

# Strategic Planning of Local Economic Development in Vojvodina's Municipalities and its Influence on Cooperation between the Public and Private Sector

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## Abstract:

*Local self-government units of the Autonomous Province of Vojvodina in the Republic of Serbia have almost completed their first round of strategic planning of local economic development. Initiated in 2005 by technical assistance agencies who provided support in organising the planning process, by 2011 almost all cities and municipalities in Vojvodina had designed local development strategic plans. In the vast majority of cases, the model of strategic planning used involved a participatory approach, in which representatives of the public and private sector worked together in setting the vision, mission, strategic objectives and priority projects for the territory concerned. This paper explores whether these early experiments to set developmental objectives via public-private interaction created the necessary conditions for continued public-private dialogue thereafter. It explains the theoretical framework behind local economic development and strategic planning, provides a general introduction to the strategic planning of local development in the Republic of Serbia and analyses the results of empirical research conducted by the author on the experience of strategic planning in Vojvodina's units of local self-government. Finally, the paper draws conclusions regarding the causality between early experiments in participatory planning of local economic development in Vojvodina and subsequent public-private dialogue at a local level.*

**Keywords:** local economic development, strategic planning, public-private dialogue, Vojvodina, Serbia

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## **1. Introduction to Local Economic Development**

Following World War II, national governments throughout the world became increasingly aware of the necessity for local and regional development and thus invested heavily in the process of designing and implementing top-down local and regional development policies and programmes. The main, yet not exclusive, focus was given to large infrastructural projects, industrial and agricultural policies and similar developmental initiatives. For quite some time these initiatives were sheltered from external forces through protectionist policies, restricted trade agreements and controlled exchange rates (Stimson et al., 2006).

In the 1970s, however, the world entered a new era of globalisation, followed by a loosening of restrictions on trade and currency exchanges and the collapse of the Bretton-Woods system. The emphasis now shifted to developmental policies which principally aimed to increase national and regional competitiveness in global markets. As a consequence, gaps between converging and lagging regions within national boundaries increased, as less competitive regions found it increasingly difficult to catch up developmentally.

There are various possible reasons for the failure of traditional developmental policies, including insufficient human resources within planning departments, weak social, environmental and institutional contexts and a lack of on-the-ground information. In some cases, obsolete local economic structures have even jeopardised policy efforts. As an added complication, the poor performance of traditional developmental policies may also be attributed to reasons that are external to their design and implementation (Pike et al., 2006).

The inability of national governments to resolve issues of unbalanced development led to increasing demands from local authorities for more decentralisation of power and an equitable geographical distribution of economic activity (Loughlin, 2007).

The rationale for decentralisation is based on the assumption that central government and its institutions are insufficiently informed to be able to discriminate between public policies at regional and local levels. Moreover, there is evidence to suggest that policies aimed at the provision of localised public services, which are sensitive to regional and local conditions, have greater potential to be effective in encouraging growth than centrally-determined policies that are insensitive to these geographical particularities (Tiebout, 1956). Due to information advantages based on physical and institutional proximity, shifting decision-making and resources to lower levels of government should thus lead to improved economic efficiency in public service delivery and increased growth rates at the national level. Consequently, it is arguable that such services would be best provided by whichever jurisdiction has control over the smallest geographic area possible, maximising benefits while minimising the cost of such provision (*the Oates' Decentralisation Theorem*; Oates, 1972).

In general, local development initiatives adopt a territorial approach as a means of achieving economic growth (Pike et al., 2006). The focus falls on building the wealth of a territory, central to which upgrades in the economic, institutional and social foundations are regarded as prerequisites for entrepreneurial success (Amin, 1999).

However, the change from traditional top-down development policies – usually designed by national planning and development offices and often aided by academics – to a bottom-up tailor-made approach to territorial development has not been established overnight, in part because it is not based on a single or clearly-defined theoretical underpinning (Vázquez-Barquero, 2003; Pike et al., 2006).

The problems created by an imprecise definition of local economic development in the literature are compounded by the fact that it can be seen as both a product and a process. Defined as a product, local economic development is usually measured in terms of outcomes such as increases in economic growth and the volume of enterprises, jobs, investment, wealth, etc.

However, local economic development can also be seen as a process that encourages the development of commercial and physical infrastructure, support for industry, labour force development, the attraction of inward investment and all those issues with which economic development planners are typically concerned. Unfortunately, it is often difficult to prove the congruence between the desired outcomes of economic development and the processes used to achieve them, due to the unstable and changing nature of the economic environment beyond the local area, which tends to involve a high level of ‘externalities’ (including exchange rates, new technologies, foreign competition, etc). This paper chooses to focus on local economic development defined as a process rather than a product, and therefore the economic outcomes of the development planning process are not studied.

There are several working definitions of local economic development as a process which are widely used by both academics and practitioners. Blakely and Bradshaw (2002) define local economic development as *a process in which local government or community-based (neighbourhood) organisations engage to stimulate or maintain business activity and/or employment*. Beer et al., (2003) view it as *a set of activities, usually organised by local governments yet also by the community..., aimed at improving [the] economic well-being of an area*. Among the most popular, however, is that employed by the World Bank (2006), which defines local economic development as *the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation*. For the purposes of this article, the World Bank's definition of local economic development will be taken as standard

These definitions all emphasise local economic development as being a collaborative process which mobilises public and private actors to work collectively in the creation of economic prosperity and well-being in a given territory. It is a process that involves the vertical and horizontal coordination of different levels of government as well as local public and private actors, thus demanding a shift to an increasingly complex system of governance; one which supplements the government hierarchy and market exchange with institutionalised negotiations to mobilise consensus and build mutual understanding between all actors concerned. Such an approach to governance requires new institutional forms of networking, cooperation and coordination, which then provide a basis for economic and social progress (Amin, 1999; Jessop, 1998; Pike et al., 2006; Vázquez-Barquero, 2003).

Key to successful governance is the ongoing commitment to dialogue of all the actors concerned in order to generate and exchange information, reduce opportunism by locking governance partners into a range of interdependent decisions over a range of short-, medium- and long-term objectives, and build on these interdependencies by encouraging solidarity between the participants. The public actors give up part of their capacity for political decision-making in exchange for influence over economic agents and more effective overall economic performance. Private actors, meanwhile, renounce part of their autonomy in economic decision-making in exchange for political influence and a better overall functioning of the socio-economic system (Jessop, 1998). Nonetheless, local authorities retain the leading role, acting to promote processes that will lead to a mutual consensus on vision and developmental objectives among all the actors involved.

To conclude, more than ever before, local governments and other lower level actors are becoming engaged in the planning, implementation and evaluation of economic development policies on their own territories. However, local economic development continues to be more of a movement rather than a strict economic model defined by a uniform approach (Blakely and Bradshaw 2002; Vázquez-Barquero, 2003).

## **2. Strategic Planning**

Until the early 1980s, strategic planning was primarily used for military purposes and the practice of statesmanship on a grand scale (Bryson 2004). The notion of applying strategic planning to the public sector was introduced with the book *The Game Plan: Governance with*

*Foresight*, written by J. B. Olsen and D. C. Eadie (1982), and further supported by the work of Bryan Barry (1986) and especially of John Bryson (1988, 2004). Thereafter, strategic planning rapidly became a widely-accepted practice within public sectors across the world.

Strategic planning is defined as *a disciplined effort to produce fundamental decisions and actions shaping the nature and direction of an organisation's (or entity's) activities within legal bounds* (Olsen and Eadie, 1982; Bryson, 1988). In essence, therefore, it is a process that facilitates communication and participation, accommodates divergent interests and values, fosters reasonably analytical and intelligent decision-making and promotes successful implementation and accountability (Bryson, 2004).

In a typical strategic planning process, the involved actors are engaged in working through three basic questions (Bryson, 2004): *(i) Where are we now? (ii) Where do we want to be? and (iii) How do we get there?* Solutions to these three questions involve extensive information gathering to better understand the current situation, formulating a vision of the desired future and clarifying the mission to be pursued, as well as analysing strategic options, setting priorities and making hard choices that include the identification and exploration of alternatives and the future implications of present decisions (Bryson, 1988; Bryson, 2004; World Bank, 2006).

Strategic planning was quickly accepted by the public sector as one of the main instruments for development, being especially popular as a tool for planning local economic development due to its tailor-made character. The formulation of a strategy is a key feature of the World Bank's approach to local economic development (World Bank, 2006), while

White and Gasser (2001) have identified four elements which characterise local development strategies: *(i) they require participation and social dialogue; (ii) they are based on territory; (iii) they entail the mobilisation of local resources and competitive advantages; and (iv) they are locally owned and managed.*

The application of strategic planning as an instrument in resolving local economic development issues was first initiated in the United States in the early 1990s under the Clinton administration, when a consensus was sought among national authorities on economic direction for cities; one which would encourage both state and city bodies to give more emphasis to the strategic economic development of their territories (Blakely and Bradshaw, 2002). Thereafter, the strategic planning of local economic development was quickly adopted in the United Kingdom and other developed countries, and subsequently passed to the rest of the world.

Promoting the strategic planning of local economic development also rapidly became a growth sector in the international technical assistance industry, both in transformation economies and developing countries (Cunningham and Meyer-Stamer, 2005). In that regard, numerous international organisations have invested efforts in developing methodological guidelines for the design and delivery of local economic development strategy plans, the essence of which is the mobilisation of all community actors from public, private and non-profit sectors to work collectively in order to create better conditions for economic growth and employment generation.

Among the best-known and used methodologies is the *five-stage strategic planning*



*approach*, described in the World Bank's "*Local Economic Development: A Primer*" (World Bank, 2006). This methodology proposes the following steps for successfully designing and implementing a local economic development strategy: (i) *organising the effort*; (ii) *assessing the state of the local economy*; (iii) *creating the strategy*; (iv) *implementing*; and (v) *reviewing the strategy*. UN-Habitat have developed a similar methodology, although theirs involves a 10-step process (UN-HABITAT, 2009).

The International Labour Organisation's (ILO) methodology includes: (i) *territorial diagnosis and institutional mapping*, (ii) *sensitising*, (iii) *creation of a local forum*, (iv) *design of the local economic development strategy*, and (v) *coordination/creation of implementation structures*, before (vi) *implementation* (Salzano, 2002). However, the ILO's approach focuses more on the establishment of local economic development agencies to engage in the implementation of the strategies than on developing the strategies *per se*.

Blakely and Bradshaw's (2002) approach identifies six phases in the planning of local economic development: (i) *data gathering and analysis*, (ii) *selecting a local development strategy*, (iii) *selecting a local development project*, (iv) *building action plans*, (v) *specifying project details*, and (vi) *overall development plan preparation and implementation*.

Additionally, the German think tank *Mesopartner* has developed a methodology called *PACA* or *Participatory Appraisal of Competitive Advantage* (Meyer-Stamer, 2003), which combines competitiveness concepts with the principles of rapid participatory appraisal in order to identify quickly-implementable activities to stimulate a local economy. The essence of this approach is to shift the focus of local developers from designing a strategic plan to

remedying local market failures which stand in the way of business growth (Meyer-Stamer, 2003).

### **3. Strategic Planning of Local Economic Development in Serbia**

The Republic of Serbia was a latecomer to transition, moving towards a process of conversion to a market-driven economy more than 10 years after other former communist countries in Europe. Consequently, the model of strategic planning in which public and private actors are intended to work together to determine and achieve local economic development objectives is an approach that does not have a long history in the country.

The strategic planning of local economic development in Serbian municipalities is a concept that was initially introduced via interventionist projects implemented by international development organisations such as the UNDP, USAID, the World Bank and UN-Habitat, as well as by the national association of Serbian municipalities, *the Standing Conference of Towns and Municipalities* (SCTM). The European Agency for Reconstruction, later replaced by the Delegation of the European Union to the Republic of Serbia, also had a significant role in this process, primarily in providing financial support for technical assistance in the design of strategic plans for local economic development in Serbian cities and municipalities.

The first local economic development strategic plans in Serbia were formulated in 2005 in the municipalities of Ada, Lazarevac, Kraljevo, Nis, Pancevo, Prijepolje and Zrenjanin. However, in a short period of time the number of such strategies grew exponentially, due to

the fact that, among the main donor agencies targeting local levels, strategic planning of local economic development had become the most dominant form of technical assistance intervention. According to mapping research conducted in early 2007, 396 local development strategies were identified in Serbia, of which 292 were municipal and 104 inter-municipal (Strategic Marketing Research, 2007).

Influenced by the growing importance of bottom-up initiatives for strategic planning at local level, the new Law on Local Self-Government of the Republic of Serbia, introduced in 2007, cited planning of local economic development as one of the key responsibilities of Serbian municipalities<sup>2</sup>. However, there were no other legislative acts, bylaws or policy documents that further elaborated or explained practically how to plan local economic development in the country.

Consequently, although both international and local technical assistance agencies have continued in their efforts to facilitate the process of designing local economic development strategic plans in Serbian municipalities, these agencies have shown a tendency to replicate standardised strategic planning methodologies rather than focusing on the economic, political or social fabric of the respective territories as they should. Moreover, the whole process has remained supply-driven and donor-oriented, since the majority of strategies have been both initiated and paid for by international donors.

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<sup>2</sup> "Službeni glasnik RS", no. 129/2007, Article 20, paragraph 9

As discussed above, the strategic planning of local economic development requires a system of governance characterised by networking, interdependency of the actors involved and face-to-face exchange of tacit knowledge, as well as a high degree of mutual trust and understanding.

There is a weak history of the practice of governance in Serbia, since cooperation between public and private actors in the past was mostly one dimensional, supply-driven and task- or problem-oriented. This kind of cooperation is especially weak at local level, largely due to the low degree of local competencies in economic development issues. Moreover, there has traditionally been a significant lack of trust between public and private sector in the Republic, mainly characterised by a lack of dialogue between actors.

It is necessary to test whether early experiments in strategic planning of local economic development were successful in creating and fostering dialogue between the public and private sectors at local levels in Serbia. As a barometer, in 2009 and 2010 the author conducted field research in the Autonomous Province of Vojvodina of the Republic of Serbia with those institutions of the local self-government units that had been in charge of governance during the strategic planning process, as well as with representatives from private sector enterprises in five selected municipalities. This research was financially supported by the Vojvodina Centre for Strategic Economic Studies '*Vojvodina CESS*' and the Austrian Development Agency in the form of a grant.

#### 4. Empirical Evidence on the Strategic Planning of Local Development in the Autonomous Province of Vojvodina

The first part of the research aimed to identify the municipalities involved, as well as the methodologies they had employed. Using the results from this first phase, the second part of the research focused on testing to what extent the strategic planning process had contributed to increased cooperation between the public and private sectors in five municipalities that had been selected on the basis of difference in their applied methodologies.

**Figure 1: Map of Local Self-Government Units (Cities and Municipalities) in Vojvodina**



Source: Vojvodina-Cess, [www.vojvodina-cess.org](http://www.vojvodina-cess.org)

**Number of Strategies:** The Autonomous Province of Vojvodina is divided into 39 municipalities and 6 cities, together comprising 45 local self-government units. The first cycle of strategic planning of local economic development in Vojvodina's local self-government units is almost complete; in total, forty cities and municipalities have already developed strategic plans and the respective local assemblies have adopted all of these; one municipality (Vrbas) is currently in the process of developing a strategic plan; and four municipalities (Bela Crkva, Coka, Mali Idjos and Senta) have not yet initiated the process.

**History of Strategic Planning at the Local Level:** The history of strategic planning in Vojvodina began in 2005 when three local self-government units (Ada, Pancevo and Zrenjanjin) designed local development strategies. Thereafter, the number of cities and municipalities that became involved in strategic planning gradually increased with each passing year, reaching a maximum of 19 local strategies developed in 2009. Two strategies were developed in 2010 and, as discussed above, one municipality is currently in the process of developing a strategic plan. It should also be noted that the city of Subotica has already started the process of developing their second strategic plan for local economic development.

The Standing Conference of Towns and Municipalities (SCTM) pioneered the introduction of the strategic planning at local level, not only in Vojvodina but in Serbia as a whole. In 2005-2007, under the project '*Local Agenda 21*', financed by support from the Norwegian Government and with technical support from the Norwegian Association of Local and Regional Authorities, the SCTM aided seven Serbian municipalities to develop local strategic plans; two of these (Becej and Sombor) were in Vojvodina. On the basis of good results in

this project, the SCTM then initiated a follow-up project that was funded by the European Agency of Reconstruction as part of the Hungary-Serbia Neighbourhood Programme. The new project saw the development of strategic plans in a further six municipalities: Irig, Kovin, Kula, Novi Becej, Odzaci and Sremski Karlovci. Thereafter, the SCTM continued to use this methodology in providing technical support, whether through the EU-funded Exchange 2 programme or through other donor agencies such as the Spanish Agency for International Cooperation (AECI).

Technical assistance in the development of local strategies has also been provided by other donor agencies. In 2005, for example, the World Bank supported strategic planning in the city of Pancevo, which was among the first strategies to be developed in Vojvodina. The USAID-funded *Municipal Economic Growth Activity* (MEGA) has supported the development of strategies in four units of local self-government in Vojvodina: Indjija, Novi Sad, Subotica and Vrsac, while the Hungarian foundation Szülőföld funded the strategic planning process in Kanjza municipality, which was completed in early 2006.

However, the strategic planning of local development in Vojvodina really took off in 2009 when the Secretariat for Inter-Regional Cooperation and Local Self-Government of the Government of Vojvodina recognised its importance and decided to provide financial support for technical assistance in designing 15 local development strategic plans in the autonomous province. In that regard, several service providers were selected, among the most involved of whom were the Alpha Resource Centre for Development, engaged on the development of five strategies, and the Vojvodina Centre for Strategic Economic Studies 'Vojvodina CESS', on a further four. The remaining providers (including Alma Mons d.o.o.,

Micro Project d.o.o, and the Initiative for Democratic Transition, among others) were each engaged in the development of a single strategy.

**The Focus and Time-Frame of the Strategic Plans:** Strategic planning has not been a uniform process across Vojvodina's local self-government units and has differed according to the service provider(s) involved. However, these differences are most notable in terms of the plans' titles and each strategy's time period, but less evident in the choice of applied methodology for developing the plans.

Among the forty-one strategies<sup>3</sup> in Vojvodina's local self-government units, most are entitled *Local Development Strategy* or *Sustainable Development Strategy* (each of these two titles covering 16 projects). Only six strategies are referred to as a *Local Economic Development Strategy* and one (in Bac) is named *Local Socio-Economic Development Strategy*. The remaining two strategies are called *Rural Development Strategy* (Alibunar) and *Strategy of Communal Services* (Titel). However, all of these can be regarded as local economic development strategies, as defined earlier. It should also be noted that a number of local self-government units in Vojvodina have been engaged in the development of strategic plans concerning other issues such as social protection, youth, employment, child rights and similar, but these strategies have not been considered for analysis in this paper.

As stated above, there is also inconsistency in the duration of the strategic plans across municipalities. Most strategies are planned for either 5 or 11 years (13 strategic plans each),

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<sup>3</sup> Including the Vrbas strategy which is currently under development



with a further nine strategies programmed over a 6-year period. Two strategies (in Ada and Zrenjanin) last for eight years and one (in Sombor) for nine years, while two strategic plans (in Backa Topola and Novi Knezevac) did not stipulate the time period for their implementation.

**The Structure of the Strategic Plans:** The structure of the strategic plans is quite similar across local self-government units. It usually contains a welcome note from the Mayor, a methodological explanation of the planning process and a socio-economic assessment of the territory, along with a usually romanticised history of the territory concerned. This is followed by a SWOT<sup>4</sup> analysis, vision, mission statement and strategic priorities. In some cases the strategy also includes an operationalisation of the objectives through certain identified priority projects, an action plan, and, occasionally though rarely, a financial plan. In the majority of cases the length of the strategic plan is extended by the inclusion of definitions and theoretical explanations of local economic development and each of the strategy's aspects.

**An Overview of the Strategic Objectives:** The most common strategic objectives for development are in the fields of: infrastructure (26 strategies), agriculture (25 strategies), tourism (23 strategies), environmental protection (21 strategies), small and medium-sized enterprises and entrepreneurship (20 strategies) and education and human resources (20 strategies). Competitiveness and enabling the business environment is presented as an objective in 19 strategies. Less attractive is industrial development, which appears in only 9

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<sup>4</sup> Strengths, Weaknesses, Opportunities, Threats

strategies, encompassing industrial zone development (2 strategies) and development of a processing industry (3 municipalities). Attraction of foreign direct investment is presented as an objective by a mere eight local self-government units. Innovation is recognised an objective in three strategies (Novi Sad, Subotica and Zitiste), but renewable energy is only a strategic objective for the city of Pancevo and the sole municipality which lists energy efficiency as an objective is Zabalj. The municipalities of Beocin, Kula and Kikinda include forestry and water management as their strategic objectives, although competencies in these sectors are allocated to the provincial (Vojvodina) and national (Serbia) level.

Increasing the efficiency of local self-government administration is recognised as a strategic priority in seven municipalities, while local marketing is an objective in two strategies (Ruma and Subotica). Three local self-government units (Kikinda, Pancevo and Zabalj) cite the strengthening of public-private networks as a strategic objective, while the municipality of Zabalj goes further in aiming to promote integration processes for the Republic of Serbia to accede to the European Union.

A significant number of strategies (28 in total) have objectives in non-economic fields such as social cohesion, social welfare, culture, sports, health protection and similar. Civil society development is recognised as a priority in three strategies (Backi Petrovac, Irig and Vrbas).

**An Overview of Applied Planning Methodologies:** The vast majority of local strategic plans were developed using a participatory approach in which representatives from the public and private sector, along with civil society organisations, worked together in determining a joint vision and mission statement and identifying strategic objectives and priority projects. Only

the municipality of Beocin, which contracted the Institute for Agricultural Economics in Belgrade to design and deliver a full local strategic plan, did not take this approach.

There is a dearth of institutional records on the process of strategic planning in Vojvodina's local self-government units and consequently it is very difficult to determine how many people were involved in the process, whom they represented, how they were selected to join the planning group, how engaged they were in the discussion, and so on. Some of these questions were answered through a questionnaire that was sent to all cities and municipalities in Vojvodina as part of the research and, in a few cases, information on the planning process was given in the strategic plans themselves.

In all cases, the participatory process of strategic planning was led by the local authorities and facilitated by technical assistance agencies. The methodology usually included the creation of a core group to organise the whole process and coordinate all the necessary steps in developing a strategy. In many instances, a thematic or sector-based group was also created, engaging additional representatives from the public and private sector. There are also cases where large community groups were consulted in the strategic planning process (such as Stara Pazova, where over 600 people were involved, as well as 400 in Vrsac).

In the majority of cases, the public sector was the most strongly represented within the working groups. Representatives from the private sector and civil society organisations were usually selected in two different ways: either by sending a direct invitation or by issuing a public call for participation. However, in both cases the question of adequate representation by all stakeholder groups remains vague.

Notwithstanding, representation by civil society organisations seems to have been more substantial than that of the business sector. There are several possible reasons for this including better networking capacity, being more acquainted with the community's needs and possessing a better technical knowledge of the planning process itself. Furthermore, from the local authority's point-of-view, civil society organisations are preferable as partners due to their familiarity with donor initiatives and available funds. When one bears in mind that a great share of the priority projects identified in these local strategic plans is foreseen to be funded through the support of donor agencies, the importance of involving civil society organisations is even clearer.

The possible reasons for the weak – and sometimes inadequate – representation by the business sector in the planning process are numerous. To cite but a few, they include: a lack of strong interest among local authorities to incorporate wider representation by the business sector; the animosity of executives to cooperating with local authorities; a lack of information on the planning process and possible criteria for participation; a lack of capacity among business associations to represent all their members; and the non-existence of business associations at a local level. None of the municipalities included representatives of foreign investors when discussing their strategies.

However, these strategic planning efforts represented the first organised attempt at cooperation between the public and private sector at the local level in Vojvodina. As noted above, earlier cooperation between private and public agents had mostly been one-sided, supply-driven and/or problem-oriented. It is therefore important to examine whether these

early experiments in strategic planning in Vojvodina have made a positive contribution to ongoing public-private dialogue at a local level.

## **5. Has Strategic Planning of Local Economic Development in Vojvodina Improved Cooperation between the Public and Private Sectors?**

In order to establish to what degree dialogue between the public and private sector at local level has improved through the experience of strategic planning, five local self-government units were selected for analysis: two cities (Subotica and Zrenjanin) and three municipalities (Beocin, Indjija and Kula).

The selection was made on the following grounds: Zrenjanin and Subotica were among the first cities in Vojvodina (and indeed, Serbia) to have developed strategic plans, but Zrenjanin developed their strategy using their own resources, while the strategy in Subotica was developed with technical assistance from an external consultant. Indjija developed a strategy with the technical support from the USAID MEGA programme, Kula with the support of the Standing Conference of Towns and Municipalities and Beocin by contracting the Institute for Agricultural Economics in Belgrade. In terms of focus, two strategies are entitled *Local Development Strategy* (Indjija and Beocin), and two as a *Sustainable Development Strategy* (Kula and Zrenjanin), while the one in Subotica was named a *Local Economic Development Strategy*. All the strategies, with the exception of Beocin's, were developed using a participatory approach. The chosen sample of five municipalities is

therefore a fair representation of the range of differences in approach to the process of strategic planning at local level in Vojvodina.

To obtain a similarly representative response to the strategic planning process from the private sector, a total of forty-six executives from private enterprises operating in the five selected units of local self-government were interviewed. These representatives, a number of whom had been directly involved in the strategic planning process, were chosen from a range of large, medium and small enterprises, entrepreneurs, business associations and clusters.

In those cities and municipalities which employed a participatory approach to planning (Indjija, Kula, Subotica and Zrenjanin), the vast majority of businesspeople interviewed had some knowledge – or were at least aware – of the existence of the local development strategies. Some had actively participated in the strategic planning process, whereas others had been informed by local media. However, this was not the case with executives in the municipality of Beocin, where the strategy was the product of a consultancy and none of the interviewees from the private sector claimed any acquaintance with it.

Moreover, even in the cities and municipalities that had taken a participatory approach to planning, executives interviewed for the research were not familiar with the procedures that had been used to select participants for involvement in the strategic planning process. Businesspeople who were interviewed but had not participated in the planning process blamed local authorities for not sending out proper invitations and keeping the whole process opaque. Involvement of large enterprises in the participatory planning was

especially weak, which can possibly be ascribed to the low degree of privatisation of the majority of these entities at the time of planning.

However, dissatisfaction with local authorities was also evident among the majority of those executives that had been directly involved in the planning process, many of whom claimed that their role in the process had been rather nominal since they had felt powerless to influence strategic orientation and policy interventions, and complained that their feedback on draft versions of the strategies had not been properly taken into consideration. The final versions of the strategies were then either not distributed to all those involved in the planning process, or were sent out by e-mail without any expression of gratitude for their participation.

Similar claims were made by interviewees in all four cities and municipalities that had conducted participatory planning, regardless of the technical assistance agency involved and minor differences in applied methodology. The conclusion of this finding is twofold: firstly, there were significant shortages in the facilitation of the participatory planning process, which can be attributed to a lack of knowledge and skills among those who were organising and implementing the process, including professionals from the technical assistance agencies. As discussed above, participatory planning is a new phenomenon in Serbia and there is therefore a lack of methodologies, clear procedures and qualified specialists who could successfully moderate the whole process. Secondly, the participatory planning process did not succeed in creating a sense of ownership over the strategic plan by the businesspeople involved. Consequently, the strategies are perceived as policy documents that are only relevant to the city/municipality and their institutions and extraneous to the

private sector. This also means that the strategic planning process failed to create synergy between public and private sector organisations for future actions.

Although awareness of the existence of the strategic plans was quite substantial among the businesspeople interviewed, at least in the four local self-government units where the planning process had been participatory, their knowledge about the strategy's implementation and priority projects remain inadequate. Specifically, those interviewed could not identify a single mechanism for the implementation of the strategies, claiming that the local authorities had never invited them to discuss modalities for implementation of the priority projects or progress towards achievement of the strategic objectives. Moreover, press releases and media coverage of these issues locally was lacking.

Statements from interviewed executives to the effect that strategic planning of local economic development had not directly contributed to the advancement of cooperation between the public and private sectors were common, regardless of the methodology applied. However, interviewees from cities and municipalities that had taken a participatory approach did say that the work of their local self-government units had become more transparent. They also stated that cooperation with local authorities had improved since the creation of Local Economic Development Offices<sup>5</sup>, which serve as a good channel of communication between different actors at the local level. In addition, some voiced the opinion that local authorities had become much more trustworthy than before. However,

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<sup>5</sup> A Local Economic Development Office is a unit of the local administration, usually established with the objective of promoting an enabling business environment in the local area and coordinating activities on the implementation of the strategies.



interviewees from Beocin – the municipality which did not employ participatory planning mechanisms – did not share the point-of-view of their peers from the other four local self-government units, instead remaining strong in their complaints about the work of their local authority.

From the executives' interviews it is reasonable to conclude that the business sector was not adequately included in the first efforts at strategic planning of local economic development in Vojvodina. This is especially true when the strategy was developed solely as a consultancy output. In cases of participatory planning, where businesspeople were included in the process, their participation was not adequately facilitated and their voices not properly utilised. In both cases, the follow-up activities on strategy implementation did not include participation of the private sector actors. There is also no evidence of a systemic increase in public-private dialogue on any important issues, whether related to the implementation of the strategy or any other question. Nevertheless, there are voices which show that participatory planning contributed to the transparency of the work of the local administration, and did to some extent increase trust in local authorities.

## **Conclusion**

There is no solid evidence to show that the first attempts at strategic planning of local development in Vojvodina's units of local self-government have created conditions favourable to the continuation of a public-private dialogue at local level. Reasons may be found in the traditional lack of trust between actors on the two sides, as well as in

procedural issues and lack of facilitation skills of individuals providing technical assistance in the process of strategy development.

Due to its late transition to a market economy, the private sector in Vojvodina, as in the rest of Serbia, has remained weak in terms of employment generation and investment capacity, particularly since 2008 when the global financial crisis hit businesses in the Republic heavily. Moreover, micro- and small enterprises dominate the private sector, primarily in the provision of basic services. The few remaining large companies are mostly non-privatised relics of the communist era, in most cases working with limited capacity or being in administration for insolvency. The capacity of the Serbian Chamber of Commerce and other business associations that represent the private sector is also weak, especially in terms of expressing a collective voice and articulating the need for business development. Moreover, the volume of net foreign direct investment is somewhat symbolic and mainly concentrated in Belgrade, Novi Sad and a few other cities located either in vicinity of these two cities or on the main highway corridors (Sestovic, 2010). Therefore, the reason for the rather token participation of the private sector in the process of strategic planning may partly be attributed to the weak capacity of businesses to contribute to local development.

The empirical research conducted by the author showed differences in attitude between businesses from cities and municipalities that had applied a participatory approach to the planning process and those that had not. Private sector representatives were much more aware of the existence of the strategic plan and its objectives in local self-government units where a participatory approach had been taken, in addition to which, executives' perceptions of the transparency of local authorities was higher in those cities and

municipalities that had taken a participatory approach. The creation of Local Economic Development Offices was also warmly welcomed by the private sector.

Implementation of the strategic plans is either expected to be financed from the local budget or by external funding, whether national or donor. Financing by the private sector is not yet seen as an option. Therefore, it behoves local authorities to create formal mechanisms for involving private sector representatives in the implementation of the local development initiatives identified in the strategic plans, and particularly to seek synergy between developmental interventions and priorities for private investment. To that end, the establishment of a permanent forum for public-private dialogue at the local level could prove invaluable in increasing trust between and a sense of ownership by all actors, and these are fundamental preconditions for any successful and sustainable development intervention in the future.

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