

**SUMMARY OF ACHIEVEMENTS
UNDER THE PILOT LOCAL
GOVERNMENT PARTNERSHIP
PROGRAM**

ECONOMIC DEVELOPMENT

Prepared for

East European Regional Housing Sector Assistance Project
Project 180-0034
U.S. Agency for International Development, ENI/EEUD/UDH
Contract No. EPE-C-00-95-001100-00, RFS No. 613



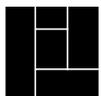
Prepared by

Pat Dusenbury
Blaine Liner
The Urban Institute

Paul Hoover
Research Triangle Institute

under subcontract to

The Urban Institute



THE URBAN INSTITUTE

2100 M Street, NW
Washington, DC 20037
(202) 833-7200
www.urban.org

October 1997
UI Project 06610-613

TABLE OF CONTENTS

OBJECTIVE	1
OVERVIEW OF TECHNICAL ASSISTANCE TO PILOT LGPP PARTNERS	2
Gliwice	2
Kutno	3
Nowy Sacz Public Service City Zone	4
Sandomierz	5
CONCLUSIONS AND RECOMMENDATIONS	6
A Defined Role for Local Government	6
A Strategy to Guide Actions	6
A Lead Agency Responsible for Economic Development	7
Public-Private Cooperation	7
Conclusion	7

SUMMARY OF ACHIEVEMENTS UNDER THE PILOT LOCAL GOVERNMENT PARTNERSHIP PROGRAM

ECONOMIC DEVELOPMENT

OBJECTIVE

The economic development component of the Pilot LGPP was guided by the following broad goal statement:

When a partner city indicates that it wants technical assistance in economic development, the priorities of the Pilot LGPP are to ensure that (1) the city has a community-based strategy to guide its economic development activities, (2) a designated agency and individual have lead responsibility for implementing that economic development strategy, and (3) there is a foundation for cooperation between the private and public sectors to promote economic development.

The details of technical assistance varied among the partner cities but in each case, it followed these five principles of economic development:

- **Long-term.** Economic development is both long-term and an on-going process; it is not a product.
- **Strategic.** A strategic approach bases decisions upon information and makes the most efficient use of resources.
- **Opportunistic.** A realistic strategy is flexible enough in the short-term to exploit new opportunities for implementation
- **Cooperative.** Strategy development, project planning and implementation are best pursued by a public-private partnership.
- **Community Based.** A strategy built on community values is stable and likely to survive personnel and political changes.

For each partner requesting technical assistance in economic development, the initial step was an environmental scan. The scan included an assessment of the local business climate, an analysis of broad socio-economic trends, and an inventory of the institutional and programmatic resources supporting local economic development.

A key function of the scan was to reveal where the partner city was in the economic development process; that is, if there was a current economic strategy, a lead agency for economic development, a foundation for public-private cooperation. Where a strategy was already in place, assistance focused on translating the strategy into action plans and developing realistic projects to implement those action plans. Where elements were missing, technical assistance focused on encouraging their development.

Scan results and discussions with local officials defined specific Pilot LGPP work agendas. Each of the four partner cities—Gliwice, Kutno, the Nowy Sacz PSCZ, and Sandomierz—that requested technical assistance in economic development has its own story. Those stories are related in the next section of this report.

OVERVIEW OF TECHNICAL ASSISTANCE TO PILOT LGPP PARTNERS

Gliwice

Gliwice initially requested a white paper to provide a “third party viewpoint” of key regional economic issues. The white paper was input to the Local Leaders Council in their development of a regional strategy, which was developed and submitted to the Gliwice City Council. The strategy was consistent with the recommendation of the white paper that economic development activities exploit the technology resources represented by Silesian Technical University, the several research institutes in the area, and the skilled local work force.

The Local Leaders Council became inactive after completing their strategy. GAIG, the lead agency for implementing local economic development activities, became the focus of Pilot LGPP technical assistance. During the second visit, interviews with representatives of the several local economic development entities and programs provided information on current economic development activities and confirmed the lead role of the Gliwice Economic Development Agency (GAIG). The second report described how to build an economic database and included an illustrative, albeit incomplete, economic scan.

GAIG selected a three-phase, technology-based development project as its top priority. Phase one was completion of the technology incubator, which is located on the campus of Silesian Technical University and had its grand opening in September, 1997. Phase two is development of a technology transfer center, and phase three is development of a research park. This project is envisioned as a partnership between Gliwice and the Silesian Technical University with GAIG taking lead responsibility for implementation.

Through a Pilot LGPP contract with FISE, a Polish consultant experienced in incubator operation, provided one-on-one consulting to the incubator management. In July, Pilot LGPP consultants helped GAIG prepare for and convene a workshop providing information about technology park development for representatives of the City Government, the University, and the research institutes. GAIG compiled the workshop materials (in Polish), added an introduction, and published the results as a small book promoting the technology transfer center and research park project. The Pilot LGPP agreed to help GAIG to develop an initial action plan for the project.

When three top officials from Silesian Technical University visited the United States in September, the Pilot LGPP consultant arranged meetings with representatives of Audubon Biomedical Science & Technology Park (Columbia University) and Columbia Innovation Enterprise technology transfer program in New York and the (UCLA) Harold Price Center for Entrepreneurial Studies and new ventures program. An October 14 technology transfer workshop for university employees is the final arena for Pilot LGPP



assistance. The Pilot LGPP is assisting with meeting planning, providing background information and a facilitator. The goal is to produce agreement on an action plan.

Kutno

Kutno requested technical assistance in reviewing the economic development plan prepared for the Kutno Regional Development Agency and in identifying opportunities and constraints affecting the feasibility of that plan. Behind that request was concern regarding a proposed major project, construction of a national food distribution center on land being purchased by Kutno. That project was designed as the cornerstone for economic development in Kutno.

The Pilot LGPP review found the economic development plan to be sound and straightforward with clear goals and realistic action items. However, it noted that the economic development plan and implementation plans for the food processing and distribution center lacked supporting documentation. Both the site development plan and the business plan for the food distribution center needed updating. The consultant recommended that Kutno go forward with the land purchase and recommended a market study of existing food processing and distribution patterns to help evaluate that proposed project. Additional information needs were identified: for example, better maps and specific plans for the new highways. A survey was designed to test and assess the needs of existing businesses.

Two follow-up visits, which included meetings with representatives of the Ministry of Agriculture, laid the groundwork for the design of a market analysis for the proposed food processing and distribution center. Preliminary investigations suggested a shift in emphasis from food distribution to a broader agro-industrial focus for the proposed park. An agricultural economist with experience in Poland joined the consultant team and prepared a paper outlining the procedures and options for a pre-feasibility agro-industrial assessment. This paper supported the recommendation for a shift away from food processing toward industrial uses and called for further market studies. It provided guidelines for that work.

The Pilot LGPP team retained services of American Systems of Marketing, located in Kutno, to prepare baseline data for a March 10-12, 1997 strategic planning workshop focused on the agro-industrial park. The LGPP economic development consultant led sessions on economic development, outlined general strategies and then applied these strategies to the Kutno situation. The strategic model followed closely the more detailed description that was forged at the January 1997 Pilot LGPP meetings in Warsaw and was being used as a framework in other partner cities. These materials, in conjunction with the strategic thinking during the workshop, helped local leaders in coming to a consensus on what needed to be done next, by whom, and who should monitor progress and report on it regularly. For example, the City Architect took the lead for the site development plan; the RDA for the business plan.

Soon after the March meeting, negotiations about expansions of existing firms and attraction of new firms (both from in and outside the area) began to show immediate results. At last notice, a manufacturer, Dan Agripol, had doubled its facilities and BASF was negotiating for space for a new facility.

Nowy Sacz Public Service City Zone

Nowy Sacz was a unique pilot LGPP partner because the government unit was not a gmina, but the Nowy Sacz Public Service City Zone (PSCZ), an organization of 14 gminas in Nowy Sacz Voivodship. The Zone is a newly organized trial government level interposed between the gmina and voivodship levels. Its primary function is to deliver public services that were previously the responsibility of the voivodship.

There is no funding for new tasks such as economic development. However, the vision for the Zone is that it will enable participating gminas to cooperate and undertake joint planning and activities. Economic development is an attractive activity for such cooperative action, particularly in rural areas where individual gminas have few organizational or material resources for independent economic development efforts.

During the first Pilot LGPP visit to Nowy Sacz, which preceded formation of the PSCZ, the consultant interviewed leaders from Nowy Sacz and neighboring gminas about their economic development priorities. Their commonality of goals reinforced the impression that these gminas could benefit from a cooperative approach to economic development. Nowy Sacz had requested evaluation of plans for enhancing its museum of folk culture and for expanding a local airport. No written plans for those projects were available during the visit, although the consultant met with the relevant officials.

After the PSCZ was formed, a new Pilot LGPP team went to Nowy Sacz. The environmental scan revealed that the Zone is a new actor in an environment with active organized economic development planning and projects already underway. Nowy Sacz gmina and voivodship each have an Economic Development Department. There are business support programs associated with the Chamber of Commerce and a rapidly expanding school of business. The European Union sponsors rural development activities and tourism development. The Cracow Academy of Economics is providing technical assistance to the Zone.

The major issue that emerged during the assessment of economic development opportunities was defining the role for the Zone in local economic development. For example, leadership and facilitation are the principal levers available to the Zone administration. The Zone also has opportunities to garner support from foreign and domestic funding sources that would be difficult or impossible for individual gminas to access.

A three day workshop was organized during which the entities involved in economic development activities presented their programs and participated in a guided process to identify opportunities and needs. Their final activity was to articulate elements of an economic development strategy and define the Zone role in facilitating and supporting those elements. This is an initial step in a longer term process of assisting gmina members of the Zone to undertake collective actions in economic development. Making the Nowy Sacz PSCZ Economic and Social Development Commission a working group with well defined functions, responsibilities and action plan is an important next step.

Sandomierz

The initial economic and organizational scan of Sandomierz identified a need to build community consensus and improve communication among factions in the community: the city council, the mayor's office, citizen groups, small and medium businesses, and agencies in the voivodship. This was needed to create a situation in which economic development planning could proceed.



Economic development inevitably touches a wide range of stake holders. A potential role for local government is leadership and facilitation in defining an economic development strategy and pulling the community together around a shared development vision. If stake holders are in conflict, if a shared vision cannot be articulated, if consensus on a strategy for development cannot be achieved, then an organized approach to economic development will not happen.

Recommendations to undertake communication training for local government officials and to initiate a process of community participation around defining a strategy for economic development were not implemented. Conflict among stake holders and an absence of enthusiasm and commitment to development of an economic development strategy continues to limit the effectiveness of economic development efforts in Sandomierz. Faced with this situation, the consultant adopted the strategy of finding an area on which there was agreement and building upon that. The area selected was tourism development.

Focus on a single economic development sector, in this case increasing tourism has proven to be the only potentially viable option for local economic development assistance in Sandomierz. Very specific and near-term goals have been set and a task force organized. A Polish consulting firm is providing assistance. It is expected that this task force will evolve into a NGO independent of local government although local government representatives will participate. This independence is viewed as essential to gaining participation of important local stake holders.

As part of the Sandomierz tourism development effort, Pilot LGPP consultants worked on creation of a tourism development manual. This manual will have broader application and is intended for use by gminas throughout Poland to assess their potential for tourist development and to guide development efforts.

CONCLUSIONS AND RECOMMENDATIONS

The Pilot LGPP experience confirmed the importance of the goals set forth in the economic development module—having a strategy to guide actions, a lead agency responsible for implementation, and public-private cooperation in all phases of economic development. Experience also taught that for some gminas there is a crucial preliminary step; that is, defining the role of local government in economic development. An effective role for local government in local economic development requires leadership, consensus building, and communication skills. Those skills are not always in place. Thus, during the environmental scan, the consultant also assesses local government capacity

The following recommendations are based upon the Pilot LGPP experience and address the four cornerstones for a foundation that can support and sustain local economic development efforts. Application of these recommendations should begin with an assessment of the local situation to identify the beginning.

A Defined Role for Local Government

Because Poland is making a transition from a centrally-planned economy to a free-market economy, finding a comfortable and effective role for local government in promoting, supporting, guiding, regulating, and

developing the local economy is not straight forward. Moreover, central government in Poland retains control over most of the levers that might be used for local and regional economic development. Thus, determining an appropriate and effective role for the local government unit in economic development is a crucial first step.

A Strategy to Guide Actions

The Pilot LGPP economic development team found broad agreement that economic development activities should be driven by a strategy as well as numerous publications providing directions for strategy development. However, a strategy is not an end in itself, and there is a danger of spending too much time in the planning process or even earlier, in information gathering. Those activities will be on-going and continuous. It is not necessary to have a perfect strategy before moving ahead with implementation.

Because the authority and responsibilities of different government levels is still in flux in Poland, creating a broad economic development strategy is difficult. If the local situation will not sustain a broad strategy development process, focusing on a single sector may be more productive. The risk is that this approach puts resources into a sector without adequate assessment of which sectors offer the best opportunities in a particular location.

As soon as possible, certainly as soon as the partners agree that there is a satisfactory economic development strategy in place, begin to translate the strategy into action plans and to develop realistic projects to implement those action plans. Identification of short-term opportunities to show positive results, such as seeking external funding for an economic development activity, can establish needed credibility and provide momentum.

A Lead Agency Responsible for Economic Development

If lines of responsibility are not clear, action is not likely. Moreover, because economic development and local economic development agencies are a relatively new phenomena, institution building is required for long-term results. There is a tendency for local government to focus on short-term results and an inadequate appreciation of the need to build institutional structures required for long-term development. This is especially an issue where the local government role in economic development is not clear.

Public-Private Cooperation

Key stakeholders—public and private—have to be identified and induced to participate in development efforts. An entity that will be expected to participate in implementation should be involved in planning. Broad participation is especially difficult to achieve in an emerging market economy. The new private sector is suspicious of government and doubtful that local government can play a supportive role. It is worth the effort because establishing working relationships with other actors and with the wide range of stake holders contributes mightily to the prospects for success.

Conclusion



None of the partner cities has completed the economic development process begun with the Pilot LGPP. Each has progressed, and the specifics of progress have depended upon the local situation.

- Kutno is implementing the action plan for the agro-industrial park called for in its economic strategy.
- Gliwice is putting together an action plan to implement the technology-based economic development called for in its strategy.
- The Nowy Sacz Public Service City Zone has defined its role in local economic development and begun strategy development.
- Sandomierz is building its local government capacity for economic development by working on a tourism promotion strategy.

It was intended from the beginning that the role of expatriate consultants would decrease over the term of the Pilot LGPP, while the role of Polish consultants increased. In most cases, the involvement of Polish consultants is on-going in the partners cities. These consultants represent a resource that will continue to help partner cities build on the progress achieved within the Pilot LGPP.