



THE URBAN INSTITUTE



ECONOMIC DEVELOPMENT STRATEGIC PLANNING

FOR LOCAL GOVERNMENTS



I. INTRODUCTION

The brochure is meant for local governments: mayors, city secretaries, and heads of departments dealing with development as well as politicians, who create local policies. It explains the merit of **economic development strategic planning** and describes the LGRP model of community-based strategic planning for local economic development that has been developed by the Local Government Reform Project in collaboration with five demonstration sites (Rijeka, Varazdin, Crikvenica, Osijek, and Bjelovar) in Croatia.

Community-based strategic planning for local economic development has proven effective for organizing local resources to create jobs and raise the local standard of living. It has become a part of modern management in local governments throughout the developed world.

The community-based economic development strategic plan can serve small **rural municipalities** as well as sophisticated **larger cities**. **Neighboring cities on a regional basis or a city and county may cooperate to develop a plan.** For local governments of all sizes, the information developed in the strategic planning process and the plan itself can be used to market the area to potential investors.

II. GENERAL INFORMATION

What is Economic Development Strategic Planning and why it is important for local governments?

Democratic decentralization is increasing the economic development responsibilities of local governments in Croatia. Local government has greater responsibility for (1) the economic welfare of its citizens, (2) its own fiscal health, and (3) the management of its assets. At the same time, Croatia's transformation to a market economy means that government is no longer solely responsible for business generation. Instead, in a market-based economy, government promotes economic development by creating conditions that support private business operation.

Although local economic development occurs within the framework of national economic policies and plans, the local government is a center of economic activity and can influence its own economic future. Experience around the world illustrates the power of community-based strategic planning for economic development to create conditions that attract private investment and promote economic development.

What do we mean by economic development?

Economic development usually refers to the creation of wealth through some combination of increased employment and income. Local government may also seek economic development to increase tax revenues and consequently the local government capacity to provide services. Thus, local economic development is *economic change that results in improved economic standards of living for residents and helps local governments to maintain or improve services to its residents.*

The following describes key characteristics of local economic development in a market-oriented economy.

- To be effective, local government's economic development function must be a continuous activity.
- Local economic development activities occur within the framework of national economic policies and plans. However, the local government is a center of economic activity and can influence its own economic future.
- The resources that local government brings to economic development are human, institutional, business, physical, and financial.
- Economic development occurs as a result of actions and investments by the private and public sectors and in a democracy, with the concurrence of the community.
- Expectations of return to capital (profit) shape private investment decisions. Public sector economic development activity seeks to attract investment by creating and maintaining an environment where private business can prosper (*good business climate*).
- A second concept related to attracting investment is *locational advantage*. Locational advantage means that firms in that location are more likely to prosper.

What do we mean by strategic planning?

Strategic planning is a tool that the public sector has borrowed from business. It is a creative process – art as well as science – by which a community envisions the desired future and develops the necessary procedures and operations to achieve their vision for the future. Like economic development, strategic planning is a continuous/ongoing process, not an isolated event.

Strategic planning is a tool for adjusting to a changing environment and for setting priorities, but it is not a tool for solving all problems. It differs from the traditional model of comprehensive planning in several important ways.

- Strategic planning is pro-active. Through the strategic planning process, the community seeks to shape its future - not just prepare for it.
- The comprehensive plan covers all the activities that should be done without indicating which are the most important; the strategic plan focuses on just the critical strategic issues and directs resources to the highest priority activities. Setting priorities is necessary because the resources available to local government and the community are less than the demands made upon them.
- The comprehensive plan is usually produced by experts, but the strategic plan is developed by a Task Force that represents all the entities that will be asked to implement the plan.

What do we mean by community-based?

Community-based strategic planning for economic development builds a strong foundation for local government efforts to meet its new responsibilities and function effectively in a new environment that is oriented towards the private sector. It does this by:

- Bringing local government, business leaders, and civic leaders together to forge and pursue a shared vision of a communities economic potential and how to achieve it,
- Mobilizing both public and private resources in support of that vision,
- Creating a favorable business climate that encourages local entrepreneurs to create new business and expand existing ones and is attractive to outside investors (both domestic and foreign).

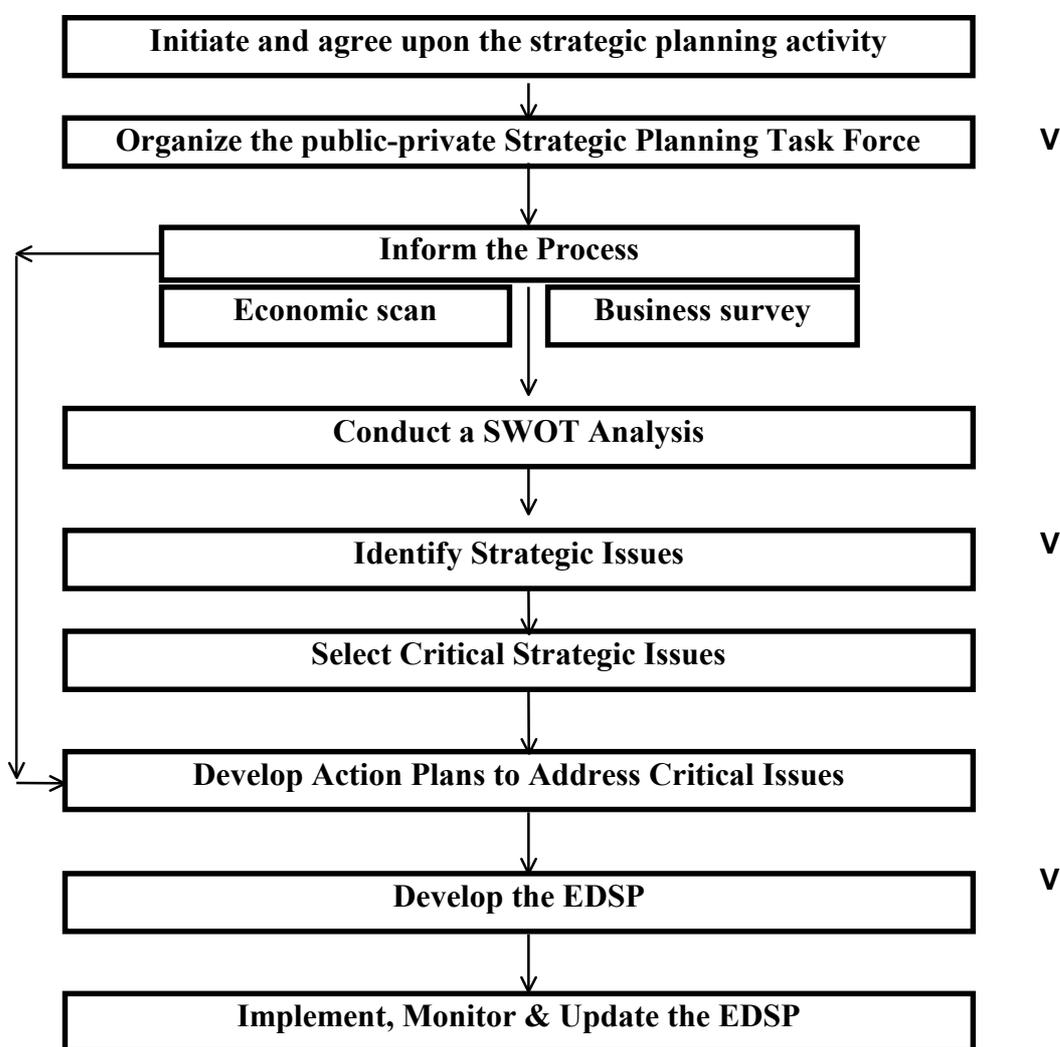
Partnership between the public and private sectors strengthens local economic development capacity. Community-based strategic planning for economic development builds those partnerships and mobilizes community resources to achieve shared goals. The public is kept informed about progress and findings during the economic development strategic planning process, and public meetings at key points during the process provide venues for broader community participation.

III. THE MODEL

What is the LGRP economic development strategic planning model?

The LGRP strategic planning model describes how to produce a local economic development strategic plan (EDSP) through a process that involves the community and lays the foundation for a public-private partnership in the implementation of the plan. The model is illustrated below, and its components are described in the text that follows. A recurring component “*Develop A Vision For The Economic Future Of The Community*” is marked with the letter **V** in the diagram.

COMMUNITY-BASED STRATEGIC PLANNING FOR ECONOMIC DEVELOPMENT



Initiate and agree upon the strategic planning activity

Usually, creation of a community-based strategic plan for economic development is initiated and led by the Mayor, but a Deputy Mayor, a City Council member or even a business leader may be the initiator and leader. The LGRP model is based upon cooperation among public and private sector entities, and so the first step is for those entities to agree how they will work together.

Organize the Public-Private Strategic Planning Task Force.

Task Force membership reflects the public-private co-operation that supports economic development in a market economy. Ideally, the Mayor and an important business leader are co-chairs. Task Force members include leaders from city and county governments and important for economic development organizations.

Develop A Vision for the Economic Future of the Community

An economic development strategic plan is designed to move a situation from one point to another. A vision of the desired economic future describes the destination for the EDSP. Each individual's vision of the future reflects his or her values.

Inform the Planning Process

Strategic decisions are decisions based upon information, and so strategic planning for economic development starts by gathering information about the economy. The information needed to guide development of the EDSP includes hard statistics as well as softer information from interviews and surveys about the local economy and the community. Information describing the current situation is called the baseline data, and it represents the starting point for the EDSP.

Conduct a SWOT Analysis.

The Task Force uses an analytical framework called a SWOT (The name comes from the first letters of the English words for strengths, weaknesses, opportunities, and threats) to organize information from the baseline data, the business survey and their own personal knowledge. The SWOT categorizes situations as internal strengths or weaknesses or as external opportunities or threats - all relevant to local economic development.

Identify Strategic Issues

Contrasting the situation described by the SWOT analysis with the vision of the desired economic future helps the Task Force to identify strategic issues - those issues that are likely to impact the economic future of the community and affect achievement of the vision. Strategic issues are usually found on the negative side of the SWOT. They are the internal weaknesses that restrict local economic progress and the external forces likely to have a negative impact on the local economy (threats).

Select Critical Issues

Critical issues are those strategic issues that are (1) most important to the achievement of the desired economic future and (2) most likely to be affected by local intervention. These two criteria reflect the strategic planning commitment to (1) focus on the highest priority needs and (2) concentrate on those things that can be changed or at least influenced by the people doing the planning.

Develop Action Plans to Address Critical Issues

Each working group develops an action plan addressing its critical issue. The LGRP model uses a very basic version of the Log Frame (Logical Framework) to specify the proposed intervention, the logic behind that intervention, the assumptions that underlie that logic, and how progress will be measured toward achievement of goals. Log Frame is the project management technique required by both The World Bank and the European Union for sponsored projects.

Develop the EDSP

The Task Force assesses the resource requirements of the combined action plans but makes no decisions regarding relative worth or priority at this session.

In a second session, the Task Force integrates the action plans into an EDSP. This is likely to involve difficult decisions about allocation of limited resources, and so it benefits from professional facilitation. Decisions and the reasoning behind them will be part of the final plan document. The Task Force has to weigh many factors as it integrates the action plans into a coherent strategic plan for economic development.

Implement, Monitor and Update the EDSP

Implementation is the test of the strategic planning process. The LGRP model lays the foundation for implementation, because it creates a shared vision and consensus in the community about issues, priorities, and how the community should respond. Moreover, those who will be asked to implement the plan have been involved in creating it.

Monitoring provides the information needed to assess strategic plan implementation and to guide modifications and updates that will keep efforts on track toward realizing the vision. The entity that oversees implementation also monitors progress of the EDSP. Regular monitoring reports, which are made public, maintain a transparent process and reinforce the commitment to implementation.

The strategic plan is a tool for adjusting to change, and so it has to be kept fresh with periodic reviews and current information. Most databases are updated annually when new information becomes available from government sources. The new information informs a new environmental scan that is fed into the EDSP. When a new scan is completed, it is an auspicious time for the monitoring entity to seek answers to four additional questions.

What does economic development strategic planning require?

The LGRP strategic planning process takes about six months to implement. Project sponsors require about a month for preparatory activities, and it takes about five months for the task force to produce the plan. To help local governments through this process, the LGRP has put together a workbook that describes the process and illustrates the work with a series of suggested agendas for task force meetings.

A collection of techniques – both visual and analytical – helps the task force do its job as it moves through the challenging process of plan creation. Twenty tools/methods were used during the process of plan creation. Some were developed by LGRP staff during the process, while others are our versions of generic tools that have been used in other countries for so long that their origins are lost. The tools have been compiled into a “tool-kit” to help communities conduct a community-based strategic planning process. Tools include the following: participatory workshop checklist for facilitators, EDSP process (diagram), community-based strategic planning process, model invitation letter, the economic scan, circles of influence, question and answer procedure, the business survey and business survey interview guide, vision procedure, brainstorming procedure, small group work, weighted voting procedure, the SWOT analysis, refining the vision, strategic issues procedure, critical issues procedure, Log Frame explanation, problem tree, goal tree, Log Frame assumption test, and action plan.

IV. REPLICATION OF THE MODEL

COMMUNITY BASED STRATEGIC PLANNING FOR ECONOMIC DEVELOPMENT IN DEMONSTRATION SITES OF RIJEKA AND VARAŽDIN

The Local Government Reform Project collaborated with two of its demonstration sites, the Cities of Varazdin and Rijeka, to implement a community-based economic development strategic planning process. In each city, a task force comprising representatives of the public and private sectors produced a strategic plan for economic development through a series of interactive workshops. These plans were adopted by the respective city councils in February 2002, resources from the city budget were allocated, and the projects in each EDSP are, currently, being implemented in each city. The LGRP is committed to provide limited technical assistance during implementation of the projects identified in each strategic plan.

Consequently, in terms of implementation, some steps forward have been made, and results achieved in both cities. For example, in the Rijeka's EDSP, one of the 4 critical issues is: How to create a good business environment for production and service firms? The Task Force proposed 3 interventions that address the issue, and one of them is Re-development of industrial premises in bankruptcy, developed on the case of "Torpedo d.d. u stečaju". On that very case an interactive multidisciplinary approach led to a re-development model that resulted with partnership among the City, The Port and The Port Authority, with selling most of the premises to entrepreneurs and some local firms, as well as with providing access to the sea for citizens.

What local government should do to implement the Model

If your local government wants additional information about the LGRP and the models it has developed to help local governments in Croatia successfully adapt to their increased responsibilities, we suggest that you:

- visit our web page (www.urban-institute.hr) where downloadable files on the process will be available,
- sign up for our LGRP newsletter; and
- read printed materials

The LGRP is conducting regional conferences to present more details on the models. A survey distributed during the conferences will ask attendees to express their willingness and commitment to devote local resources in implementing a particular tool. Analysis of survey results will help us identify the level of interest in each model and select the most appropriate method to help local governments replicate each model. Possibilities include:

- LGRP technicians will train Croatian consultants, who then will be offering assistance to local governments in implementing the model
- LGRP will conduct a series of seminars with homework assignments leading to a step-by-step implementation,
- LGRP will hold other conferences, workshops, or seminars.

Representatives of local governments that have indicated an interest in implementing the model will be invited to those activities should it provide to be the most suitable method to implement the model.

THE URBAN INSTITUTE

The Urban Institute is a nonprofit policy and research organization established in Washington, DC in 1968 to investigate social and economic problems confronting the U.S. and government policies and programs designed to alleviate them. UI is internationally known and respected as an objective, nonpartisan source of expertise and analysis for informed policy deliberation and debate. UI has expanded its role to include analysis of analogous problems and policies in developing countries and transition economies. Recent and ongoing projects have been engaged in Bosnia and Herzegovina, Latvia, Russia, Georgia, Armenia, Hungary, Poland, Macedonia, Croatia, Albania, Bulgaria, and Slovakia.

THE URBAN INSTITUTE IN CROATIA

Since the early 1990s, the Urban Institute has been active in Croatia, assisting the public and nonprofit sector in urban service provision, financial management, and capacity building in war-affected areas along with collaboration with many cities and towns to implement technical assistance.

In Croatia, UI maintains an office in Zagreb with an 8-person team of highly skilled local staff and expatriate country director.

The Local Government Reform Project offers technical assistance to local governments. There are four components in the Scope of Work for this project to address local government reform in Croatia:

1. Improve Fiscal and Management Efficiencies of local governments
2. Improve Investment Opportunities for Economic Development
3. Improve Citizen Participation in Local Governance
4. National Policy Initiative (Policy Advice to Government of Croatia)