Element	Conclusions
1.	<i>“Karakol is the face of the Issyk-Kul region”</i>	The Vision element of “Karakol is the face of the Issyk-Kul region” should be preserved in the updated strategy and supported by appropriate efforts. It was noted that the face of Karakol City had not yet been fully developed and “Karakol” brand had not been appropriately promoted.
2.	<i>“Multinational city”</i>	“Multinational city” element of the Vision should be preserved. It is necessary to hold public events to develop national and cultural traditions of different nationalities’ and ethnic groups’ representatives living in the City of Karakol, recreate the House of Friendship, establish ties with fellow countrymen who left the city to live in other cities of the republic and other countries.
3.	<i>“Karakol is a city of students”</i>	This element is important in the current situation and complies with the principles underlying the City development until 2014. This element should be enhanced through the appropriate steps and interventions in the updated strategy.
4.	<i>“Well developed processing industry”</i>	Given the poor reserves of raw materials and vague development perspectives, it is necessary to consider if it is reasonable to preserve this element in Karakol Vision.
5.	<i>“Mountain and water tourism”</i>	Given the natural, geographical and climatic conditions, this element should be preserved. However, it is necessary to put an emphasis on developing all types of tourism, rather than only mountain and water tourism.

Illustration 3.3.5. Conclusions as a result of evaluating elements of Karakol City Government Mission

№	Element	Conclusions
1.	<i>“Mobilization of all community forces”</i>	This is an important LG role and it should be preserved in the Mission. It is important that this role is supported by clearer procedures of joint activity and specific actions.
2.	<i>“Creating enabling conditions for the City comprehensive development”</i>	This element definition has a generalized character and prevents one from focusing one’s activity on specific strategic goals. So, it is reasonable to include a revised version of this definition in the updated strategy. The proposed definition is – “creating comfortable living conditions for the city residents”.

Illustration 3.3.6. Conclusions as a result of evaluating goals of Karakol City Development Strategy

№	Goal	Conclusions
1.	<i>“Civil society development”</i>	Many sub-goals are closely interrelated, one proceeding from another one, and it makes the process of their evaluation a difficult undertaking. There are no indicators identified to make a judgment of situation changes. It is necessary to revise the structure of this strategic goal.
2.	<i>“City infrastructure and municipal property“</i>	This definition of a goal does not reflect the actual strategic goal so as to make its achievement measurable, tangible, etc. It is recommended to exclude the words “city infrastructure” and “preserve municipal property” by defining this goal as “Effective municipal property management”.
3.	<i>“Competitive economy”</i>	This goal is not clear; it does not reflect any dynamics and ultimate result. It lacks indicators, like the above goals, to be able to evaluate the situation change. It is recommended to apply the following definition: “Local economic development”.
4.	<i>“Social development”</i>	It is recommended to preserve this goal, though, not as an independent one but in conjunction with the goal of “civil society development” and define it as: “Civil society development and social mobilization”.
5.	<i>“Safe and enabling environment”</i>	This strategic goal should be preserved as the main task of the local government is addressing local significance issues, focused on the city residents’ living conditions improvement. The definition should, possibly, be reworded in the following way: “Ensuring comfortable conditions for citizens’ life”.

3.4. Develop theses proceeding from analysis results

There is a wealth of information collected in all of these reports and it is practically impossible to use all the data in strategy development. After conducting the situation analysis, which includes developing the reports and surveys, it is time to proceed to formulating theses. The purpose of this work is to formulate the most important conclusions based on the detailed analysis of the situation described above.

Theses are developed in the form of brief sentences (statements). They should contain clear, comprehensible and direct information. The pattern of statements is not discussed at this stage; it will be done later as part of the next step - SWOT analysis.

Given a municipality size, the number of theses may vary from 100 to 250. Thesis should be formulated by a steering committee and secretariat, which should take care of providing theses to all SPC members.

Illustration 3.4.1. Examples of theses

- Obtaining an oblast center status by the city
- Location at “Bishkek-Osh” motor road, availability of a railway road, operating airport
- The City General Plan is not yet approved
- Property tax implementation may increase local budget revenues
- Negative migration – 10 – 15 thousand people during a season (March to November), which results in lack of labor. Migrants get naturalized in other countries.

3.5. Conduct SWOT analysis

An instrument of strategic analysis is SWOT-analysis. The essence of this method is reflected in its name. SWOT abbreviation includes the first letters of the English words - strengths, weaknesses, opportunities and threats. The idea is that when analyzing a municipality condition in terms of its long-term development, it is necessary to answer four questions:

- What are the municipality strengths, its advantages?
- What are the municipality weaknesses?
- What are its enabling opportunities for future development?
- What are its most likely future potential threats?

SWOT analysis may be viewed as a means of presenting, aggregating the results of a detailed research and rationale, which result in clear judgments concerning advantages or disadvantages of a municipality.

At the same time, SWOT analysis enables one to keep in mind the ultimate goal of all the calculations and justifications: to answer questions related to development prospects, which make it possible to activate natural advantages, eliminate disadvantages, use all the opening opportunities, and avoid any potential threats.

In the beginning, SWOT-analysis considers the situation statically, i.e. the current picture is analyzed. A standard set of factors to be analyzed is:

- Geographical position;
- Demographics, including workforce;
- Economic and financial sectors
- Transportation and communication links.
- Built environment;
- Ecology;
- Housing;
- Municipal services;
- Social infrastructure;

One of the basic principles of this analysis is a provision on strengths and weaknesses. What seems to be a weakness today may become a key advantage in some other circumstances.

Thus, a dead-end location is a municipality weakness, but after a motor road or airport is constructed it may become a center of recreation or exotic tourism. Currently outdated production equipment means that modernization is inevitable.

In the course of conducting SWOT-analysis one should think of projects and ideas as to how to transform weaknesses into strengths, and various options of the best use of the available advantages.

Further, one should consider a possible development of events outside and inside a municipality and reveal possible future opportunities and threats. The following types of processes are usually considered:

- Demographic;
- Economic;
- Infrastructure;
- Ecological;
- International;
- Political.

The future of any municipality largely depends on the development of its relations with the neighboring regions, both in the domestic and international context, and on the general economic situation. One should, as a rule, proceed from integration processes to expansion of international contacts.

Transportation system changes have a serious impact on the process of development, so any available opportunity should be identified and analyzed. High-speed transport increases the amount of people and goods that can be moved and it has a positive impact on the economy.

After considering the municipality's current strengths and weaknesses, the analysis turns to opportunities and threats in the municipality's future. Here, the SPC turns to the analysis of the external environment to investigate possible factors that will influence the development of the municipality. For example, the development of new regional infrastructure such as new energy sources or transportation links may have a large impact on the local economy. Regional economic initiatives, such as creating free zones or regional associations, should be born in mind and evaluated from the point of view of their impact on your municipality development.

Illustration 3.5.1. Example of municipality strengths and weaknesses

Factor	Strengths	Weaknesses
1. Geographical position	<ul style="list-style-type: none"> – Location at the boarder – Varied landscape – Transportation hub – Regional center – Attractive nature 	<ul style="list-style-type: none"> – Territory restricted by natural factors – Remote location in the country – Far away from the main roads – Monotonous natural environment
2. Demographics, including workforce	<ul style="list-style-type: none"> – Active and up-and-coming people – Large number of skilled specialists 	<ul style="list-style-type: none"> – Unemployment – Large share of incapacitated people
3. Built environment	<ul style="list-style-type: none"> – Land parcels available for investments in the centre and outskirts – Large land resources owned by the municipality – Zoning plan – Municipal property management strategy 	<ul style="list-style-type: none"> – Lack of clearly outlined central part in the city – Lack of operating land registry system
4. Economic and financial sectors	<ul style="list-style-type: none"> – wide network of bank institutions – agro-processing has good potential 	<ul style="list-style-type: none"> – inadequate hotel services – large factories in the manufacturing industry operating at ~20% potential
5. Transportation and communication links	<ul style="list-style-type: none"> – Modernization and expansion of telecommunications – Regional airport 	<ul style="list-style-type: none"> – No port
6 Ecology	<ul style="list-style-type: none"> – Landscaped park – Natural resources – Territories of protected landscape 	<ul style="list-style-type: none"> – Polluted environment – Industrial waste, noise
7. Housing	<ul style="list-style-type: none"> – Different types of residential buildings 	<ul style="list-style-type: none"> – Lack of living quarters – Poor technical condition of buildings, particularly, municipal ones – Low productiveness of construction industry
8. Municipal services	<ul style="list-style-type: none"> – Construction of new treatment plant – Good street and park lighting 	<ul style="list-style-type: none"> – Insufficient electricity supply – Bad condition of streets, roads and squares – Outdated system of waste collecting and recycling – Ineffective system of heating
9. Social infrastructure	<ul style="list-style-type: none"> – Developed science, technology and higher education – Cultural and architectural heritage (historical buildings, relics, museums) – Abundant cultural life 	<ul style="list-style-type: none"> – Poor condition of material resources of healthcare, social protection, pre-school establishments, schools, culture and art, sport and leisure – Low level of public safety – Lack of finance for social development (budget finance scarcity)

General political trends, particularly those related to decentralization, are of great importance. If a local government's financial basis is enhanced, it will have a positive impact on municipality prospects.

The comprehensive estimate of municipality opportunities and threats based on a forecast of its current situation is demonstrated in the illustration below.

Illustration 3.5.2. Examples of opportunities and threats to development

Factor	Opportunities	Threats
1. Demographic processes	–	– Society aging, resulting in increased financial load on a working person – High level of population migrating to Russia and Kazakhstan
2. Economy	– Market mechanism stabilization – Property transformation	– Economic crisis in the country and in the world – Competition with other domestic and foreign economy centers
3. Communications and tourism	– Motor road construction – Airport modernization – Domestic and international tourism development	– Increased traffic flows, threatening the environment – Tourist attraction competition with other municipalities both in the region and outside
4. Regional and international contacts	– Cooperation with other municipalities – International contacts widening – Regional cooperation	– Competition of stronger partners
5. Local self-government – legislative decisions	– Increased municipality autonomy – Governance decentralization and LSG development	– Restricted self-governance – Reduced number of local taxes under the law

The first two SWOT analysis factors – strengths and weaknesses - are mostly reflective of a municipality static condition.

The second two factors of SWOT-analysis – opportunities and threats – characterize an environment and trends and provide a "glance from the future".

The next step requires the SPC to select strengths that can be developed into the municipality's competitive advantage, given external opportunities and threats. For example, cotton growing could have historically been a major strength, but as the price for cotton has decreased worldwide, it may not be the best strength to focus on in the SPED.

In other cases, the SPC should focus on weaknesses that can be effectively addressed to the economic benefit of many in the community. One should remember that a potential investor will be making his own estimate of the municipality's strengths and weaknesses. Sometimes, the importance of a weakness can outweigh any strength and turn off a potential investor. Thus certain weaknesses must be addressed, even if typically it is not the responsibility of local government to do this. An example given early on in this handbook was the East European city that took upon itself to develop a regional airport.

When undertaking this analysis, one should pay special attention to evaluating the economic climate that depends on factors such as:

- Tax legislation and its application;
- Registration and licensing rules;
- Ecological limitations for production;
- Level of banking and other business services;
- Availability of government grants;
- Availability of business support programs;
- Government corruption;
- Local business community openness, availability of clubs, associations of entrepreneurs, business ethics code;
- Local population mentality, its attitude to work

3.6. Define critical and strategic issues

Critical issues

After all the theses have been put through a SWOT-analysis and you identified which of them are your municipality's strengths or weaknesses and which are opportunities or threats, you start a process of defining critical issues.

Critical issues are determined on the basis of a SWOT summary of different inputs and address different elements of the SWOT analysis. They build on the municipality's strengths, minimize the municipality's weaknesses, utilize external

development opportunities or reduce the threats posed by the external environment. Critical issues are defined proceeding from the below mentioned guidelines (see *Illustration*).

Illustration 3.6.1. Guidelines for selecting critical issues

- Utilize internal strengths for development (quality human resources)
- Address internal weaknesses (disastrous solid waste dump situation)
- Build on external opportunities for development (main transportation route)
- Create enabling environment for LED (creation of business support center)

Critical issues have the form of questions and should start with "How", thus galvanizing one into action in order to find an answer. However, at this stage, one should only formulate questions and should not offer any answers. It should be noted that not all theses will be used to formulate

critical issues. SPC members should only select theses which they believe are of critical significance for the municipality. According to the practices, at this stage, only 50-70% of the theses are used to produce critical issues. The remaining ones are "sifted out" by the SPC members.

Illustration 3.6.2. Example of transforming theses into critical issues

<i>Thesis</i>	<i>Critical issue</i>
<ul style="list-style-type: none"> • Local budget revenues have increased by 25% within the reporting period. 	<ul style="list-style-type: none"> • How to use local budget revenues in an effective way?
<ul style="list-style-type: none"> • Number of people leaving the municipality to earn some money increases annually by 20%. 	<ul style="list-style-type: none"> • How to reduce labor outflows?
<ul style="list-style-type: none"> • The municipality is located along the "Bishkek-Osh" highway. 	<ul style="list-style-type: none"> • How to use the municipality advantageous location along the "Bishkek-Osh" highway?
<ul style="list-style-type: none"> • A new Tax Code has been adopted. It includes only two local taxes. 	<ul style="list-style-type: none"> • How to find finance to implement the planned projects?

As SPC members may work in small groups, the meaning of some of the critical issues may coincide. There is nothing bad

about it, because after defining all critical issues a SPC shall have to group them by category.

Illustration 3.6.3. Breaking down critical issues into groups

LAND	<ul style="list-style-type: none"> - How to use unoccupied land for local economic development? - How to use unoccupied land in an efficient way? - How to ensure the transparency of land procurement procedures? - What is required to initiate development of a city master plan?
FINANCE	<ul style="list-style-type: none"> - How to increase loan duration? - How to reduce loan interest rates? - How to implement easy-term loan system for those who start business?
HUMAN RESOURCES	<ul style="list-style-type: none"> - How to stop labor resource outflow? - How to reduce labor staffing shortfall? - How to improve staffing policy (mostly technical workers)?

Strategic issues

Based on its previous work a SPC will have 25 - 40 different groups of critical issues broken down by areas for convenience (for example, entrepreneurship, tourism, infrastructure, management, etc.). Due to a relatively high

number of critical issues there is a need to select only those issues that, when addressed, will have the biggest impact on local economic development. In order to pare down our list, the following criteria shall be utilized:

Illustration 3.6.4. Guidelines for selecting strategic issues

- The issue effectively addresses the community’s vision
- The issue has a broad impact on the population
- There are negative consequences for not addressing the issue
- Municipality can influence and has the capacity to address the issue
- It is feasible to address the issue and possible to measure its outcome
- The issue has (or has a chance for) common support

Proceeding from the above guidelines a SPC shall have to break into 3-4 small groups to select 15 out of the above mentioned categories of critical issues. Then, through a comparison of what has been selected by each group it is necessary to select such categories which are supported by all or most of the small groups. These categories are real candidates for inclusion in the final list. Other categories, having received an equal number of votes, are subjects for a discussion. Each side should provide its

arguments for debatable categories to be included/not included. According to the existing practices 7 – 12 categories are usually selected, given the size of a municipality. The selected categories automatically become sub-issues grouped, as has been mentioned above, by various areas. It is these areas or spheres of activity that shall have to be transformed into strategic issues. A final list of strategic issues and related sub-issues may look as follows:

Illustration 3.6.5. Example of a set of strategic issues

<i>Strategic issues</i>	<i>Sub-issues</i>
<i>How to improve conditions for small and medium business development?</i>	<ul style="list-style-type: none"> • How to improve access to finance? • How to improve access to land? • How to improved local taxation system?
<i>How to develop tourism in the city?</i>	<ul style="list-style-type: none"> • How to improve the quality of tourist services? • How to improve access to tourist information? • How to preserve the city’s historical heritage
<i>How to improve strategic elements of technical infrastructure?</i>	<ul style="list-style-type: none"> • How to improve city roads? • How to improve potable water delivery?
<i>How to improve safety in the city?</i>	<ul style="list-style-type: none"> • How to improve street lighting?
<i>How to improve management effectiveness?</i>	<ul style="list-style-type: none"> • How to improve budget investment capacity? • How to improve information management?

3.7. Formulate strategic goals and tasks

Upon defining strategic issues and sub-issues a SPC shall define strategic goals and specific tasks to achieve each goal.

Strategic goals stem from sub-issues and it should not be a problem to define them.

Illustration 3.7.1. Strategic goal defining

<i>Sub-issues</i>	<i>Strategic goals</i>
<i>How to improve access to finance?</i> <i>How to improve access to land?</i> <i>How to improve local taxation system?</i>	<ul style="list-style-type: none"> • Improve access of entrepreneurs to finance • Improve access of entrepreneurs to land • Improve local taxation system
<i>How to improve tourist service quality?</i> <i>How to improve access of tourists to information?</i> <i>How to preserve the city historical heritage?</i>	<ul style="list-style-type: none"> • Improve quality of service provided to tourists • Improve access of tourists to information • Preserve the city historical heritage
<i>How to improve city roads quality?</i> <i>How to improve potable water delivery quality?</i>	<ul style="list-style-type: none"> • Improve quality of central city roads • Improve quality of potable water
<i>How to improve street lighting?</i>	<ul style="list-style-type: none"> • Improve street lighting in the center of the city
<i>How to increase budget investment capacity?</i> <i>How to improve information management?</i>	<ul style="list-style-type: none"> • Improve local budget investment capacity • Improve information management inside LG administrative structure

A SPC will have to define specific tasks to achieve each strategic goal. The number of tasks should be adequate for achieving a specific goal. Extra tasks will result in extra costs, although a specific goal may be achieved without fulfilling these extra tasks.

At the same time, if the number of tasks is not enough it may result in that a specific goal will not be achieved. Below, you can see an illustration of tasks defined for achieving specific strategic goals.

Illustration 3.7.2. Task defining

<i>Strategic goals</i>	<i>Tasks</i>
<i>Improve access of entrepreneurs to finance</i>	<ul style="list-style-type: none"> • Improved finance awareness of entrepreneurs • Assisting entrepreneurs in providing collateral • Providing local budget subsidies to entrepreneurs to pay interest on loans
<i>Improve access of entrepreneurs to land</i>	<ul style="list-style-type: none"> • Creating local regulatory base on land relations • Improving administrative procedures for land sale to private owners/ land lease • Activation and development of land market

3.8. Select strategic projects

If all the strategy elements, starting from Vision and up to goals, are static ones (i.e. they do not change), projects make a dynamic part of a strategic plan, as they have a shorter “life” than tasks, goals and,

particularly, Vision. One may annually update strategy projects.

A project may be considered to be a set of activity types which are interrelated during a definite period of time and focused on achieving a defined goal and tasks.

Projects are selected based on criteria presented in the box below.

Illustration 3.8.1. Guidelines for selecting projects

- Municipality has the financial, organizational, and technical capacity to implement it
- Affect many people or have a multiplying economic effect (benefit)
- Address strategic goals in an effective way (cost-benefit)
- Can be measured by indicators
- Have project leaders

Each task is addressed by one or several projects. At the initial state a SPC does not know what specific projects should be included in a strategy. To identify projects a SPC should hold a “brainstorming” event to identify ideas addressing each task. There may be

several dozens of ideas, some of which may seem most improbable and stupid at first glance. But, at this stage, no idea should be rejected. It is important to record all of them. “Brainstorming” is conducted according to certain rules, which should be observed when ideas are proposed.

Illustration 3.8.2. Main rules of “brainstorming”

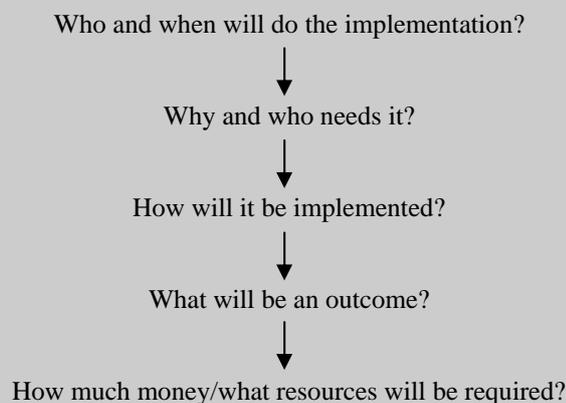
- Clearly define the task of brainstorming.
- Present ideas one by one, all the group is participating.
- The main thing is a large number of ideas. No limitations.
- One idea at a time.
- Any criticism and evaluation (including positive) of presented ideas is strictly prohibited, as such evaluation distracts you from addressing the main task and kills a creative approach.
- Even the most unusual and absurd ideas are welcome.
- Build your ideas on others’ thoughts.
- Combine and improve any ideas.
- Record ideas.

The next step is grouping, selecting and evaluating ideas. The most valuable ideas are selected proceeding from this process results. Ideas evaluation is welcome at this stage. Different methods may be applied for analysis and evaluation of ideas. The success of this stage directly depends on

the extent of “similarity” of participants’ approach to the criteria of selection and evaluation of ideas.

Next, the selected ideas are transformed into projects. The first step is to prepare a logical scheme that justifies how and why the project is to be implemented.

Illustration 3.8.3. Project logical scheme



3.9. Prepare SPED projects for public discussion

A SPED includes all the work performed by a SPC by a specific point in time. It includes the Vision of a community future, evaluation of problems, priorities, goals and tasks addressing SPED priority issues. A SPED is a framework document defining the responsibilities of different organizations and stakeholders related to taking specific efforts and is a long-term handbook on addressing economic issues.

At this stage public participation plays an extremely important role in defining and careful examination of any arising concerns related to recommended actions. So, it is essential that your SPC ensure that the draft SPED is widely disseminated among your local councilors, local administration staff, enterprises, companies, interested private persons and government bodies, NGOs and public.

You should give some thought to different ways of involving your community in the process, for example, publishing articles, radio interviews, SPC meetings financing and holding meetings with the public. In addition, it is reasonable to develop a brief version of a SPED in the form of a brochure to be widely disseminated among the residents. The SPC should also give serious consideration to conducting a presentation of SPED for all the stakeholders.

3.10. Adopt and officially approve SPED

It is important that a SPC provide enough time to receive written and verbal comments on a draft SPED and then consider them to determine what changes should be made. You may even meet with the people who have actualized important

issues. Moreover, you may prepare “Brief answers to the provided comments”, including all the comments on a SPED, a description of how they are reflected in the final version of a SPED, and justification of why some of the comments have not been included.

Upon making all these changes a SPC should adopt a SPED and submit it to a local council for an official approval. As many SPED recommended measures have to be adopted by a local council, their official approval will help to increase their chance of being implemented. Further, as has been noted above, it is very important that a municipality assign an appropriate status to SPED recommendations by including them in official planning processes, for example, in a land use plan and annual budget.

Implementation of strategic projects should be monitored regularly; on an annual basis new projects may be added when the first projects have been successfully implemented. The SPED itself usually serves as useful framework for addressing LED for a medium-term period of 3-5 years. The Vision is meant to serve longer, for 10-15 years.

Conclusion

A SPED is a framework document that addresses the essential economic issues and aims to increase investment and jobs in a community. Ideally, a SPED is a multilateral agreement between stakeholders to address priority economic issues in their municipality. The process of developing a SPED provides a unique opportunity of including public views and preferences, and thus, public support for economic initiatives. The document itself is designed to make it feasible to monitor and evaluate the effectiveness of its implementation.

PART IV. LED SYSTEM IMPLEMENTATION AND SPED REALIZATION

“Plans can be good and bad, just well as the people who implement them can be qualified and unqualified (Unknown author)”

Introduction

The next step, following SPED development, is its implementation. A plan implementation is preceded by all the planning efforts of a Strategic Planning Committee (SPC): defining a municipality vision, LG mission, strategic goals, selecting strategic projects. A planning process will enable your community to channel its scarce financial and human resources to addressing the most burning issues and obtain the most tangible economic benefits.

Despite the fact that a successful development of a SPED is an important achievement, the real indicator of your success will be the extent of its projects being translated into life. A SPC does not bear the main responsibility; it is the municipality and its structural units dealing with LED, which bear the major burden of responsibility.

A SPED is a “menu” of recommended efforts focused on addressing local community issues. It is impossible to implement all the projects included in the SPED without any delay; the municipality and project leaders will have to concentrate their efforts on specific events.

One of the main issues is to decide who will be responsible for coordinating, monitoring and overseeing SPED implementation. It should be noted that a SPED implementation stage differs significantly from its planning stages. If planning refers to the collective efforts of an SPC that are related to developing an SPED and focused on addressing a whole range of issues, then an implementation stage requires individual responsibility of different organizations for project implementation. Thus, implementation requires a whole system to deal with managing all LED issues.

4.1. LED system implementation

It is necessary to create a *LED System* for efficient SPED promotion, including its implementation, monitoring, evaluation and update, as necessary. This system consists of the following elements:

- Local Council;
- LED Council;
- LED unit.

4.1.1. *Get the local council involved*

A local council, as a political body, performs the role of general oversight of events related to LED, which include the implementation of a strategic plan. A local council determines a policy, responds to the changing environment, submits annually a detailed report on the local economy condition and strategic plan implementation, considers this plan and takes appropriate decisions, as necessary.

4.1.2. *Create LED Council*

A local council has no opportunity to consider LED issues at each of its sittings; this representative body has to devote its attention to many other issues. Given this fact, it is necessary to create a new organizational unit to achieve SPED goals and tasks and address LED issues on a regular basis: *LED Council*.

LED Council is a consultative body that includes representatives of a local government, businesses, public, scientific and other organizations. Its role is a regular analysis of local economy status and SPED implementation. Proceeding from this analysis, the LED Council will develop appropriate recommendations for the Local Council on adjusting a policy related to economic development and for LED unit to adjust its activity to local economy needs.

Illustration 4.1.1. Model composition of LED Council

Presidium:

- Mayor/LG Head
- Local Council Chairperson
- Business Association Executive Director

Council members:

- Deputy Mayor
- Local Council Economy Committee Chairperson
- Head of Financial and Economic Department
- Head of Municipal Property Department
- Director of Architecture and City Development Department
- Business Support Center coordinator
- Local University Economy Department Head
- Entrepreneur
- Entrepreneur

Council's Secretariat

- LED Unit Head

4.1.3. Create LED unit

The most important issue of a SPED and its project implementation is a municipality's organizational capacity. In many cases an LG develops a very good strategy and is then unable to implement it due to the fact that there is no unit responsible for ensuring that this happens. Unless there is an appropriate "apparatus", a strategy, its implementation, monitoring, evaluation and updating are mere words. For this purpose the LG has to create a new unit: the *LED unit*, which will be responsible for day-to-day execution of functions required for LED promoting. These include preparing reports for a LG and LED Council. The main purpose of a LED Unit is to create conditions for a municipality economic development and support small and medium businesses.

When creating such a unit it is necessary to consider several factors:

Legal environment factor. The main factor for such units to operate is a legal environment, as the KR legislation somewhat restricts a LG right to create a new staffing plan and change its organizational structure.

Organizational form factor. It is also important to be aware of the fact that a community size plays an important role when selecting such a unit form. In small municipalities an autonomous organization may prove to be non-viable, whereas in large cities one specialist may be unable to fulfill these functions in an efficient and appropriate way. A function of providing services in the area of local economic development support may be implemented by a municipal government in various organizational forms.

Illustration 4.1.2. LED Unit organizational forms

Organizational form	Features
• LED specialist	A position on the staff, accountable to a LG higher level official or coordinator. Is suitable for small rural municipalities.
• LED division / sector	A unit of an executive economy block with its own head. Is suitable for large rural municipalities and small towns.
• LED department	An upper level unit headed by an authorized manager. Is suitable for large cities.
• LED agency	An organization created outside the structure of a LG in the form of a non-commercial organization. Is suitable for all types of municipalities, except small rural municipalities.

When this function is fulfilled by a municipal structural unit, the municipality is in full control of LED program areas and tasks. It allocates finance from its budget and receives a report on the unit activity. An advantage of this form is that being part of a municipal government structure, this unit has access to other municipality departments' resources and services. A disadvantage of creating an LED unit as part of a LG is that it may get lost among other units. This problem is related to the hierarchy principle of staffing and decision-taking within a LG. If an LED unit is part of an LG it is also part of the public sector and political culture. And this sector is known to be in most cases unable to quickly react to and be flexible to changes. It complicates relations with businessmen, irritated by the red tape.

LED organizations, created outside an LG proceeding from the principles of private public partnership, operate in a different way. Such organizations are mostly called *agencies* and have the status of a non-commercial organization headed by a president or executive director. Management and financing of such an organization is divided between partners, a municipality being its major finance resource, so this financing has to be sufficient. A partnership model should not be viewed as a way of saving municipal finance spent on LED. The main goals

should be achieved at the expense of a municipal budget, whereas attracted business and other partners' finance will be spent to enhance a positive impact of such an organization on the economic development.

For an external organization to be effective it should operate at a distance from the direct LG operations. In other words, the organization's autonomy and independence are important factors, but its relations with the municipality still play an important role. An organization is a player in the municipality team and should promote the community goals and tasks. One of the advantages of an external organization is that its non-hierarchical organizational structure enables it to take decisions without delay. It also enables such an organization to operate in a business-like atmosphere which is familiar to businesses, as part of a client-oriented culture, rather than a municipal (political) culture.

Human resource factor. The availability of skilled personnel is very important for such an organization; its successes and failures directly depend on this factor. It should also be noted that LED unit staff must be highly skilled. It is compulsory for them to have very good computer skills and know at least one foreign language. Such high demands condition their high salaries and, according to the international experience, such costs are fully justified.

Illustration 4.1.3. Case-study: LED departments in Serbia

In Serbia, LED departments have, on the average, five or six members on their staff. At the beginning, such departments had only two-three people. Later, when local governments became aware of the importance of the functions fulfilled by such departments and the importance of the results which had been achieved, they decided to enlarge them and to assign additional functions and authorities to these departments. Currently, one of the Serbian cities has a LED Department employing 18 specialists!

As a result of the staff increase, individual members have been able to specialize in specific areas. LED Departments, as a rule, have specialists in agriculture, tourism, small and medium business, information technologies, as well as engineers, architects, etc.

Model composition of LED department in Serbia:

- LED Department Head – usually an economist
- 1 economist
- 1 specialist in IT / database development / marketing
- 1 specialist in specific areas (agriculture tourism, etc.)
- 1 architect (city planning)
- 1 legal specialist

4.2. Approve LED system

After an LED system type is defined, it is important to assign an official status to the LED system. This may come in the form of an appropriate local council resolution. A resolution should include a preamble explaining a municipality's initiative of implementing this system and some information on the LED system and its elements. The purview of the document should list the following measures:

- Creating an LED Council and defining its composition (see illustration. Model composition of LED Council).
- Approving a regulatory act on a LED Council (see Model Regulation "On LED Council").
- Creating an LED unit at the Mayor's Office (City/Ayil Okmotu Administration).
- Approving a regulatory document on a LED unit (See Model Regulation "On LED Unit").
- Submitting calculations on LED unit activity financing for a respective fiscal year by the Finance Department to the Standing Budget Commission.
- Assigning the function of oversight of this resolution implementation, including LED system details, to a specific official.

4.3. Organize project leaders activity

Upon implementing a LED system, in particular, upon creating a LED unit, the next step is project implementation. The main role in this activity shall be played by a newly established LED unit, whose role is to bond the leaders responsible for each strategic project implementation. One of the ways of establishing coordination between them is to create specific working groups on each project, headed by a selected leader. Each working group shall consist of representatives of organizations responsible for various issues related to a specific project implementation. It may so happen that many organizations, represented in the

SPC, will be also represented in each working group.

A municipality may stipulate these working groups' obligations in an "implementation agreement", where each group member expresses its consent to fulfill specific tasks. An agreement on implementation may define a general goal, tasks and functions of a working group related to providing resources (human, material, financial) by each organization. In addition, an agreement may include a brief description of specific tasks coordinated with each organization.

An LED unit shall have to arrange regular meetings of the leaders and working groups to consider each group activity related to implementing project goals and tasks. Ideally, each working group, headed by its leader, shall provide regular progress reports to a LED unit, and a LED unit, in its turn, may hold meetings to provide regular information on SPED implementation work to the working groups. Finally, it is very important that an LED unit provide regular (quarterly) information on the progress to the LED Council. It is also recommended that project leaders participate in LED Council meetings to be able to report to the LED Council on their working groups' performance.

4.4. Develop project implementation plan

A project implementation plan is aimed consolidating actions in each project in order to establish an integrated system of SPED implementation. Its goal is to help coordinate efforts and focus on meeting the set goals and tasks. It is important that a project implementation plan include both goals and tasks, as well as outcomes defined in SPED; these elements are benchmarks to measure the effectiveness of the activities. An implementation plan helps one to clearly define all the tasks which are required to ensure each stage of implementation and to clearly define individual responsibilities. It provides a schedule for each task execution, identifies its executors, and estimates each task's

cost. An implementation plan is also a starting point to define the types of costs to be applied in budgeting.

The first step in compiling an implementation plan is to bring together all the project leaders with their working groups and other stakeholders. By concentrating on one priority issue, this group may at first consider a set of efforts included in the SPED and then brainstorm a list of specific tasks focused on implementing a specific effort. After brainstorming these tasks should be listed according to the implementation timelines. Then, define the time when you would implement a specific

effort and develop a schedule for each task which will help you to meet the deadlines.

When compiling a schedule you should define and assign responsibilities related to each task execution and determine respective costs. You may take this path for each project prior to developing a comprehensive plan of implementing all the projects.

It is important that an LED unit and, to the extent possible, an LED Council update the implementation plan from time to time to see if the scheduled tasks are being implemented. The implementation plan will be the most important document to monitor and evaluate your outcomes.

Illustration 4.4.1. Model form of project implementation plan

Project			
Goals		Anticipated outcomes	
<i>Specific tasks</i>	<i>Schedule</i>	<i>Costs</i>	<i>Responsible persons</i>
Task 1			
Task 2			
Task 3			
Task 4			
Task 5			

4.5. Develop implementation budget

An essential component of implementation is to create a system of accurate monitoring of project costs and receipts. It is both related to budgeting and reliable accounting.

A financial plan is a tool to monitor project fund spending and helps to oversee project implementation. It defines expense timelines and includes information on possible problems related to cash receipts.

A project budget, in conjunction with efficient accounting procedures, shall:

- Define specific types of work costs;

- Channel finance so that it is spent only to performing the works directly related to the defined goals and tasks;
- Defines the required resources and timelines for them to be used;
- Makes it possible to check costs incurred in performing specific types of work;
- Determines project costs and administrative and operational costs ratios for the project further implementation;
- Provides information on potential problems related to cash flows, prior to these problems occurrence for the needed efforts to be made.

Illustration 4.5.1. Model monthly financial report

<i>Cost item</i>	<i>Total budget</i>	<i>Current costs</i>	<i>Aggregated costs</i>	<i>Balance</i>
Task 1				
Task 2				
Task 3				
Task 4				
Task 5				

4.6. Ensure financial implementation

Your SPED shall require various costs. For example, holding a project leader meeting requires very small municipality costs (or no costs at all), educational events delivered to local businessmen require moderate costs, whereas launching a business support center and providing technical equipment for it may be rather expensive. Your municipality will have to provide adequate finance for each event of every project included in your SPED.

Mobilizing capital for SPED project implementation is one of the most crucial issues of the implementation process. In addition to a SPED, a municipality has to address some issues requiring immediate attention, particularly those relating to financing, given the fact that a municipality possesses a rather limited number of local finance revenue sources. It will be rather important to attract grants from international donors and assistance from the local community, businessmen, in particular.

There are several opportunities for municipalities to gain some revenues to pay capital and maintenance costs related to SPED projects. These should be considered carefully and these options should be evaluated to understand which of the revenue sources are the most suitable to you, given your legislative authorities and local political factors. As a result, you will have to develop a good quality plan to

finance all the events to ensure an efficient resource allocation over the project implementation period.

Conclusion

Successful project implementation may prove to be the greatest challenge of your SPED. Local community efforts will, in the long run, be evaluated according to different organizations' success in implementing SPED recommended projects, and according to the degree improvement in your local economic condition. Your municipality and project leaders encounter numerous problems when implementing specific efforts, including ensuring the required organizations' participation, obtaining adequate finance and ensuring that each organization responsible for implementation shall fulfill its obligations.

It is critical that your municipality, being the major SPED implementer, will become its projects full-fledged "owner". This involvement may take the shape of the municipality including some SPED efforts in such law established planning processes as, for example, compiling a land use plan or local budget.

The private sector, being the main SPED client, opens up rather effective project implementation opportunities. NGOs also have rather wide opportunities for some projects implementation.

PART V. STRATEGY MONITORING AND IMPLEMENTATION EVALUATION

*“Look before you leap”
(Russian folk saying)*

Introduction

Upon launching the program implementation, it is important to organize a process of monitoring and assessment of the achieved results. An efficient monitoring and evaluation system enables one: a) to compare the achieved results with the previously set goals and tasks; b) determine the extent to which you have achieved the set goals; c) determine if you are likely to meet the deadlines.

Monitoring and evaluation are not “an event” at the end of a project, but an ongoing process, which helps people taking decisions to evaluate how successfully a specific event or overall project is implemented. Efficient monitoring and evaluation require a regular collection of information and analysis of important data over the whole period of a project implementation.

The first step in developing a monitoring and evaluation program is the analysis of SPED goals, tasks and indicators to see if they are relevant and based on the up-to-date information. The next important step is to create a system of reporting on the activity of all the implementing organizations. It will ensure a systematic approach to the responsibility of all the executors for achieving SPED stipulated goals.

Once tasks and indicators are defined, and a system of reporting and collecting the required information is created, you will be prepared to evaluate project results. Project evaluation involves comparing the actual outcomes with the tasks set in your SPED. One of the most important evaluation process aspects is that it provides executors with specific data useful for work adjustments and outcome improvements. Summarizing the effort also provides a valuable experience to be applied in your

further activity. Finally, it is very important to inform the local community of the achieved outcomes and inform implementing organizations of people’s opinion.

5.1. Establish reporting system

An efficient system of reporting records data is related to the work of all the implementing organizations. In practice, it ensures a systematic supply of information to all the responsible parties on how successfully they are moving towards the goals and tasks set by the SPED. An efficient reporting system includes the following elements:

- Resources provided for the overall process implementation;
- Clearly defined tasks and a set of indicators to evaluate changes;
- Schedule and list of instructions on mutual reporting of all the responsible parties;
- Opportunity for regular meetings of implementing organizations to coordinate their actions and consider what has been accomplished;
- Coordination between evaluation reports and annual budgeting process.

An LED unit may develop a standard report form to streamline the process of data collection and systematization. Each organization provides information to the LED unit, which, in its turn, summarizes this information in a report form. It is desirable that these reports be sent to various organizations, including a local council, Mayor/Head and their office staff, LED Council members, project leaders and other stakeholders. The language and style of these reports may differ, but information should be logical and precise. A clear and

accessible reporting system is irreplaceable in conducting monitoring and evaluation.

Illustration 5.1.1. Reporting system

	LEVEL 1	LEVEL 2	LEVEL 3
	Vision elements (socio-economic situation; quality of life)	Strategic goals	Strategic projects
Local Council	<u>Once a year</u> Considers a Report on strategic plan implementation and general situation in the local economy. Makes adjustments to the development program, as necessary.		
LED Council	<u>Once a year</u> Considers a draft report on strategic plan implementation and general situation in the local economy. Provides recommendations to the local council on adjusting the development program, as necessary.	<u>Once a quarter</u> Considers information on strategic goals achievement and general situation in the local economy. Provides recommendations to bodies responsible for project implementation, as necessary.	<u>Once a quarter</u> Considers information on strategic project implementation. Provides recommendations to bodies responsible for project implementation, as necessary.
LED unit	<u>On a daily basis</u> Collects and processes information (monitoring and evaluation). Drafts a report for the LED Council and finalizes a draft report for the Local Council. Implements recommendations and decisions of the Local Council and LED Council.	<u>On a daily basis</u> Collects and processes information (monitoring and evaluation). Drafts a report for the LED Council Implements recommendations and decisions of the Local Council and LED Council.	<u>On a daily basis</u> Collects and processes information (monitoring and evaluation). Drafts a report for the LED Council Implements recommendations and decisions of the Local Council and LED Council.

5.2. Collect baseline data

Ideally, most evaluations include both quantitative and qualitative data. Quantitative data are data which can be counted and measured. Quantitative data on local economic conditions show actual economic improvements, for example, a reduction in unemployment or the number of

new businesses. Quantitative data collection tools are, as a rule, individual for each project.

It is more difficult to evaluate how successful a project is by using qualitative data. They, most often, include problem evaluation, user satisfaction with some service, etc. Still, qualitative data may help to achieve a true understanding of the impact of your project on the life of simple

people, businessmen and other population layers. They are, usually, obtained through surveys and personal interviews.

To ensure a full understanding of project achievements and problems it is necessary to collect both types of data. For example, to address the issue of a continuous shortage of potable water, a municipality may make a decision to implement a pilot program of saving water through installing water meters. Quantitative data show how much water has been saved, whereas qualitative data help to understand the extent to which the users are satisfied with the new water meters. Both types of information are compulsory for determining if this program is a success.

When collecting data it is necessary to ask the following questions:

- For what indicators are data currently collected?
- What are the main information sources?
- To what extent are data reliable and accurate?
- Are the data available and useful?
- Are there any costs to be incurred in obtaining the required data?
- What steps have to be taken to collect data for the indicators which currently have no data? What costs will have to be incurred to collect new data?

It is important that data are collected prior to the project launching. This will provide you with baseline data on the current condition of the local economy to be applied to evaluate the selected projects and efforts implementation effectiveness.

5.3. Evaluate the outcomes

Upon coordinating the tasks and indicators, defining the system of reporting, collecting the required data, you are ready to start your project evaluation. An evaluation process includes comparison of the achieved outcomes with the tasks stipulated in your SPED, determining whether they were implemented in a timely way. It is important that evaluation is

conducted regularly during the project implementation period and at the time of completing the project. An evaluation report includes a brief description of the main actions achieved, outcomes, and direct impact on project beneficiaries (benefit recipients). In addition, it should include the main conclusions to be able to update the current and future projects.

In order to conduct evaluation, it is necessary to answer the following questions:

- Is it a successful project in the sense of achieving the planned outcomes?
- Does the project card define clearly who is responsible for what efforts and what are the timelines? If not, what obligations and what timelines are not clearly defined?
- Have the project implementation stages been implemented according to the plan? If not, what operative adjustments have been made?
- Do the costs fit the project implementation budget?
- Have you learned the lesson of improving your future projects from this project implementation experience? If yes, what are your improvement proposals?

One of the issues to be addressed by your LED unit is related to *who* will be responsible for evaluation. When selecting a person to evaluate a project, think of people who are able to hear, negotiate, aggregate numerous results and solve problems. In addition to professional skills, you should take into account whether an individual will have to work in one of the implementing organizations or remain removed from the project.

Outsource specialists on evaluation are hired on a contractual basis from some external organizations. In most cases they have a wider knowledge and experience than “internal” specialists, are able to conduct an objective and unprejudiced evaluation. On the other hand, outsource specialists may not know project details and may have a limited idea of its goals and tasks. As an alternative, a staff member may be assigned the task of conducting an

evaluation. An internal specialist may have a better access to the organization resources and unofficial feedback from the stakeholders, but he/she may be unable to look at it with the eyes of an outsider and lack technical evaluation skills of an outsource specialist.

5.4. Use evaluation results

At the very beginning of the process, an LED unit should think of the way to use evaluation results. Implementing organizations are more likely to use information obtained as a result of evaluation, if they understand, participate in and manage the evaluation process. So, the more people you consult during this process, the easier it will be to apply its results to improve the project. Below, you can see some key questions to be taken into account when applying evaluation results:

- What plays the role of “release mechanisms”? In other words, when do you adjust a program policy as a result of the from evaluation findings?
- Who takes a decision on whether such changes must be made?
- Who are implementing organizations accountable to, as regard such changes? Who “exerts pressure” on the situation?
- How often are changes made? As they occur? Every five years? Every ten years?

One of the most significant aspects of the evaluation process is that it should really be beneficial to those who implement the project – provide information to be used by project organizers and participants to get better outcomes. Evaluation enables you to obtain information required for making decisions on how to improve your project. Thus, if you failed to fulfill some task within the planned period, the evaluation results can provide some important information on how you could revise your actions.

5.5. Provide outcome information to local community

It is important that the local community is informed of SPED implementation and its goals and tasks achievement. Local community members should be aware of the economic situation in the municipality, improvements, and what steps may be taken by specific persons to provide assistance in meeting the community economic goals. It will require an effective exchange of information to identify the public opinion and provide information the implementing organizations.

In the process of providing information to the public on evaluation results, you should use visual and verbal presentations, progress reports and unofficial discussions. These efforts may be supported by:

- Preparing specific brief descriptions and popular articles including evaluation results and targeted at a specific audience or stakeholders.
- Carefully prepared press-releases and their presentation in mass media by some respectable public leader.
- Holding a press-conference related to this press-release.
- Verbal presentations for target groups, including training events for demonstration purposes, which are based on active involvement of participants in the process of analysis and explanation.
- Skillfully developed graphs, tables and visual aids to be used at reporting meetings.
- Developing a brief video material, presenting the results, to be shown during analytical meetings and discussions.

Conclusion

An efficient monitoring and evaluation system can ensure that the goals and tasks are achieved by means of the efforts you have selected. Indicators create the basis for a quantity and quality evaluation and, ideally, must be directly related to your

goals and tasks. The LED unit collects data on each implementing organization and this information is used as a basis for project implementation effectiveness evaluation. A monitoring and evaluation process is of great importance in identifying if programs' tasks are achieved and what changes are

required to continue this work in the right direction. An essential condition of ensuring feedback is providing information on program implementation outcomes to local community members, local council and other stakeholders.



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Dear _____!

_____ City developed its Strategic Plan in 2005 and has been successfully implementing it. After three years of its implementation the time has come to update it. An updated plan will be focused on local economic development. We believe that, by supporting the city residents when they start or develop their businesses, we will be able to create new jobs and in this way help our residents to earn their living.

This work started with creating a Strategic Planning Committee, which evaluated the present strategic plan and is currently working at its update.

An updated strategy will focus on issues related to local economic development and, so, it is very important for us to be aware of obstacles existing at the local level. That is why, we request local businessmen to spend some 10-15 minutes of their time to fill out this questionnaire. This Survey goal is to identify and address problems, keep the current businesses from collapsing and create conditions for new businesses.

We are very appreciative of your input!

We would like you to follow the instructions to each question. Please, return filled out questionnaires to the local Association of Entrepreneurs or City Administration.

Thank you for your cooperation!

Instructions:

Evaluate the local economic development (LED) conditions. Provide an answer by marking one of the options. If you want to give a different answer, please, put it down.

INFORMATION ON RESPONDENT:

<i>Firm size</i>			<i>Activity type</i>			
<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Industry</i>	<i>Commerce</i>	<i>Services</i>	<i>Other</i>
<i><10 employees</i>	<i>10 < employees <50</i>	<i>> 50 employees</i>				

Thank you!

BUSINESS ENVIRONMENT

1. Evaluate the following elements describing business environment by marking your answer on the scale

	I. Fully agree	II. Agree	III. Do not know	IV. Disagree	V. Absolutely disagree
1.1. Our residents are entrepreneurs, they possess initiative in addressing their problems on their own, including searching for a job and ways of finding some money to live on.					
1.2. The City Administration supports entrepreneurs who have or are going to launch a business or those who are engaged in other types of initiatives.					
1.3. The residents respect those who have their business and are friendly disposed to them.					
1.4. The City Administration thinks and manages the City strategically, i.e. they are well aware of the situation in the City and conduct its full analysis, create development programs, take a strategic approach to the restricted local resources and use external resources.					
1.5. The City public utilities do not compete with the private sector and provide such services which the private sector is unable to offer.					
1.6. The City involves the private sector in providing services (delegates its authorities to the private sector)					
1.7. The City Administration has created good conditions for private investments, i.e. welcomes investors and tries to accelerate investment processes.					
1.8. Land sale and lease procedures for the City development are transparent and comprehensible.					
1.9. The procedures (tender) for attracting contractors to provide services in the City are transparent and comprehensible.					
1.10. Cooperation and Administration reaction to entrepreneurs claims and complaints					
1.11. Other elements:					

OBSTACLES IN THE WAY OF BUSINESSES

2. Identify which of the following conditions create serious obstacles in the way of running your business in the City by marking your answer on the scale?

(keep in mind, that the issues we include are such which local governments may influence)

	I. Very large obstacle	II. Large obstacle	III. Do not know	IV. Small obstacle	V. Very small obstacle
2.1. Is it possible to find a labor market and a worker with appropriate skills for your business?					
2.2. Is it possible to find information on products and services which are in demand on the market, with the help of which you could expand your business?					
2.3. Knowledge and skills to run/expand your firm – e.g., accounting, taxes, pricing, sales, etc.					
2.4. Information on and access to technologies and equipment, required for various goods and services producing.					
2.5. Is it possible to get a loan or other types of finance to cover your firm operating costs or investments?					
2.6. Is it possible to buy or lease some land to expand your firm operation?					
2.7. Quality of utilities and infrastructure, such as water, sewage, roads, which your firm needs.					
2.8. Good quality, clear and transparent administrative services, for example, issuing different types of permits required for your firm operation.					
2.9. Is it possible to market and promote your goods or services through various channels?					
2.10. Enabling and transparent local fees and taxes (for example. Land tax, retail sales tax, hotel tax, waste management fee, parking fee, tax on vehicles), which you have to pay to your local budget.					
2.11. Business infrastructure support (business centers, assistance in creating business plans, guarantee funds for obtaining bank loans, etc.)					
2.12. Other:					

DETAILED QUESTIONS

3. Human resources

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
3.1. Do you plan to expand your firm?					
3.2. Will you be able to find workers of appropriate skills without running into problems?					

3.3. What specialists will you need for your firm?					
3.3.1. Administrative					
3.3.2. Vocational					
3.3.3. Mechanics					
3.3.4. No special skill workers					
3.3.5. If any other, specify it:					

4. Business opportunities	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
4.1. Do you see any opportunities for business on the market?					
4.2. Are you aware of what goods and services are in demand on the market?					
4.3. Do you have any opportunity to cooperate with some other firms?					

5. Knowledge of firm management

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
5.1. Do you think people are aware of how to create and manage a firm?					
5.2. Do you have enough knowledge to manage your firm?					
5.3. Do you have enough knowledge to manage a large firm if you decided to expand your firm?					
5.4. Are you interested in business training?					
5.5. Do you have an opportunity to attend business training?					
5.6. What training would be interesting to you?					
5.6.1. Legislation					
5.6.2. Taxes					
5.6.3. Accounting					
5.6.4. Marketing					
5.6.5. Human resources					
5.6.6. If anything else, please specify:					

6. Technologies and equipment

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
6.1. Have you got any information on technologies or equipment required for your firm?					
6.2. Do you have access to technologies and equipment?					
6.3. Do you have access to natural resources required for your firm?					

7. Financial capital

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
7.1. Are you satisfied with the financial service infrastructure (banks, micro credit institutions)?					
7.2. Is it easy to obtain financial capital in financial institutions?					

7.3. If not, what are the main obstacles in the way to financial capital:					
7.3.1. Terms of obtaining capital (interest rate, loan maturity)					
7.3.2. Preparing documents, such as application, business plan					
7.3.3. One needs a collateral to obtain a loan					
7.3.4. If anything else, please, specify?					

8. Land and real estate

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
8.1. Will you have access to land if you take a decision to expand your business?					
8.2. Do you have access to real estate and premises?					
8.3. Have you ever bought or leased land or real property from the local government?					
8.4. Was it a clear, fair and transparent procedure?					
8.5. How long did the process last?					

9. Services and infrastructure

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
9. Are you satisfied with the quality of public utilities:					
9.1. communications (telephone, internet)					
9.2. transport					
9.3. electricity					
9.4. heating, hot water					
9.5. water					
9.6. sewage					
9.7. solid waste management					
9.8. safety					
9.9. education					
9.10. healthcare					
9.11. housing supply					
9.12. social welfare					
9.13. If anything else, please, specify?					

10. Administrative services

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
10.1. Do you have access to good quality administrative services, such as issuing a license to carry on economic activity, architecture, ecology, SES department permits?					
10.2. Are local procedures clear and transparent?					

11. Marketing and promotion

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
11.1. Is it easy for you to promote your goods and services?					
11.2. Are you interested in promoting your goods and services through channels created by your local self-government, such as a jointly developed promotion brochure					

12. Local fees and taxes

	I. Definitely	II. Yes	III. Do not know	IV. No	V. Not at all
12.1. Are local fees and taxes (land tax, retail sales tax, hotel tax, waste management fee, parking fee, tax on vehicles) beneficial and transparent?					
12.2. Is your local government supportive of business development?					

Annex 3. Model Resolution of Local Council on LED System Creation

RESOLUTION

« ___ » _____ 20__

№ _____

On Measures of Creating Local Economic Development System in _____ City

The City of _____ intends to create incentives for local economic development (LED) which will have a positive impact on its citizens' life quality, being the main goal of the local government.

The Local Economic Development Strategic Plan for 2008-2012 has been created for the purpose of accelerating local economic development. The philosophy of this Strategic Plan, focused on accelerating the achievement of positive changes in the local economy, is defining strategic tasks and doing one's best to execute them.

In this connection and for the effective promotion of local economic development, including the strategic plan implementing, monitoring, evaluating, and updating, if required, it is necessary to create a system of local economic development.

This system includes the following main elements:

1. Local Council;
2. Economic Development Council;
3. Economic Development Sector.

The City Council, as a political body, shall exercise a general oversight of the events related to local economic development, including the Strategic Plan implementation. The City Council shall pursue a policy and respond to the need of introducing changes, proceeding from the changing environment. The City Council shall be annually submitted a detailed report on the local economy condition and Strategic Plan implementation, review it and take appropriate decisions, as necessary.

The Economic Development Council is a consultative body which includes representatives of the local government, business, public, scientific and other organizations. The role of the Economic Development Council is a regular review of the local economy status and Strategic Plan implementation. Proceeding from this analysis, the Economic Development Council shall develop appropriate recommendations for the City Council on adjusting the policy of economic development and for the Economic Development Sector on adjusting its activities given the local economy needs.

The Economic Development Sector shall be responsible for daily execution of its functions of economic development promotion, including reports to the Local Government and Economic Development Council. The main goal of the Sector is to create appropriate conditions for the City economic development and support small and medium business development.

Taking the above mentioned into consideration and for the purpose of implementing _____ City Strategic Plan for Economic Development for 2008-2012, the City Council

RESOLVES:

1. to create _____ City Economic Development Council, including ___ members (Annex 1a);
2. to approve a Regulation on _____ City Economic Development Council (Annex 1b);

3. to create a Sector of Economic Development, with two people on the staff for 2008;
4. to approve a Regulation on the Sector of Economic Development (Annex 1c).
5. The City Financial Department shall submit its calculations on the Sector of Economic Development financing for 2008 to the Standing Budget Committee
6. Vice Mayor _____ shall be responsible for this Resolution execution, which includes defining local economic development system details.

Chairperson

Full name

Annex 3a. Model Composition of Economic Development Council

Composition of Economic Development Council of _____ City

Council Presidium:

- | | |
|---|----------------------------|
| 1. Full name (Mayor) | Council Chairperson |
| 2. Full name (City Council Chairperson) | Council Deputy Chairperson |
| 3. Full name (Association of Entrepreneurs) | Council Deputy Chairperson |

Secretariat:

4. Full name (Head of Economic Development Sector)

Council members:

5. Full name (Vice Mayor)
6. Full name (Chairperson of Committee on Economy)
7. Full name (Head of Financial Department)
8. Full name (City Chief Architect)
9. Full name (Municipal Property Department)
10. Full name (Entrepreneur)
11. Full name (Entrepreneur)
12. Full name (Entrepreneur)
13. Full name (Higher educational establishment)
14. Full name (NGO)
15. Full name (Business incubator)

Annex3b. Regulation on LED Council**REGULATION ON LOCAL ECONOMIC DEVELOPMENT COUNCIL**
_____ City

Approved by the City Council
as of «__» _____ 20__, № _____)

1. GENERAL PROVISIONS

- 1.1. _____ City Local Economic Development Council (hereinafter referred to as Council) is a permanent consultative body created on the basis of public and private partnership to develop recommendations and proposals on the main areas of _____ City economic policy.
- 1.2. The Council shall be created on the basis of voluntary participation of the representatives of the Local Government, business, public, scientific and other organizations.
- 1.3. The Council activity shall be based on the KR Constitution, KR laws, decrees and instructions of the KR President, resolutions and instructions of the KR Government, regulatory documents of the Local Government of _____ City and this Regulation.

2. COUNCIL GOAL AND TASKS

- 2.1. The goal of creating this Council is to support the City economic policy effective implementation, coordinate the Local Government, organizations and entrepreneurs activity focused on _____ City economic capacity development, given the interests of organizations and entrepreneurs.
- 2.2. To achieve the above mentioned goal the Council shall execute the following tasks:
 - monitoring and evaluation of the Economic Development Strategic Plan implementation and general situation in the City economy;
 - producing proposals for the Local Government on issues within its competence.

3. COUNCIL FUNCTIONS

- 3.1. As part of the monitoring and evaluation of the Economic Development Strategic Plan implementation and general situation in the City economy the Council shall:
 - Once a year be provided and consider a draft report on the Economic Development Strategic Plan implementation and general situation in the City economy. If necessary, it shall make recommendations to the City Council on amending the development program;
 - Once a quarter be provided and consider information on the strategic goal achievement and general situation in the local economy. If necessary, it shall make recommendations to the bodies responsible for projects implementation;
 - Once a quarter be provided and consider information on implementing strategic projects. If necessary, it shall make recommendations to the bodies responsible for project implementation.

3.2. The Council shall develop recommendations on:

- Perspective areas of the City economy development, given its long-term plans and development strategies of the economic entities, for the purpose of ensuring effective socio-economic development of the City;
- Creating an infrastructure development strategy to meet the needs of the City socio-economic development;
- Labor resource development strategy formation;
- Ensuring interaction of the central and regional state government bodies, local government, economic entities, public, scientific, financial organizations as regard the City strategic development issues;
- Other important City development issues.

4. COUNCIL RIGHTS

4.1. To execute its functions the Council shall be entitled to:

- Request and be provided materials, required for preparing issues to be considered at the Council sitting, from the local government and organizations according to the established procedures;
- Given there is an appropriate Council Chairperson's decision, invite local government officials, representatives of organizations to its sittings and hear information on the current situation in these organizations for the purpose of their active participation in the City perspective development;
- Send its representatives to meetings, conferences and seminars to participate in creating and implementing the City socio-economic development programs.

5. COUNCIL COMPOSITION AND FORMATION RULES

5.1. The Council shall be formed from representatives of _____ City Local Government, economic entities, public, scientific, financial organizations, as agreed with them.

5.2. The Council shall include: the Chairperson, his/her Deputy(Deputies), Secretariat and members.

5.3. The Council activity shall be managed by the Council Chairperson or his/her Deputy on the instruction of the Chairperson.

5.4. The Council Chairperson or his/her Deputy on his/her instruction shall:

- Determine a venue and time for the Council meetings;
- Chair Council meetings;
- Compile a work plan and agendas of its regular meetings, proceeding from the Council members' proposals;
- Give instructions to the Council members.

5.5. The Council Secretariat (Economic Development Sector) shall:

- Prepare the Council draft work plan, draft agendas of its meetings, organize development of materials for the Council meetings, and draft its respective decisions;
- Inform the Council members of the venue, time and agenda of a regular meeting provide them with the required materials;

- Provide information to mass media on events planned and held by the Council;
 - Make arrangements for the Council decisions publishing in mass media.
- 5.6. The Council members shall make proposals on the Council work plan, its meeting agendas and procedures for various issues discussion, take part in document drafting, including decisions of regular Council meetings.
- 5.7. The Council shall be entitled to establish permanent and temporary working groups of the Council.
- 5.8. The Council working groups may include the Council members, representatives of professional associations of entrepreneurs and enterprises, educational establishments, public and other organizations, involved in the Council work.
- 5.9. The Council Chairperson shall approve the list of working group members and work plan.

6. COUNCIL PROCEDURES

- 6.1. The Council meeting shall be chaired by the Chairperson, and by his/her Deputy in his/her absence.
- 6.2. The Council meeting shall be legally competent if attended by more than half the Council members. The Council decisions shall be taken by a majority vote of the members registered at the Council meeting. The Council Chairperson or his/her Deputy, chairing a meeting, shall have the casting vote.
- 6.3. The Council meetings shall be documented in the form of minutes kept by the Council Secretary. The Council minutes and decisions shall be signed by the Council Chairperson or his/her Deputy, chairing a meeting.
- 6.4. The Council members having a dissenting opinion on the issues discussed by the Council shall be entitled to express it in the written form. Their dissenting opinion shall have to be included in the Council minutes and attached to them.
- 6.5. The Council decisions shall be provided to the Council members within five working days.
- 6.6. The Council decisions, taken in the form of conclusions, proposals, appeals, shall have the status of recommendations.
- 6.7. The Council decisions shall be provided to the Local Government, interested organizations and enterprises of the City.
- 6.8. _____ City Mayor's Office shall be responsible for the Council organizational, technical and material support.

Annex3c. Regulation on LED Sector**REGULATION
ON LOCAL ECONOMIC DEVELOPMENT SECTOR
OF _____ CITY MAYOR'S OFFICE****1. GENERAL PROVISIONS**

- 1.1. The Local Economic Development Sector (hereinafter referred to as Sector) is a structural unit of _____ City Mayor's Office.
- 1.2. The Sector activity shall be based on the KR Constitution, laws, decrees and instructions of the KR President, resolutions and instructions of the KR Government, resolutions and instructions of _____ City Mayor, _____ City By-laws and this Regulation.
- 1.3. In its activity the Sector shall be subordinated to the City Mayor and headed by the Sector Manager.
- 1.4. The Sector structure, staffing plan and this Regulation shall be amended by the Sector Manager and approved by the Mayor according to the established procedures.

2. SECTOR GOAL AND TASKS

- 2.1. The main goal of the Sector is to create conditions for the City economic development and support small and medium business development.
- 2.2. The Sector shall address the following tasks to achieve this goal:
 - Ensuring implementation of actions (projects) of _____ City Economic Development Strategic plan for 2008-2012;
 - Creating enabling conditions to improve business supporting infrastructure;
 - Increasing business activity to address social and economic issues of the City development.

3. SECTOR FUNCTIONS

- 3.1. To execute its tasks the Sector shall fulfill the following functions:
 - Marketing:
 - Developing advertisement and solicitation materials (brochures, CDs, municipality profiles, Internet site, e-mails);
 - On-going update and dissemination of advertisement and solicitation materials (in foreign embassies, foreign offices of the Chamber of Commerce, foreign embassy departments dealing with commercial issues, at exhibitions and in other municipalities and regions of the country and abroad);
 - Organizing promotion campaigns;
 - Taking part in fairs and exhibitions;
 - Organizing and participation in organizing public information campaigns, promulgating the importance of new investments and promoting the concept of social accountability of businesses to the local community as regard the environment and charitable activity;

- Representing the municipality at regional, national and international levels, as regard its economic development activity.
- Establishing contacts with investors:
 - Maintaining continual contacts with investors (internal and external)
 - Ensuring a sustainable approach to potential investors;
 - Arranging visits of potential investors for the purpose of demonstrating the City economic capacity to attract investments.
- Establishing contacts and providing direct assistance to the local business community:
 - Daily contacts with local businessmen; arranging inspections of businesses for the purpose of improving their operation (evaluation of business environment);
 - Evaluation of opportunities for strengthening the capacity of LED support instruments;
 - Providing legal and technical support: consultations and information,
 - Developing training programs for beginners in business and business associations;
 - Organizing training for legal entities and entrepreneurs on developing project proposals and documents to obtain loans;
 - Providing assistance to local entrepreneurs in the sphere of registration and re-registration;
 - Promulgating business activity concepts and public private partnership
- Supporting strategic planning processes:
 - Managing the process of developing/updating a strategic plan for local economic development;
 - Overseeing implementation of the projects, included in the strategic plan and reporting on this process;
 - Providing organizational, material and technical support to the Economic Development Council (EDC), such as writing reports, developing conclusions and proposals.
- Creating incentives and supporting the process of searching financial resources:
 - Maintaining contacts with banks, operating in the City, for the purpose of applying finance market data to provide timely information and advice to local business community representatives;
 - Identifying financial potential availability and recommending the best finance packages to service users represented by the LED unit
 - Developing recommendations on local level micro-financing and opportunities for obtaining guarantees
- Developing human resources:
 - Cooperation with the local branch of the Employment Center;
 - On-going analysis of the labor market demands;
 - Compiling databases on available specialists;
 - Developing a plan of training and retraining proceeding from investors' needs;
 - Providing information on opportunities of starting one's business, useful for the unemployed; new investor labor needs and self-employment programs.
- Preparing and overseeing economic development projects:
 - Analysis of market conditions and examining opportunities for launching development projects;

- Maintaining links with donor organizations;
 - Examining opportunities for obtaining finance to implement development programs;
 - Developing proposals on development projects;
 - Managing development project implementation.
- Producing recommendations for the LG on entrepreneurship development:
- Proposing incentives for launching new businesses and attracting direct foreign investments;
 - Proposing regulatory documents (rules and instructions) on economic development issues;
 - Proposing steps aimed at improving own revenue sources; working capacity and creating equal opportunities for women and vulnerable groups of people; increasing employment and reducing poverty; streamlining administrative and inspection procedures to support economic development;
 - Expressing its opinion regarding adoption and implementation of local investment programs;
 - Putting forward initiatives on developing and updating city plans; creating industrial and technological parks and business incubators; and rehabilitating bad environment districts.
- Supporting and improving relations with organizations and institutions responsible for economic development;
- Working with state bodies and institutions responsible for economic development issues;
 - Cooperating with international organizations dealing with economic development issues;
 - Cooperating with regional departments of the Chamber of Commerce, local/regional institutions responsible for economic development, business associations and civil sector;
 - Proposing social programs and youth employment programs in cooperation with the National Employment Agency;
 - Creating and supporting a single information system of statistical data and information, which plays a significant role in improving access to business information, economic development and reduction of unemployment, in cooperation with the National Statistics Committee and other bodies and organizations;
 - Cooperating with other cities and municipalities, exchanging experience and taking steps to bring the municipality development policy in line with that of other municipalities
- Creating and maintaining databases:
- Developing databases on:
 - available specialists;
 - local companies;
 - new domestic investors;
 - new foreign investors;
 - privatization opportunities;
 - availability of municipal land for potential investments.

4. SECTOR RIGHTS

4.1. To execute its tasks and fulfill its functions the Sector shall be provided the right to:

- Request and obtain information, materials and documents from state executive bodies, local government bodies, institutions and organizations (regardless of their legal form and agency affiliation) according to the established procedures;
- Take decisions within its competence;
- Participate in meetings held by the Mayor's Office, other events organized by the City units, public self-government bodies, public organizations;
- As agreed with the respective structural unit head, invite specialists of other Mayor's Office departments, sectors to provide advice on issues addressed within their competence;

5. SECTOR RESPONSIBILITY

- 5.1. The Sector shall prepare a report "On Implementing the Strategic Plan for Economic Development" and submit it to:
 - the Mayor on a monthly basis;
 - LED Council on a quarterly basis;
 - relevant Committee of the City Council on an annual basis.
- 5.2. Under this Regulation, full responsibility for the quality and timeliness addressing the tasks and functions assigned to the Sector, shall be placed on its Manager.
- 5.3. The degree of responsibility of other personnel of the Sector shall be stipulated in the job descriptions.

6. SECTOR RELATIONS

- 6.1. When executing the tasks assigned to it, the Sector shall interact with the City Council and its standing committees, Economic Development Council, structural units of the Mayor's Office, organizations, regardless of their legal form, and off-budget funds.