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Bosnia and
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Methodology for Integrated Local Development Planning - MiPRO - the second, practical part -



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The following is the second practical part of the standardised methodology for integrated local development planning in Bosnia and Herzegovina, prepared within the Integrated Local Development Project (ILDP), a joint initiative between the United Nations Development Programme and the Swiss Agency for Development and Cooperation (SDC), implemented in cooperation with the BiH Ministry for Human Rights and Refugees, the Ministry of Justice of the Federation of BiH, the Ministry of Governance and Local Self-governance of Republika Srpska and respective entity associations of municipalities and cities.

The practical part is founded in entirety on the previously prepared conceptual part of the methodology. It is prepared primarily for practitioners who will work on planning and implementation of local development in municipalities and cities in BiH. It develops appropriate instruments, procedures, roles and responsibilities in application of the methodology, from the preparation of local development planning process through the preparation of the strategic platform and its development plans in terms of economic and social development and environmental improvement, to operation in terms of implementation plan, financing and development of organisational capacities and human resources.

Local development planning methodology was prepared by the EDA Development Agency, based on the recommendations and conclusions of the Methodology Working Group set up within the ILDP.

This is second edition of the practical part of the methodology supplemented upon its practical application in strategic planning process in 23 municipalities in BiH. The integrated local development methodology was applied in the processes of elaboration or revision of local development strategies in the municipalities of Bosanska Krupa, Bosanski Petrovac, Bugojno, Bužim, Cazin, Doboј, Doboј Istok, Doboј Jug, Gračanica, Kladanj, Kostajnica, Kotor Varoš, Kozarska Dubica, Ljubinje, Odžak, Orašje, Osmaci, Prnjavor, Srbac, Srebrenik, Šamac, Trnovo RS and Zenica. Integrated local development strategies of these municipalities were designed in 2010 and adopted at the beginning of 2011.

Acronyms

AFIP/APIF	Agency for Agency for Financial, IT and Intermediary Services
ALARM	Tool for diagnosing criticality/sustainability of jobs
BiH	Bosnia and Herzegovina
CDP	Community Development Project
COMPASS	Client-Oriented Municipal Public Administrative and Social Services
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GAP	Governance Accountability Project
GOWADE	Governance in Municipal Water and Environmental Development
ILDLP	Integrated Local Development Project
IPA	Instrument for Pre-Accession Assistance
LED	Local Economic Development
MiPRO	Methodology for Integrated Local Development Planning
MDP	Municipal Development Programme
MZ	<i>Mjesna zajednica</i> (local community), a mandatory form of local self-government in municipalities and cities in Bosnia and Herzegovina
SD	Social Development
SMEs	Small and Medium Enterprises
NGO	Non-Governmental Organisation
PEST analysis	Political, Economic, Social and Technological analysis
PG	Partnership Group
REC	Regional Environmental Centre for Central and Eastern Europe
RMAP	Rights-based Municipal Development Programme
RS	Republika Srpska
SDC	Swiss Agency for Development and Cooperation
SMART	Specific, Measurable, Adequate, Realistic, Time-bound
SWOT	Strengths, Weakness, Opportunities, Threats analysis
UNDP	United Nations Development Programme

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Introduction

Practical elaboration of the methodological framework for integrated and participatory local development planning (**MiPRO**) strictly follows the conceptual basis outlined in the first theoretical part of the methodology. In the theoretical part the emphasis was on the following:

- developing principles on which the methodology is founded;
- refining its purpose and aims;
- understanding interactions with other key development documents (both at the local and other levels);
- general description of the process and levels of integrated local development planning, from strategic through tactical to operational level;
- elaborating the purpose, nature, scope, structure and basic contents of integral development documents (from integrated strategies, through sectoral development plans, operational implementation and financial plans).

The practical part elaborates in detail each stage in the planning process and every component of integrated development documents, responding to interrelated questions: what-who-how, and providing crossings from one stage to another, from one part to another. It practically demonstrates the ways to apply the standard elements of integrated planning, which have been previously described in the conceptual part of the methodology. Here the emphasis is on tools and methods, participants and forms of participation, and situations for their application, depending on the available local capacities and conditions related to local development strategy. Commonly, examples of local practices are used to illustrate the possible practical application of methodological recommendations. Examples should not mislead any user of the methodology to be uncritical in the use and copying while applying it. **MiPRO** is neither a set of recipes nor are examples recipes. These cannot be transferred or copied, but it is possible to use the analogy, with due diligence, in addressing actual situations in specific local environments. Therefore, the practical part of the methodology displays strong presence of the consistent logic contained in the conceptual part, a productive way of thinking that from the background allows creative and effective implementation of recommended tools, methods, forms of participation, etc.

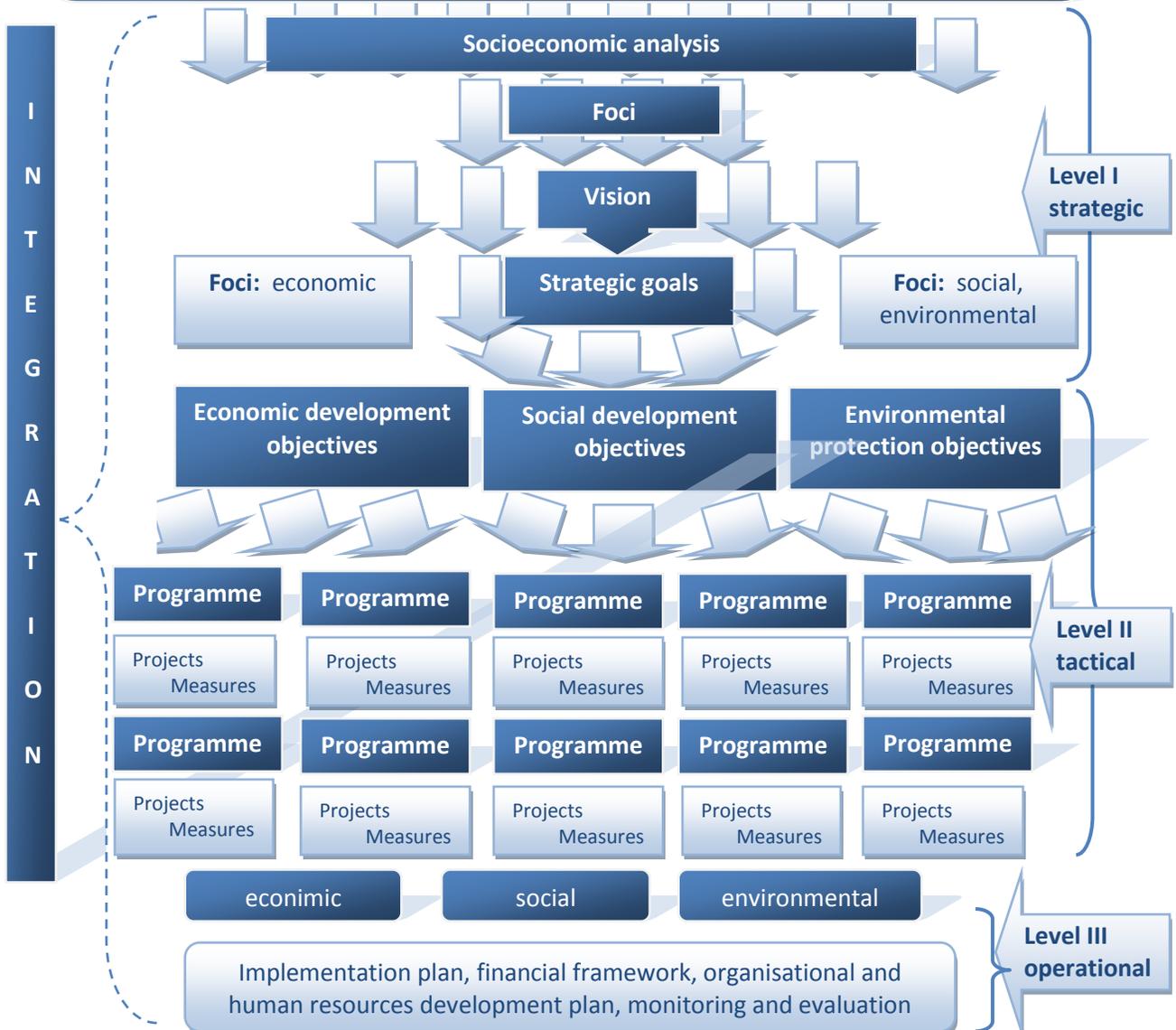
While the theoretical part of the methodological framework may and should be deemed as standardised, the practical part should be viewed rather as a kind of map with a number of useful tools and tips for practitioners-planners to use these in a creative design of concrete strategies and development plans. This means that every specific step in the planning process is not a routine but a unique creative action that cannot be repeated or copied.

1. The process and planning levels

The following diagram outlines the process and key levels of planning, without interactions. The most important interactions will be shown at the end of the description of the practical methodological framework.

General strategies: National Development Strategy, entity development strategies, regional/cantonal development strategies, spatial plans, BiH Gender Action Plan, etc.

Sectoral strategies at BiH, entity and cantonal level: SME development, tourism development, agricultural development, attracting investments., strategic documents in the fields of education, employment, social inclusion, culture, sport, health, environmental protection, etc.



Although it does not show many interactions, the diagram may appear complicated at a first glance. The very process of local development planning is not simple but complex. The following explanations may contribute to better understanding.

- The process shown on the diagram is to be viewed top down.
- Diagram of the process outlines two out of three key planning levels: the strategic one, which is integrated and an integrating level (the so-called strategic platform for the development of a municipality/city) and the tactical, which represents sectoral development plans (economic development, social development and environmental protection), and the third, operational planning level, which encompasses implementation plan, financial framework, organisational and human resources development plan and monitoring and evaluation.
- Both strategic and sectoral planning take into account the relevant development documents of higher levels (general and sectoral development strategies and plans), which are displayed at the top of the diagram.
- Common basis for both strategic platform and sectoral development plans is the socio-economic analysis, which should be made in a participatory and gender sensitive manner, with whose preparation content-wise the planning process starts.
- Strategic level of planning begins with the identification of the most important internal factors and external circumstances of importance for development of a municipality. A suitable tool for this is a SWOT analysis. In the course of a SWOT analysis, internal strengths and weaknesses are largely derived from the previous socioeconomic analysis, while higher development strategies and plans are often a good source where to spot opportunities and external threats. In these documents, special attention should be paid to the appropriate parts of the analysis (SWOT and PEST analysis), but also those sections that describe the strategic interventions and mechanisms planned for their attainment.
- In its further course, strategic planning is about narrowing and sharpening perspective, in order to “capture” the most distinctive strengths and the most critical weaknesses, which will be in strategic focus of resources in the coming period. Vision and strategic goals of development are created from this focus. In defining of strategic goals, their compliance is checked against the relevant goals from higher strategic documents. In addition to this so-called vertical alignment, their mutual, horizontal alignment is also checked. Effectively, this is the end of the strategic, intersectoral planning level, which is the basis for tactical, sectoral planning level.
- Sectoral planning also practically starts with the identification and focusing on the most important internal factors and external circumstances, that should be taken into consideration as priority in preparation of these plans. Further, it also uses appropriate sections and findings from socio-economic analysis (for strengths and weaknesses), and the corresponding parts of higher sectoral development documents (for opportunities and threats). The next step under each sectoral plan is to define sectoral development objectives. Strategic basis for defining objectives is the vision and strategic goals. In the definition, particular attention is paid to their conformity with the goals of relevant higher

development documents. In addition, horizontal alignment of goals is done between sectors.

- Once sectoral development goals are defined, appropriate programs as instruments to achieve these goals are nominated and selected. Programmes are logically related groups of projects and measures, where greater value is with programmes that at the same time contribute to several goals being achieved and especially programmes that have intersectoral importance.
- The final step in the elaboration of sectoral development plans is the definition of appropriate indicators of success, to assess progress in attainment of sectoral plans and, indirectly, the overall development strategy. The main grounds to define indicators are the appropriate strategic and sectoral development goals, on the one hand, and indicators of success for selected programmes within a sectoral plan, on the other.
- The next level is the operational one, not shown on the diagram. It includes the preparation of indicative financial plans for implementation of sectoral plans and development strategies in general, and the preparation of human resources and organizational capacities.

Sequential overview of stages and steps in the process of integrated local development planning, with approximate duration of each step (in terms of weeks) is given in the following figure.

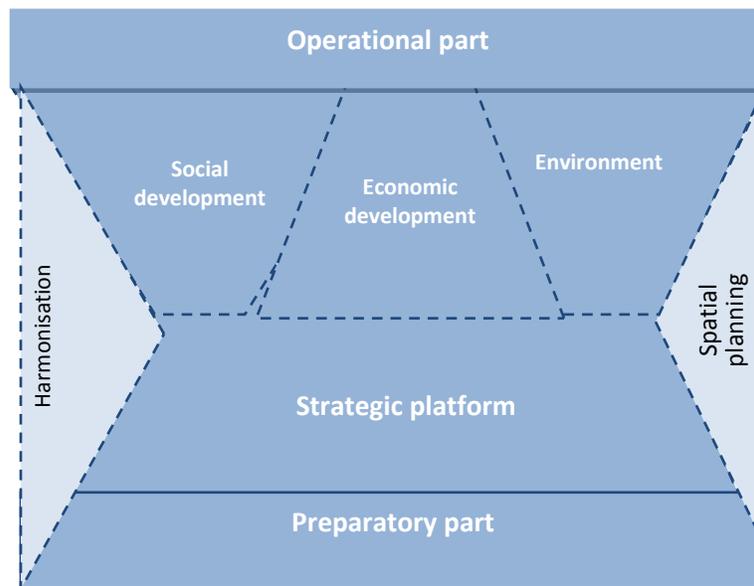
.....➔	➔			➔				➔			
4	10	4	4	3	8	2	2	2	2	3	2
Mobilising stakeholders	Preparation of socioeconomic analysis	Identification of key factors and strategic focusing	Developing vision and setting strategic goals	Sectoral focusing and Setting sectoral objectives	Selection of programmes, projects and measures (with ensuring inter-sectoral integration) and preparation of project fiches	Defining M&E indicators	Preparation of financial framework	Preparation of implementation plan	Preparation of financial plans	Organisational and human resources development plan	Monitoring, evaluation and revision
Preparation	Strategic level			Tactical/Sectoral level Economic development Social development Environmental protection				Operational level			

The planning process should start on time, so that the step which involves the preparation of financial plans (in the operational part) would coincide with the times of intensive preparations of the municipal budget as the safest source of support for the implementation of the strategy. This usually happens during September to October, so the planning process should typically begin approximately on time, ideally at the beginning of the year.

In the coming practical elaboration, methodological framework for local development planning is shown in the following key stages:

- **Preparatory stage**, which includes the mobilization of local stakeholders and the launch of the planning process;
- **Strategic part**, which includes definition of the development platform (socioeconomic analysis; key internal and external factors; strategic focusing; creating a vision and strategic development goals);
- **Tactical part**, with sectoral plans, which includes the development of sectoral development plans - economic development, social development and environmental improvements (sectoral focusing; defining sectoral development objectives; defining programmes, projects and measures; defining indicators and M&E plan, preparing financial framework);
- **Operational part**, which includes development of a framework for implementation (implementation plan, financial plan, plan for development of organizational capacities and human resources, M&E...).

As the case was in the theoretical part, the same diagram will be used to illustrate relevant sections of the methodological framework.



For each phase of the process described, first the essential elements implied under the standardised methodology will be shown in a table, as well as the steps to be taken and results to be achieved. This is further followed by an overview of available methods and tools as

recommended for use, including a review of potential participants. Steps are then described in detail, as well as methods, tools and interaction between participants in the process, with formats and examples. Application of the recommended minimum elements is only an assumption and not a guarantee that the strategic planning process will be effective, which means that it is possible to use additional steps and tools to achieve better results in planning and greater effectiveness of the strategy.

At the end, recommendations are given for various aspects of application of the methodology in different starting situations.

2. Scenario for application of the methodology

Application of the methodology is clear in the event that a municipality does not have either integrated strategies or sectoral development plans. In such cases, **MiPRO** is applied in entirety, according to dynamics adapted to each specific municipality.

How is the methodology applied in cases when the specific municipality has already adopted some of the strategic documents? Two main cases are considered here:

- 1) case: integrated strategy adopted and currently implemented, and
- 2) case: sectoral development plans adopted and currently implemented.

In the **first case**, the critical question is whether this **development vision is generic** (standard and applicable to a range of other locations) **or specific** (expresses a unique competitive position and specific common perspective, particularly the principle of sustainability).

- If generic, the first step is to go back to strategic focusing¹ (strategic focusing workshop), and adjust the vision (workshop for creating a vision). After that, verification of compliance and the necessary alignment of goals and sectoral plans with the vision should be performed.
- If it is specific, the question is whether all sectoral plans are elaborated.
- If not, those that are missing should be elaborated.
- If an economic development plan is elaborated, it should be checked whether it is focused on developing competitive advantages and overcoming “bottlenecks”; does it contain appropriate programmes, whether objectives and indicators are defined in accordance with SMART rules ... If something is missing, the plan should be adapted to these requirements through workshops, tools, interviews ... in appropriate parts of the plan.
- If a social development plan is developed, it is checked whether it is focused on target groups and target services, and if it contains the appropriate programmes of social inclusion and other appropriate programmes, whether goals and indicators are defined in accordance with SMART rules ... Then the plan is adjusted to these requirements through appropriate workshops, tools, interviews ... in appropriate parts of the plan.
- If an environmental protection plan is developed, it is checked whether it is focused on priority environmental risks and potentials, and if it contains a corresponding action plan and indicators for monitoring progress. If not, necessary corrections are performed.
- If all sectoral plans are developed in an appropriate manner, it is checked whether implementation framework is sufficiently elaborated, with further additions as needed.

¹ If the strategy was prepared several years ago, perhaps it is necessary to go back to the stage of updating socioeconomic analysis.

In the **second case** (adopted and currently implemented sectoral development plans, no integrated strategy), the critical question is **whether these are based on the same vision**.

- ⇒ If they are based on the same vision, it should be checked if it is generic or specific.
 - If it is generic, a step back should be taken, to strategic focus (strategic focusing workshop), and the vision should be accordingly adjusted (workshop for creating a vision). After that, it is a subject to verification of compliance and the necessary alignment between goals and sectoral plans with the vision. The same is done if sectoral plans are not based on the same vision, and also if the time frames of sectoral plans do not match.
- ⇒ If these are based on the same vision, and it is specific, verifications and adjustments are done in an identical manner as in the first case scenario.

A question that remains open is relations between the strategy and spatial plan in a concrete situation. The following scenarios are recommended here:

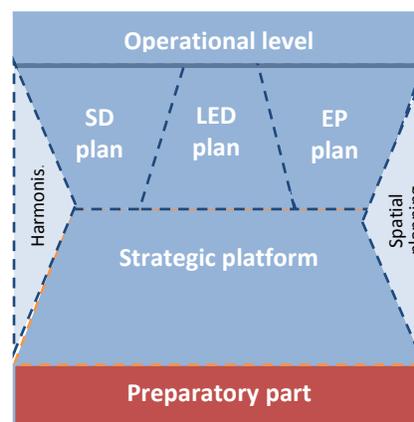
- ⇒ If the municipality **does not have an updated or any spatial plan**, then the strategic part (integrated strategy) is should be elaborated first, so that strategic foci, vision and strategic goals are then used when creating a spatial plan, as well as sectoral development plans.
- ⇒ If the municipality **has an updated, current spatial plan**, then changes to it should be initiated only if solutions from the spatial plan present a significant limitation to strategic development interventions.

3. Preparatory part

Preparatory part involves the mobilization of local stakeholders and the launch of the planning process.

The basic concept is local development partnership in planning and implementation of strategies and plans.

According to the standardised methodology, the preparatory part requires the following steps and results:



Stage	Steps	Results
Preparatory part	- initiating the planning process	- official municipal decision to start the process of local development planning
	- establishment and preparation of a development team(s)	- local development team established and initially equipped inter-sectoral, while taking into account gender equality
	- mapping interested stakeholders	- competent and interested local actors identified
	- creating partnership and the launch of the process	- local development partnership (forum) established, bringing together key stakeholders in local life and development, while taking into account social inclusion and gender equality

The following table gives an approximate overview of available methods, tools and participants in the preparatory part. The underlined tools/methods and participants are deemed necessary, according to the standardised methodology.

Stage	Methods and tools	Participants
Mobilising stakeholders	<ul style="list-style-type: none"> - <u>participation matrix</u> - <u>mapping / analysis of stakeholders</u> - matrix of capacities and interest - <u>preparatory workshops</u> - customised LED - workshop - <u>joint statement of partnership</u> 	<ul style="list-style-type: none"> - <u>municipal mayors</u> with associates - <u>inter-sectoral local development team</u> - <u>local development partnership</u> - <i>external expert(s)</i> <p><i>NOTE: All teams have at least 30% representation in view of gender equality.</i></p>

MiPRO is a strongly interactive methodology, based on continuous communication and participation of a large number of stakeholders from the entire community.

Throughout the entire process of preparation of the strategy, starting from the preparatory stage, different communication “tools” will be used. Workshops and interviews will be used more commonly, than others. It is important to balance the interviews and workshops, since information obtained in one and in the other way are complementary. Commonly, information obtained through workshop should be verified in interviews, while information obtained in interviews can be checked in workshop.

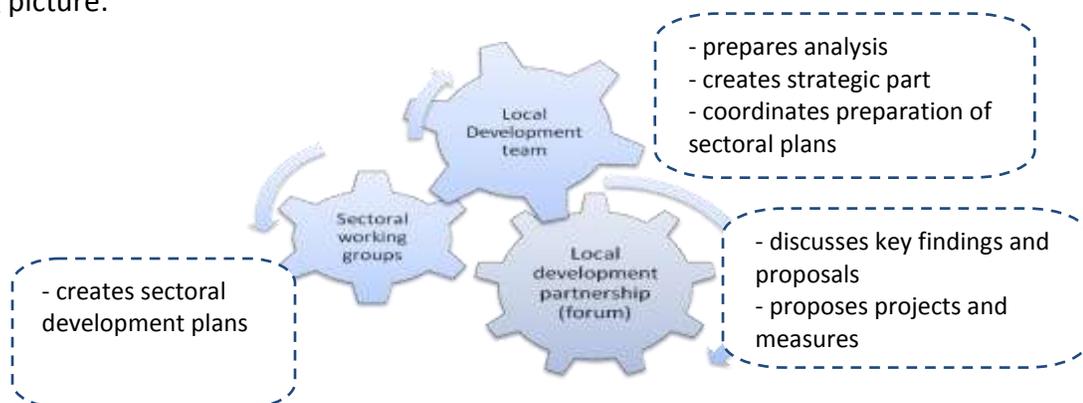
The following table² lists the main features.

	Interviews	Workshop
Expected outcomes	<p>More in-depth understanding of an issue.</p> <p>In interviews, local actors may give facts or opinions which they would not share in public.</p>	<p>Better understanding of a given sector or chain value.</p> <p>Exchange of perspectives between participants leads to better insights.</p>
Advantages	<p>Detailed, more complete information.</p> <p>Some actors would not otherwise take part in the workshop, while they could make an important contribution.</p>	<p>Significant time saving.</p> <p>Contribute to building relations between local stakeholders.</p>
Disadvantages	<p>Time-taking.</p>	<p>It is difficult, almost impossible to examine a certain issue more in depth.</p>

Interviews should cover:

- knowledgeable individuals familiar with issues that represent good opportunities;
- seasoned and knowledgeable individuals;
- eccentric people with “silly” ideas.

The most important forms of participation in the planning process are presented in the following picture:



² The table adapted from the GENESIS methodology, developed for the purposes of strategic overview of local and regional development, in partnership between GTZ and mesopartner (www.mesopartner.com).

Participation matrix for actors in local development team and sectoral working groups would approximately look as follows:

	Municipal administration and assembly	Public sector	Private sector	NGO	MZ
Strategic platform	mandatory	necessary	necessary	necessary	necessary
Economic development	mandatory	necessary	necessary	desirable	desirable
Social development	mandatory	necessary	desirable	necessary	necessary
Environmental protection	mandatory	necessary	desirable	necessary	necessary

Although preparation and proposal of the municipal development plan is ultimately the responsibility of the municipal mayor, planning and subsequent implementation and monitoring should involve all interested and competent local stakeholders, with particular attention on gender equality (minimum 30% representation of the other sex).

MiPRO stands for an approach where planning takes place through productive cooperation between partners from public, private and NGO sector. The plan is a common ownership of local partners, while duties and responsibilities for implementation and monitoring of the plan are clearly defined between partners.

Although motivating and mobilising of local stakeholders takes place virtually throughout the entire planning cycle, the critical link is the first, preparatory stage, while includes the following main steps:

- ⇒ initiating the planning process,
 - ⇒ equipping and preparation of the team(s),
 - ⇒ mapping interested stakeholders,
 - ⇒ creating an initial partnership and the launch of the process.

3.1. Initiating the process

MiPRO follows the assumption that the municipal mayor, with his/her key associates, initiates the development planning process, by reasoning the initiative to councillors / delegates of the municipal assembly. Municipal mayor is the host of the process. The host secures the necessary resources to carry out the process and define the key requirements in terms of results and time to achieve these. Key associates are included (in charge of economy, social affairs, spatial planning, housing and utilities, general administration and ecology). In the event that gender equality is not represented in the team, by including additional experts, municipal mayor is to

ensure greater balance in gender representation in the team. This closest team begins with consultations in the preparation of the process. Based on these consultations, municipal mayor establishes a local development team, who operatively will “lead” the process of drafting the strategy. The main tasks of the local development team include:

- ◊ inclusion of the “critical mass” of participants from public, private and non-governmental sector in the development planning process;
- ◊ preparation of the process flowchart;
- ◊ operational leadership and coordination of planning activities.

3.2. Equipping and preparation of local development team

Ideally, the team comprises local stakeholders and external experts. Participation of external experts is dependent on two things: availability of funds to engage professionals (or professional organisations), on one hand, and the availability of appropriate experts, on the other.

Local stakeholders comprise those sufficiently informed and interested representatives of a particular economic sector (industry, agriculture, tourism ...), social sector (education, culture, health and social care, sports ...), spatial planning and environmental sector, and sectors of public services and infrastructure. In such composition, aside the mandatory participation of competent representatives from the municipal administration and the Assembly, it is necessary to ensure also adequate participation of representatives from public organisations and companies, private sector, NGOs and local communities, while taking into account gender equality. Such unified team gathers *between seven and fifteen members*, depending on availability and interest of actors outside the municipal administration and public sector. Where there is a local development agency, its representatives should certainly be included.

In the early stages (mobilisation, situation analysis and defining the strategic platform), the team mostly works together as a whole. Later, in the preparation of sectoral development plans, the leading role is taken over by sectoral working groups, that work separately, while mutual alignment is secured through coordination meetings of the core team, whose members participate in each of the working groups.

Apart from familiarity and interest, in selection of team members, one should be mindful of their readiness for cooperation and communication.

The role of team leader is crucial. Team leader should enjoy authority and respect so as to be able to integrate various sectors and all interested stakeholders to support the development team. What is required is an effective leadership that could provide the team with *legitimacy, trust and commitment*. A person searched for is someone who ideally has hierarchical and personal authority, qualities of a good leader, energy and enthusiasm transferred to and stirred with other team members, but also systematic nature and detail and result orientation. Usually, the mayor cannot assume this duty because of other engagements, so the choice comes down to someone who has strong support from the Mayor such as deputy mayor, one of the heads of key departments or someone from the closest advisory team. There are no rules, success

happens where the required characteristics are found in one person. In terms of common theoretical classification of team roles, the leader would naturally assume the role of the *coordinator*, meaning someone characterized by good conduct and communications with people, respect for their contribution and a strong sense of common goals. Organisational skills are also welcomed. Team leader in general needs not to be greater expert or more creative than most other participants. Furthermore, selection of the team leader should not be burdened with political and partisan interests and preferences. It would be good if the issue of team leader is discussed in advance with team members, or moreover, let the team appoint the coordinator.

Initial preparation of the team is focused on three things:

- ◇ achieving a common understanding of approaches, processes and expected results of development planning;
- ◇ understanding the role of the team and other key stakeholders in the planning process; and
- ◇ involving “critical mass” of other local participants in the planning process.

It is recommended that these preparations are carried out in the form of a well-prepared one-day workshop, according to the predefined format. A time diagram of the development planning process should be one of the tangible results of the workshop. Another result of the workshop should be the initial map of local stakeholders to be involved in the planning process.

If there is a possibility to include external experts, it is necessary to make sure that in addition to appropriate theoretical and practical knowledge of MiPRO and approaches to local development planning and management, they also possess skills in *moderation and interactive work*.

More guidance on initiating planning process and establishing planning bodies is given in the attachments below:

Attachment 1: Planning bodies

Attachment 2: Local development team

3.3. Mapping interested stakeholders

Once there is common understanding of the whole planning process and roles in it, the team attends to mapping the interested stakeholders, who then will have to be convinced to take active participation in the planning process. Starting point are two key issues, namely, one’s familiarity with a specific issue and one’s interest. Another initial assumption is also that a well composed and complete local development team is a sufficient initial source of information for mapping the local actors.

Local stakeholders are all natural and legal persons from the private, public and NGO sectors, in some way related to the strategy and with certain interest for its preparation and implementation. On one hand, they can impact the strategy, and on the other, its implementation has a certain influence on them. Each of them has different interests and

capacities. At the onset of the preparation of the strategy, one should assess the potential for their participation in planning and implementation.

Implementation and attainment of results under projects envisaged in the strategy will have different impact on different stakeholders – while it will help some, it may also detriment others to some extent. Accordingly it is possible to foresee the position of certain actors towards a specific project, that is, whether they would assist or hamper its implementation. Once it is determine how individual stakeholders would act, possible results of their acts should also be determined, that is, the extent to which they can help or hinder implementation. This primarily depends on their capacities which encompass human, financial and technical resources at their disposal, as well as their hierarchical position and image in society, based on which it is possible to make inferences about their possible participation and influence.

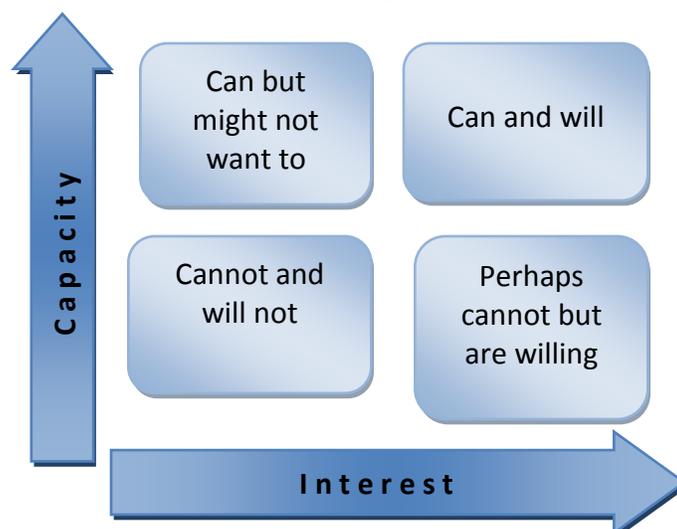
Analysis of local stakeholders includes:

- identification of key stakeholders;
- identification of their capacities and interest (the extent of their ability and willingness); and
- determination of their possible role in the preparation and implementation of the strategy.

It is important to assess the extent to which the identified stakeholders are willing and capable to contribute to the preparation and implementation of the strategy, based on which it is possible to undertake activities (mainly communicational) in view of their involvement in the process.

Development team may perform a quick mapping of local stakeholders within few hours and in few steps.

- ⇒ In the first step, all team members simply “put on paper”, that is, list all organisations on cards (companies, institutions, services/departments, non-governmental organisations...) and individuals that they can think of, in relation to the upcoming work on the strategy. This task requires about a half an hour.
- ⇒ The second step utilises the matrix of capacities and interest. The attention is now turned to the issue of capacities (who has what kind of knowledge and other resources) and the issue of interest (the level of individual interest to participate in a collective process of development of the strategy and a given location. Names are listed in appropriate fields on the matrix bellow. This activity also does not require more than half an hour.



- ⇒ The third step targets those stakeholders who are believed to be able to contribute to the preparation and implementation of the development strategy and plans. So practically, for each of them a small inventory of capacities should be made (knowledge/information at their disposal, particular areas of expertise, other resources – material, financial... or connections/reputation at one’s disposal and alike). This activity requires more time and may be started at a workshop, and continued later on, in the week following the workshop, provided that team members who are to complete the task are assigned at the workshop. One must bear in mind that a quality mapping of local stakeholders makes up for at least two thirds of local capacities mapping.
- ⇒ The fourth step relates to those stakeholders who are found to be the ones who may contribute to the preparation, yet might not be willing to. The attempt is to estimate the most likely reasons behind their passiveness, perhaps even resistance to the preparation of the strategy. More importantly, one should start to consider the possible ways to win their support and who could accomplish this. These activities also begin at the workshop, but are continued afterwards, and sometimes, the attempts to win over individuals or entire groups to participate will last to the very end of the strategic planning process.

MiPRO requires involvement of socially vulnerable groups from the very beginning. These groups are usually disregarded, but can give a valuable contribution to the attainment of the principle of equality in local development. In addition to a formal address in writing, it is recommended that a member of the local development team is tasked to hold a separate meeting with representatives of these groups and provide them with additional information in order to ensure their active participation in the process.

In addition, it is necessary to bear in mind gender equality throughout the planning process and ensure the participation of representatives of municipal commissions for gender equality in the working bodies during the key stages of the process. Gender equality (minimum 30% representation of the other sex) is an important aspect which needs to be considered in the mapping of local stakeholders, considering the fact that socioeconomic issues in a given local community can have much different impact on men and women. Therefore, responses provided under local development strategy should be tailored to specific situations and needs of both sexes.

The matrix for analysis of local stakeholders developed within UNDP RMAP is provided here as an example.

Attachment 3: Stakeholder analysis.doc

3.4. Creating initial partnership and the launch of the process

Once the initial development team is in place, it is time to include all other interested stakeholders, in line with their interests and capacities. The first basis to include partners is set by their mapping. Composition of the local partnership group for development, resulting from previous careful drafting and analysis by the local development team, is here enclosed.

Attachment 4: Partnership group.xls

The initial form of inclusion may be through local development partnership, within a partnership group for municipal development, as it has been done already in a number of BiH municipalities. In some places, this partnership is referred to as the Local Development Forum. The establishment and the work of such wide partnership body calls for minimum formalisation. Such formalisation may be achieved through some sort of memorandum of understanding and partnership to be signed by all interested stakeholders at the point when they are to join the partnership. A template of such memorandum on local development partnership is enclosed. From legal perspective, it is advised to better use the term *statement of partnership*, rather than *memorandum of partnership*.

Attachment 5: Partnership statement.doc

A statement of partnership is accepted and signed at the first, constituent meeting of the Municipal Development Partnership Group, but the partnership remains open for all those who later on express desire to join in. The meeting is practically a public launch of the overall strategic planning in a given area. The leadership³ of the Partnership Group is elected in the first meeting, aside the initial common understanding of the tasks ahead and the role of the Partnership Group in it. It is also recommended that the first meeting be used to assess the readiness of the participants to facilitate an efficient drafting of socioeconomic analysis (by easier access to adequate data and reports, as well as by participating in organised surveys, interviews, focus groups and alike), and also the interest for direct or indirect participation in the work of sectoral working groups.

Case study - Bosanska Krupa

In Bosanska Krupa municipality, which has population of about 28,000, more than 150 representatives of public, private and civil sectors participated in the creation of an integrated development strategy and showed readiness to contribute with their expertise and dedication to development of their municipality. The Partnership Group which had around 90 members was highly active throughout the process, holding regular meetings and providing the Municipal Development Team with suggestions and recommendations in all key phases of the process. In addition, the Municipality encouraged participation of prominent citizens of Bosanska Krupa living abroad who were electronically provided with draft materials for their comments and suggestions. As a result of such a participatory planning process, the integrated local development strategy was unanimously adopted by the Municipal Council.

It is also possible to use the so-called LED-café (or World- café) workshop format to organise meetings of the Partnership Group.⁴

³ It is recommended that a president and two vice-presidents be elected, whereby the president would come from one sector (for example from the private sector if economic development is in focus), one vice-president from another sector (for example public), and the second from the third sector (for example non-governmental).

⁴ Guidebook to LED- café workshop format (in English) is available at: http://www.mesopartner.com/nc/publications/select_category/14/.

The media, especially the local media, play a very important role in motivating and mobilising local stakeholders throughout the entire planning process, and later on in promotion and implementation. Quality and timely presentation of the most important elements of the development strategy is an essential precondition to win true acceptance of common ownership of the stakeholders involved and the local community. It is therefore necessary from the beginning to use local media and plan their involvement in advance in major promotional activities in the process of preparation of the strategy. Established relations with the media will be of good use for effective promotion of the strategy among decision-makers, higher levels of government, legislators, spatial planners, donors, potential financing bodies, business community and all those on whom its successful implementation is dependant.

3.5. Technical preparation of strategic planning process: structure and overview of local development strategy

Prior to initiation of planning process it is important that the local development teams have in mind the overall framework structure and elements of development strategies.

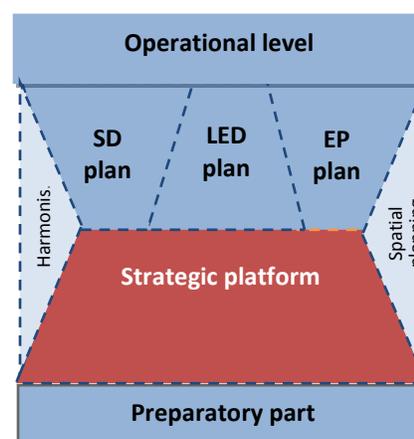
Orientation structure of development strategies according to the requirements of the theoretical part of MiPRO is given in the attachment below.

Attachment 6: Strategy
orientation structure.doc

4. Strategic part - from SWOT analysis to vision and strategic goals

Strategic part has the following minimum structure:

- ⇒ an excerpt from socioeconomic analysis;⁵
- ⇒ key internal and external factors;
- ⇒ strategic focusing;
- ⇒ long-term development vision;
- ⇒ strategic development goals;
- ⇒ links with planning documents of the higher level.



According to the MiPRO, the following steps and results are necessary in creation of the strategic platform:

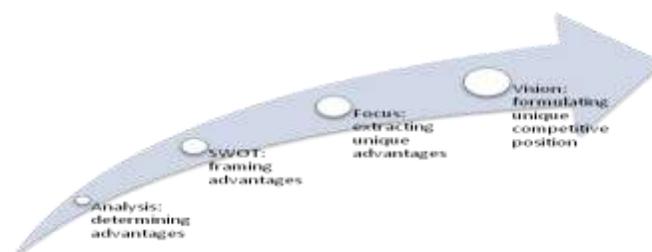
Stage	Steps	Results
Strategic platform	<ul style="list-style-type: none"> - collecting data from secondary sources on relevant aspects of the situation (data should include gender and age structure wherever applicable) - collecting qualitative data - data analysis 	<ul style="list-style-type: none"> - situation analysis with relevant trends and findings creates information grounds to monitor and evaluate progress
	<ul style="list-style-type: none"> - defining key internal and external factors 	<ul style="list-style-type: none"> - key advantages and disadvantages of the location noted and sharpened, as well as key opportunities and threats in the surroundings
	<ul style="list-style-type: none"> - strategic focusing 	<ul style="list-style-type: none"> - formulated strategic foci
	<ul style="list-style-type: none"> - creating development vision and strategic goals 	<ul style="list-style-type: none"> - development vision - strategic development goals
	<ul style="list-style-type: none"> - harmonisation with planning documents of higher levels 	<ul style="list-style-type: none"> - alignment of focus, vision and goals of municipal development with strategic directions of the wider community

The following table gives a reference overview of available methods, tools and participants to prepare a strategic platform. Tools/methods and participants deemed necessary according to the standardised methodology are underlined.

⁵ Often referred to as *situation analysis*.

Stage	Methods and tools	Participants
Socioeconomic analysis	<ul style="list-style-type: none"> - <u>Secondary data collection table</u> - <u>Primary data collection (focus groups, surveys, interviews)</u> - <u>Vulnerability assessment</u> - <u>Data analysis</u> - ALARM (to analyse critical and safe jobs) 	<ul style="list-style-type: none"> - <u>Local development team</u> - <u>Data sources inside and outside local administration</u> - <u>Representatives of MZs</u> - Directors of companies and owners of stores (sample) - <u>Local experts</u> - Citizens – users of public services (by sample) - <u>heads of public services</u> - Representatives of NGOs, including associations of women - <u>Representatives of socially vulnerable groups</u> - <i>external expert(s)</i>
Key internal and external factors and strategic focusing	<ul style="list-style-type: none"> - PEST analysis - <u>SWOT analysis</u> - <u>workshop for finalising</u> 	<ul style="list-style-type: none"> - Mayor - <u>Local development team</u> - <u>Local experts</u> - Local development partnership - <i>external expert</i>
Creating a vision	<ul style="list-style-type: none"> - <u>workshop to shape the competitive position and common perspectives</u> 	<ul style="list-style-type: none"> - <u>Mayor</u> - <u>Local development team</u>
Setting strategic goals	<ul style="list-style-type: none"> - <u>workshop with formulation and harmonisation</u> 	<ul style="list-style-type: none"> - Local experts - <u>Local development partnership</u> - <i>external expert</i>

The first part of creating a strategy - from analysis to vision - can practically be treated as a single process. What is specific for the analysis stage is that actual and potential advantages of a certain location (municipality, city) are noted and then further sharpened through a SWOT analysis. In the strategic focusing stage unique competitive advantages are singled out, with focus on their correlation with external conditions, while in the stage of creating a vision, a unique competitive position that the municipality intends to achieve in future in a relevant surrounding by utilising the developed unique competitive advantages is defined. This is the proactive aspect of strategy creation, presented as follows.



This process usually has the “other side of the coin”: noting negative trends and actual problems / challenges that the municipality is faced with (through analysis), singling out the most important shortcomings, obstacles and constraints (through SWOT analysis), and identify critical weaknesses that may endanger, hamper or prevent development in the coming period (through strategic focusing). This is a reactive aspect of the strategy creation process. It is next in line after the proactive one and is “shorter”, as it does not include the formulation of vision as a new situation where these weaknesses will be overcome and problems resolved. Just like the house is not built on landslide or sand, but on solid ground, the strategy too is built on advantages, and not weaknesses.

Both these aspects and sides play steadily and in line, with the first, pro-active one as leading. External factors play a decisive role in shaping both sides of the same process. The whole process is not a routine, but a creative one, but it is necessary to secure sufficient time to mature (incubation, illumination), for different perceptions to interact and achieve a sufficient level of mutual consent between local stakeholders.

4.1. Preparation of socioeconomic analysis

Socioeconomic analysis includes all important aspects of life and local community development. It is the main base which is later on used to create strategic sections - integrated development strategy, and development of sectoral development plans - economic, social and environmental development.

The analysis desegregates the current from the past situation in all aspects of life in a local community that are deemed important for the preparation of the strategy. The analysis usually covers the following aspects:

- ⇒ overview of the key historical facts, important for the identity of the area;
- ⇒ geographical-communicational features, natural characteristics and resources of the area;
- ⇒ demographic characteristics and trends;
- ⇒ overview of the situation and trends at labour market;
- ⇒ overview of the situation and trends in social infrastructure (education, culture and sport, healthcare and social welfare, local communities, civil society, municipal human resources...);
- ⇒ situation with spatial-zoning documentation, infrastructure and public services;
- ⇒ overview of the situation and trends in local economy;
- ⇒ situation in the field of environment;
- ⇒ situation and trends in revenues and expenditures in the municipal budget.

The attachment below provides an overview of socio-economic analysis elements.

Attachment 7: Strategy
orientation structure.doc

The analysis should result in a clear identification of the main problems and challenges that a municipality faces in all analysed aspects. In collecting and processing data used in preparation of the analysis it is necessary to ensure age and gender breakdown for all data pertaining to population and human resources. Such disaggregated information and the overall gender sensibility of socioeconomic analysis will additionally help in a more precise definition of the main problems and provide a clearer definition of the main strategic directions and sustainability of the municipal strategy.

In the process, there must be a balance in the use of quantitative data, gathered primarily from the secondary sources and which are an objective side, and qualitative assessments of knowledgeable local participants⁶, which are experience-based and equally important subjective side to the analysis.

The preparation of socioeconomic analysis is led by the inter-sectoral development team, with active cooperation of all other participants from public, private and non-governmental sectors.

Collecting data

The analysis starts with an organised collection of data. Data are usually found in various sources and in different forms. General overview of data to be collected is enclosed in the form of table, and data that are deemed necessary according to the MiPRO are underlined.

Ideally, the municipality has a database and relevant data is regularly updated enabling monitoring of socio-economic parameters. In case such database is inexistent, the first step in the process is collection of quantitative data from primary sources, such as statistical institutes, regular statistical reports from relevant institutions, etc. In order to ensure systematic and comprehensive approach to collection of data needed for preparation of socio-economic analysis, it is recommended to use the tables provided in the attachments below.

Attachment 8A: Data
collection table.doc

Attachment 8B: Data
collection table.xls

The first table provides an overview and explanations in terms of data that need to be collected. The second table can be used for storing data (in case the municipality does not have a comprehensive database), as well as for preparing visual overviews of results, trends and projections. The tables can also be used as a tool for monitoring and evaluation of sectoral plans and entire strategy.

Secondary data that should serve as basis for the analysis and that represent its objective side is often unavailable, and most commonly insufficient. In order to come to the actual dimensions of problems it is necessary to have organised and focused individual or group discussions with a number of relevant stakeholders to obtain supplementary data for socio-economic analysis and ensure its equally important subjective side. The attachment below describes the tools that can be used for collecting data from primary sources, i.e. assessments by knowledgeable

⁶ A part of local experts to be interviewed had been already identified in mapping of local stakeholders; others are found in discussions within the local development team and with other experts.

stakeholders from various areas, satisfaction of users with availability, accessibility and quality of services, social exclusion analysis, etc.

Attachment 9: Qualitative data collection tools.doc

For the purpose of conducting economic analysis focus group can be used as tool to enable better understanding of issues and problems related to economic development and local business environment from the perspective of key stakeholders who mostly create new jobs (owners/managers of SMEs and enterprises).

Attachment 10 gives an example of organising focus group with entrepreneurs and suggests a couple of discussion themes, while attachment 11 gives an example of minutes from a focus group discussion.

Attachment 10: Focus groups.doc

Attachment 11: Focus group minutes.doc

Survey is used as a tool for collecting data on satisfaction of clients with availability, accessibility and quality of services, communal and administrative in particular, throughout the municipal territory. The attachments contain examples of questionnaires that can be used for assessing satisfaction of clients or entrepreneurs.

Attachment 12: Questionnaire_Services.doc

Attachment 13: Questionnaire for entrepreneurs .doc

Data processing and analysis

Explanations for each type of data with tools and examples are given further in the text. What is certainly the most demanding task in the preparation of socio-economic analysis is interpretation of data that is usually visualised through graphs and that should indicate trends and enable projections. The attachment below gives an example of data visualisation.

Attachment 14: Data visualisation.doc

Historical and geographical data are usually contained in previous analyses and records that are easily accessible. The problem here is not about obtaining data, but in their selection and presentation. From the abundance of historical facts (and legends), one must filter those historical layers and data that shaped the specific, commonly a multilayer and multiple identity of a place or an area. From ample geographical data, one must single out those that suggest potential comparative advantages of an area, from the position and communication links, to climate and natural resources.

None of the two types of data are listed for the sake of merely giving data, but because these have a strategic importance. Strategic challenges that come up at this stage of analysis usually cover the following questions:

- how to preserve the genuine historically shaped identities of an area on which to harmoniously build up the new identities that are called for and shaped by the new developing times;

- how to turn comparative advantages into competitive advantages⁷ of own economy.

Demographic aspect of the analysis commonly includes the following data on:

- the total population figure (by time series, for example, over the last five years),
- population breakdown (by age, education, sex),
- population by settlements/local communities, in urban and rural parts,
- birth and death rate (relation between the annual number of births and deaths, frequently in time series, for example, over the last five years),
- migrations inside and outside the municipality.

A part of data may be obtained from the Institute of Statistics, and a part from municipal registries. Some data, especially in relation to the population breakdown and migrations is difficult to obtain. Most data (aside those on births and deaths) are still but estimates, due to the lack of an updated and comprehensive census.

In this aspect of the analysis it is very much important to identify and point to strategic challenges that the Municipality is faced with. In some places, it could be a negative birth rate, in other places an unfavourable age structure, or demographic abandoning of rural areas, and in some places all these elements combined. A clear overview of trends by diagrams, should trends be negative or unfavourable, is to instantly alarm the community and later on give way to acceptance of changes that the strategy is attempting to introduce. A demographic analysis of an area is illustrated in the following example.⁸

Attachment 15: Example
demographic analysis.doc

Labour market aspect usually includes sets of data on:

- employment (number, gender, education and age breakdown, share in public and private sector, by industries, size of companies...);
- unemployment (number, gender, education and age breakdown, length of unemployment...); and

⁷ Comparative advantages usually come from the nature, in terms of a favourable position or unique natural resources. Competitive advantages are built by designed and organised efforts to build such institutions, organisations and relations that reflect and improve the individual efforts, especially those made by entrepreneurs and companies.

⁸ In the preparation of the overall demographic analysis for the Municipality of Trebinje, unfortunately, the analysis from gender perspective was not carried out due to the lack of data. According to the estimates of the municipal administration, the ratio of females in the total population figure in Trebinje is somewhat greater than males. However, in preparation of demographic analysis of municipalities with the view of development planning, it is necessary to ensure that data on the population is gathered and analysed by gender.

- retirement (number, gender, type of retirement - age retirement, disability and family pension).

In accordance with standard classification, employment is viewed as a part of social policies and social development, and job creation as a part of economic policies and economic development, although these two aspects are very much related. Employment measures shape the supply, while job creation measures create the demand at the labour market.

Usually there are no problems to collect data on unemployment, for these may be found in a single location, that is, a branch office of the Employment Bureau, as well as on pensioners, for these are also in one place, that is, a branch office of the Retirement and Disability Insurance Fund. The problems are commonly faced when it comes to gathering data on employment, for these are in various sources, none having complete and reliable data at its disposal.

It is also very important here to present data in time series and in appropriate diagrams, so as to note trends and relations.

In addition to the aforementioned data, it is just as wise to include data on potential training and re-training, as well as the current demand for workforce, in case that one of the stakeholders (the Employment Bureau, a local development agency or a non-governmental organisation) conducts such occasional surveys.

Strategic challenges need to be identified here as well, regardless of whether these are sectors with rapid job decrease, or sectors with a growing employment, or sectors where supply of workforce fails to meet the demand, or lack re-training programmes, etc.

An example of an in-depth labour market analysis is attached. However, it is important to keep in mind gender equality aspect, especially in situations where analysis shows significant differences in unemployment rate between women and men. In addition to determining those differences, when conducting strategic planning processes it is necessary to envisage projects and measures that will contribute to reduce differences. Such analysis is particularly significant given that the participation rate of working-age population in labour market is generally considered as one of the leading indicators in creation of the main strategic directions for the preparation of municipal programmes and projects in terms of employment and access to economic resources.

Attachment 16: Example
labour market analysis.doc

Labour market aspect is a sort of an introduction to the next two important aspects, those being the social and economic one.

Social infrastructure analysis commonly includes:

- education (including pre-school level, but also adult education);
- culture and sport;
- healthcare and social welfare;

- housing;
- civil protection;
- social, property and personal safety;
- sensitive/vulnerable groups, and
- civil society (non-governmental organisations).

Data and reports indicative of the situation and trends in these segments of social life are usually found in relevant institutions (schools and kindergartens, social welfare centres, healthcare institutions etc.). A good deal of data may be found in municipal departments in charge of social affairs.

This data needs to be compiled in a single place, disaggregated and categorised into appropriate series and cross-referenced, and also presented in adequate diagrams. In addition to data on situation and trends, it is also recommended to gather and process data on technical equipment and human resources of local institutions in charge of providing the relevant social services, and analyse limitations to their functioning and development. All data should be disaggregated and analysed from the perspective of gender equality.

✉ Templates for situation analysis in public services/departments are hereby attached.

Attachment 17: Public services analysis.doc

Attachment 18: Example of public services analysis.doc

Example: Tool 4A for analysis of public services

Rights-based approach to local development applied by the UNDP's Rights-based Municipal Development Programme (RMAP)⁹ in a number of BiH municipalities resulted in integration of human rights into a comprehensive socioeconomic analysis. The basis for the analysis was a tool for assessing the exercise of rights developed by the Social and Economic Committee of the United Nations known as "4As", which RMAP had customized for assessment of service delivery in the sectors of education, health and social protection, as well as utility services within competencies of municipalities.

Service analysis considers:

Availability: Services should be available at a level that meets the needs of the entire population;

Accessibility: Services should be accessible to all users, both in physical as well as in economic terms;

Acceptability: Services should be of satisfactory quality and provided in a manner that corresponds to cultural values, norms and customs of users;

Adaptability: The meaning and the mode of service delivery should be adapted to the needs of local communities and individuals.

⁹ Rights-based development is a practice of application of norms and human rights standards in development policies and practices. This concept follows the idea that a sustainable human development is founded on and contributes to attainment of social, economic, civil, political and cultural rights. In addition to establishing links with human rights standards, fundamental principles behind such approach are citizens' participation, accountability, non-discrimination and equality, and strengthening positions of vulnerable groups in attainment of their rights.

The so-called *checklists* were prepared, which set human rights standards as a goal and secure indicators to measure progress, provide a comprehensive view of the sector and may indicate the data needed to conduct analysis and planning process.

Attached: checklists for sectors of education, health and social protection.

Attachment 19: Check list education.doc

Attachment 20: Check list social protection.doc

Attachment 21: Check list health care.doc

An important, yet previously disregarded part of the analysis should include the problems of extremely sensitive/vulnerable groups, that are unable to satisfy their basic needs by own revenues and within standard programmes of public services. These are groups characterised by limited opportunities to participate in social affairs, public and economic life. This part of the analysis practically cannot be performed well without direct inclusion of representatives of these groups in the analysis. A good “tool” for that could be the method of focus groups, which is discussed in the coming sections related to economic aspect of the analysis. Social welfare centres and non-governmental organisations dedicated to problems of inadequate social inclusion are a valuable source of data and estimates. It is also necessary to ensure that the analysis is performed from the aspect of gender equality, in order to determine the extent to which social exclusion and lack of income affects men and women so that further stages of the process would define appropriate policies in different sectors.

✍ The overview of key data related to inadequate social inclusion is hereby enclosed, and it contains questions based on which it is easier to determine the extent to which one of the typically vulnerable groups is indeed in such situation. Recommended tool is a “focus group” explained earlier.

Attachment 22: Social exclusion questions.doc

Analysis of social infrastructure and social exclusion too should summarise the strategic challenges, whether those are inadequate occupational profiles, insufficient institutional capacities, overwhelming dependency on budget allocations and the lack of project-oriented approach, inadequate social inclusion and poverty, gender inequality, etc. Problems are diagnosed more clearly when findings of education analysis are cross-referenced with the analysis of labour market and local economy, findings from healthcare and social welfare with the previously analysed demographic data.¹⁰ Usually it is possible to clearly observe how those demographic and economic problems that had been identified are in fact reflected in the social sphere, especially in education, healthcare and social welfare. On the other hand, cross-referencing may lead to identifying the tourist potential of culture and sports, development opportunities of the so-called creative industries, and other interactions which open up new development opportunities. The major challenge that this part of the analysis should recognise

¹⁰ For example, a study carried out by the World Bank in 2003 shows that the main reason behind gender inequality is a difference in the degree of education between boys and girls, while inequality grows with the decrease of revenues in a family. The study noted strong correlation between trends of participation at the labour market, differences in salaries between males and females, and financial possibilities for education and the level of education.

and announce is found in the gradual change when it comes to treatment of social infrastructure and attainment of social rights – from build-up and costs to the factor of sustainable development and (long-term) social investment.

Public services aspect usually covers:

- situation with spatial-zoning documentation (in terms of coverage and updated plans);
- situation with transport infrastructure;
- situation with technical infrastructure (in terms of coverage and quality of electricity network, telecommunications, Internet, radio and TV coverage...);
- situation with utilities infrastructure and services¹¹ within the competencies of local self-governance (in terms of both availability and quality);
- situation with administrative services of local administration.

Apart from series of quantitative data, which may be commonly found in relevant departments of the municipal administration, primarily in the department for spatial planning, housing and utilities, it is very important to gather data on satisfaction of users when it comes to availability and quality of services, especially utilities and administrative services, in the entire municipality, and not only in its urban parts. In collecting data on satisfaction of users, it is necessary to pay attention to gender equality, especially bearing in mind that in most cases, women are the ones using services of the department for spatial planning, housing and utilities.

✍ The following annexes offer bases for the analysis of situation in infrastructure and public services. Apart from the overview of data, sources and indicators, these also contain the appropriate survey templates to be used, one to gather data from municipal employees, and the second one to obtain data from representatives of local communities. In addition to these sources and templates, direct regular survey of satisfaction of users of services is more and more used as a tool, conducted once a year, on an appropriate sample and with adequate programmatic support. In a local environment, such methodology with instruments and programmatic support was developed by the Banjaluca-based agency Eda, titled COMPASS.¹²

Attachment 23: Utility services data.doc

Attachment 24: Survey municipal employees.doc

Attachment 25: Survey MZ.doc

Here it is also important to identify challenges that may have a strategic reflection. Such challenges usually include the scope, causes and consequences of discrepancies in the actual construction from the planning documents (“illegal construction”), major differences in terms of availability and quality of infrastructure and services in different parts of the municipality, outdated communal infrastructure, significantly slower pace of construction of communal infrastructure compared to the housing construction in certain areas, and alike.

¹¹ Public utilities services stand for supply of potable and technical water, sewage, streetlights, maintenance of parks and public area, maintenance of local roads etc.

¹² COMPASS = Client Oriented Municipal Public Administrative and Social Services

Economic aspect of the analysis is usually the most complex and difficult one. It frequently includes the following sets of data on:

- number and structure of companies (by industry, by size) and businesses;
- trend of total revenues and expenditures, and average salaries by branches;
- foreign trade exchange and the most important export products and companies;
- major economic investments;
- tourist potentials and tourist infrastructure;
- agricultural resources and products.

In addition to gathering, economic analysis implies data processing, its classification into time series and multiple cross-referencing, and presentation in terms of graphs and diagrams.

The first layer of the local economy analysis is carried out by gathering, processing and analysing the relevant secondary data.

✍ The main indications on how to perform the analysis of local economy based on secondary data, collected by authorised agencies that collect financial statements for the Tax Administration (AFIP in the FBiH and APIF in RS), are hereby enclosed. The first annex has the basic level of the analysis, and the second one presents somewhat more sophisticated analytical tool to diagnose critical and sustainable jobs and sectors. The third one shows how to calculate location coefficient on the example of a concrete municipality.

Attachment 26: Local economy analysis.doc

Attachment 27: Alarm.doc

Attachment 28: Location quotient.doc

In addition to series of quantitative data gathered from different secondary sources, the analysis also includes qualitative data (assessments and positions) taken directly from those who participate in local economy. Qualitative data mainly refer to situation in business environment, its most important dimensions, from the price and quality of public services, through administrative barriers, to (dis)satisfaction with the work of local administration. Two main tools for collecting local stakeholders' assessments and positions on business environment are focus groups and surveys, explained in attachments 10, 11, 12 and 13.

Local economy analysis should clearly depict trends, and observe and announce industries and groups of economic stakeholders that show sustainability potential. On the other hand, it should diagnose local administrative and other barriers (including potential inequality in access to markets between women and men) that hamper economic growth and development.

Environmental aspect usually includes:

- air (quality and management);
- water resources (use, protection and management);
- soil (use, protection and management);

- forestry ecosystems (use, protection and management);
- waste management;
- spatial management and environment, green areas in towns;
- protection of natural and cultural and historical heritage;
- impact of local economy on environment;
- impact of environment on public health.

An example of environmental analysis is given in the attachment below.

Attachment 29:
Environmental.doc

According to the methodology to prepare local environmental action plans in BiH,¹³ the state of environment may be established in a quick assessment procedure which includes:

- 1) *on-site visits by experts (urban and suburban areas, characteristic villages, disposal sites and alike) and interviews with partners (administration, institutions, economy, NGOs, MZs...);*
- 2) *preparation of the preliminary report on the situation in certain media (air, water, waste, and soil), industries, services (utilities, social services, transportation...);*
- 3) *consideration of the findings of the report with partners who are competent and interested in environmental protection issues;*
- 4) *improvement and finalisation of the report based on feedback and fitting into socioeconomic analysis, to be discussed at a local development partnership.*

Environment assessment is a base to prepare the list of problems that may take the following format:

Environmental problems	Main sources of pollution	Main polluting substances	Possible effects on		
			health	environment	quality of life
Problem 1					
Problem 2					
...					

In the event that a municipality has sufficient time and resources available, it is possible to organise a citizens' survey (on the public perception of the environment-related situation and problems), and public debates with citizens. Apart from creating better grounds for future interventions, these methods are particularly useful to create a critical environmental awareness and public awareness in an area.

¹³ Guidelines to LEAP, prepared by the Regional Environmental Centre for Central and Eastern Europe – REC, office in BiH. LEAP = Local Environmental Action Plan.

Case study - Tuzla

In the city of Tuzla, the seat of the Canton, with the engagement of experts in analysing environment by problem areas, a survey was carried out on the public perception of environmental situation and problems, on the sample of 2,000 citizens, in all local communities in line with the population figures. The survey had closed questions designed in cooperation with experts of the Department for Spatial Planning of the Municipality of Tuzla, and it was carried by junior and senior year students of the Department of Journalism of the Faculty of Philosophy, University of Tuzla.

As many as 95% of respondents expressed willingness to personally contribute to the improvement of the living environment in Tuzla.

Following the survey and analysis conducted by experts, 14 public debates were organised with citizens, covering all 40 MZs and interested groups and organisations.¹⁴

Enclosed: sample questionnaire to survey public perception of the conditions and environmental problems

Attachment 30: Questionnaire
public perception survey.doc

Apart from the most frequently identified problems of uncontrolled use and inadequate management in this field, strategic challenges also include a far more efficient use of natural resources, creation of sensitive management mechanisms, and transformation of local economy following the concept of sustainability – shaping economy that takes into account a long-term wellbeing of human and natural systems.

Budget analysis, as a part of socioeconomic analysis, commonly includes:

- overview of the share of tax and non-tax revenues in total budget (usually for the past five years);
- trends in tax revenues;
- breakdown of expenditures by functional classification;
- trends in relations between capital and administrative costs;
- loans and eligibility for loans.

This is a part of analysis where all required data may be found in the municipal departments for finance.

Strategic challenges in terms of financial management usually include a shift from annual to long-term (at least three years) budget planning, increase in the scope of genuine resources, stronger control over expenditures, and selection and introduction of appropriate modalities to finance development projects (long-term loans, public - private partnership, issuing municipal bonds, applying for funds from entity budgets and EU funds...).

✍ An example of budget analysis is hereby enclosed.

Attachment 31: Budget
analysis.doc

¹⁴ Local Environmental Action Plan for the Municipality of Tuzla is available at www.tuzla.ba.

Gender sensitive analysis of budget revenues and expenditures is the added value that enables better insight into the growth, stability and assessment of revenues, as well as the structure of expenditures, and therefore allows better control of budget preparation and spending. As good example of possible approach to budgets analysis is the guide titled *Gender sensitive budgeting – possibilities for poverty reduction in Bosnia and Herzegovina*, produced in 2005 by BiH gender mechanisms (BiH Gender Equality Agency, Gender Centre of the RS Government and the Gender Centre of the FBiH Government).¹⁵

Another good example to be used is the project called Gender sensitive budgeting, implemented in 2007 by the VESTA Association from Tuzla, which, among other, included analysis of gender sensitive budgeting policy in five municipalities of BiH (Banovići, Bijeljina, Srebrenica, Tuzla and Travnik), and recommendations in view of adequate measures for directing budget funds to respond to specific needs of both sexes.¹⁶

Review of the analysis

Once completed, a draft of socioeconomic analysis is disseminated amongst the members of the Local Development Partnership Group, leaving them sufficient time to study it and prepare their comments, remarks and suggestions. A meeting of the PG is scheduled to present the main findings of the analysis (max. 30 minutes) and get feedback from all interested partners. It is important to note that the analysis is neither defended nor adopted, but rather efforts of all stakeholders are directed to corrections in terms of reliability of data and findings, and more in-depth and focused findings of the analysis.

This meeting may be used for a partial preparation of the next phase – integral SWOT analysis – by requesting from all stakeholders, at the point of dissemination of the draft analysis for consideration, to single out three most important strengths and weaknesses, that according to their knowledge of matters and findings of analysis, should be taken into consideration in the next steps in the preparation of the strategy. A template to be used for these purposes is enclosed. A template and questionnaire may be set in a more complex way in that it would include external factors, that is, opportunities and threats.

Attachment 32: Strengths weaknesses form.doc

After the meeting, improvements are made to the socioeconomic analysis, based on the feedback from stakeholders gathered in the Local Development Partnership Group. It is recommended that the socioeconomic analysis document is then submitted to the Municipal Assembly/Council for their information, comments and additions.

Also, individual views of the most important strengths and weaknesses are compiled in a single list.

¹⁵ More information available at:

<http://www.vladars.net/sr-SP-Cyrl/Vlada/centri/gendercentarrs/AKTI/Documents/Gender%20osjetljivi%20budzeti%20-%20dobre%20prakse%20u%20BiH%20rev%203.pdf>.

¹⁶ Analysis available on website of the VESTA Association Tuzla:

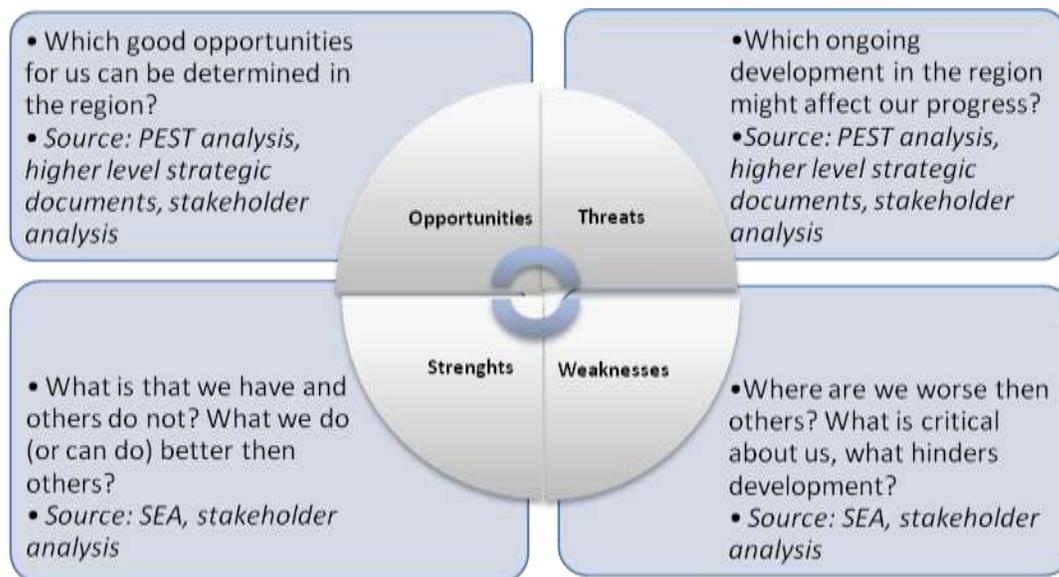
<http://www.vesta.ba/images/publikacije/Rodnoosjetljivobudzetiranje.pdf>.

4.2. Key internal and external factors – SWOT analysis

SWOT analysis is commonly used to identify the most important internal factors and external circumstances of importance for municipal development. SWOT is abbreviated for English **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. Strengths and weaknesses are internal factors in a municipality, matters that are for the most part controllable by local stakeholders, while opportunities and threats are external factors, circumstances on which local stakeholders have no or very little impact.

SWOT analysis is a synthesis of previously prepared socioeconomic analysis.

The key issues to rise in a SWOT analysis and sources to seek their answers are shown on the following diagram.



Ideally, SWOT analysis is carried out in three main steps:

1. synthesis of findings of socioeconomic analysis and PEST¹⁷ analysis with classification of findings into four areas: strengths, weaknesses, opportunities and threats;
2. seeking and compiling estimates of local stakeholders on strengths, weaknesses, opportunities and threats;
3. workshop to finalise SWOT analysis.

In the case of shortage of time, the first and the third step would suffice.

1. Synthesis of findings of socioeconomic analysis

This part is handled by the core team (up to 3 members) and/or external expert. One goes carefully through the previously prepared analysis, singles out and classifies findings indicative

¹⁷ PEST analysis is a summary overview of political, economic, social and technological circumstances in global and national environment, which may have a major impact on the municipal development in the planning period.

of potential strengths, weaknesses, opportunities and threats. To note opportunities and threats, one also goes through strategies and plans of levels higher in hierarchy (EU, state, entity, cantonal/regional), especially through respective parts of analysis (SWOT and PEST analysis), but also through parts which describe the planned strategic interventions and mechanisms to achieve it. An illustration of PEST analysis is hereby enclosed.

Attachment 33: PEST.doc

Although a comprehensive socio-economic analysis should be prepared for the needs of the strategic planning process, it does not need to be a part of the strategic document in its entirety. An extract from socio-economic analysis with key findings, trends and projects could be included instead.

2. Including assessments of local stakeholders on strengths, weaknesses, opportunities and threats

This is the part to include estimates of all stakeholders involved in local development partnership, as previously described in sections on the transition from the preparatory part to the strategic level (2.3.).

3. Workshop to finalise SWOT analysis

This workshop is carried out by the inter-sectoral development team, with the assistance of several prominent local experts (in economic, social and environmental development), according to the workshop format as enclosed. In addition, an example of SWOT analysis is hereby enclosed.

Attachment 34: Integral SWOT workshop .doc

Attachment 35: SWOT analysis sample .doc

4.3. Strategic focusing

Our attempt in strategic focusing is to determine the key emphasis of the strategy, by selecting promising competitive advantages on one side, and the most critical problems on the other.

It is recommended that focusing is done in a somewhat more complex but well-prepared workshop that would focus the attention of participants on two major issues:

- What is it that is most promising, what is our particular competitive advantage (especially when it comes to local economy, education, culture ...)?
- What is it that is most critical in our community / What is it that we simply must resolve in the next period?

This workshop may take the format as enclosed here.

Attachment 36: Strategic foci workshop .doc

A day or two after the workshop, a summary of findings with final version of defined strategic foci is prepared. The core team may finalise strategic foci.

Finally, it is important to have consensus on only few matters/problems/potentials that will serve as strategic foci.

An example of strategic focusing for a town is hereby enclosed.

Attachment 37: Strategic focusing example .doc

4.4. Creating development vision

Creating a vision is the key point – turning point/focus/collection point - in the process of strategic planning.

A good vision has internal and external dimension that are mutually in line. External dimension is expressed in terms of competitive position that a certain community is attempting to take in the environment that it finds relevant for the next strategic period. Internal dimension is expressed in terms of unified, common view of local stakeholders on the type of community that they are planning to build in the coming strategic period. Intended competitive position is based on unique competitive strengths that this location had already developed or may develop, in line with realistic and favourable external opportunities. A compiled, joint perspective emerges out of a correlation of deeply-rooted norms and values that the community is based on, with the new norms and values that it wishes to introduce, so as to be in the position to overcome development problems and challenges that it faces.

In practical terms, shaping a vision comes down to formulating an answer to two questions:

- Which/what kind of (competitive) position do we plan to take in which/what kind of environment?
- What kind of social community are we intending to build?

In the first question, the leading aspect is the economic one, with an evident environmental dimension in the background.

In the second question, the focus is on the social aspect, with environmental and economic dimension in the background.

The time horizon in which to set these questions is a long-term one, exceeding ten years.

Although shaping the vision is a highly creative and integrative task, it may be nevertheless disintegrated into several parts/tasks:

Shaping the future position:

- recalling the already identified and focused competitive advantages,
- recalling the already identified and focused opportunities,
- defining the narrow (cooperative)* and wider (competitive)** environment,

-
- defining the future position (competitive and/or cooperative).

Shaping the common prospects:

- recalling the critical problems and challenges that the community is faced with,
 - recognising fundamental values (that the community has been shaped on so far),
 - formulating new values that the community is intending to introduce to overcome the challenges, especially building in the principle of sustainability***,
 - a new synthesis of fundamental and new values of the community.
-

**Narrow environment* here is to be understood as an inter-municipal framework in which our municipality/city intends to play a highly active role, through cooperation with municipalities with which it shares development problems and challenges. It is possible to define several such frameworks, some being within the country (e.g. Eastern Herzegovina, or the Lašva Valley, or the Upper Vrbas region, or Posavina, or Potkozarje, or even more narrow...), while other may be cross-border (a part of the Sava or Drina river basin, or Adriatic coast and hinterland...). This environment is primarily to be treated as cooperative, with an emphasised level of cooperation between interested municipalities, for they share or have similar problems suitable to be addressed jointly. Apart from joint activities to resolve major infrastructural, environmental and other common problems, cooperation between municipalities in a narrow environment may be guided by the ambition to build specific competitive advantages of the given area as a whole (creating regional competitive advantages).

***Competitive environment* is to be understood as somewhat wider and different framework, within which BiH municipality/city plans to achieve or preserve a certain position in relation to others. In geographical terms, this environment may be defined again within the country (the entire country or one of its parts) or wider (Western Balkans, or Balkans, or Southeast Europe, or differently). It may be also defined according to the type of municipalities/cities that we plan to “compete” with (smaller or bigger towns, urban or rural areas etc.).

****Principle of sustainability*, in addition to achieving *environmental demands* (ensuring that natural resources of importance for life are safe and preserved for future generations), also implies a balanced achievement of *social demands* (ensuring improved social conditions, economic, social and cultural rights for all categories and groups) and *economic demands* (environmentally efficient and sustainable economy that ensures prosperity and equal opportunities, where environmental and social costs are born by those who cause them...).

It is also possible that the wider local community is included in the process of creating a vision, for example, through organising special events and competitions.

It is recommended that it be carried out within a workshop of a format as enclosed.

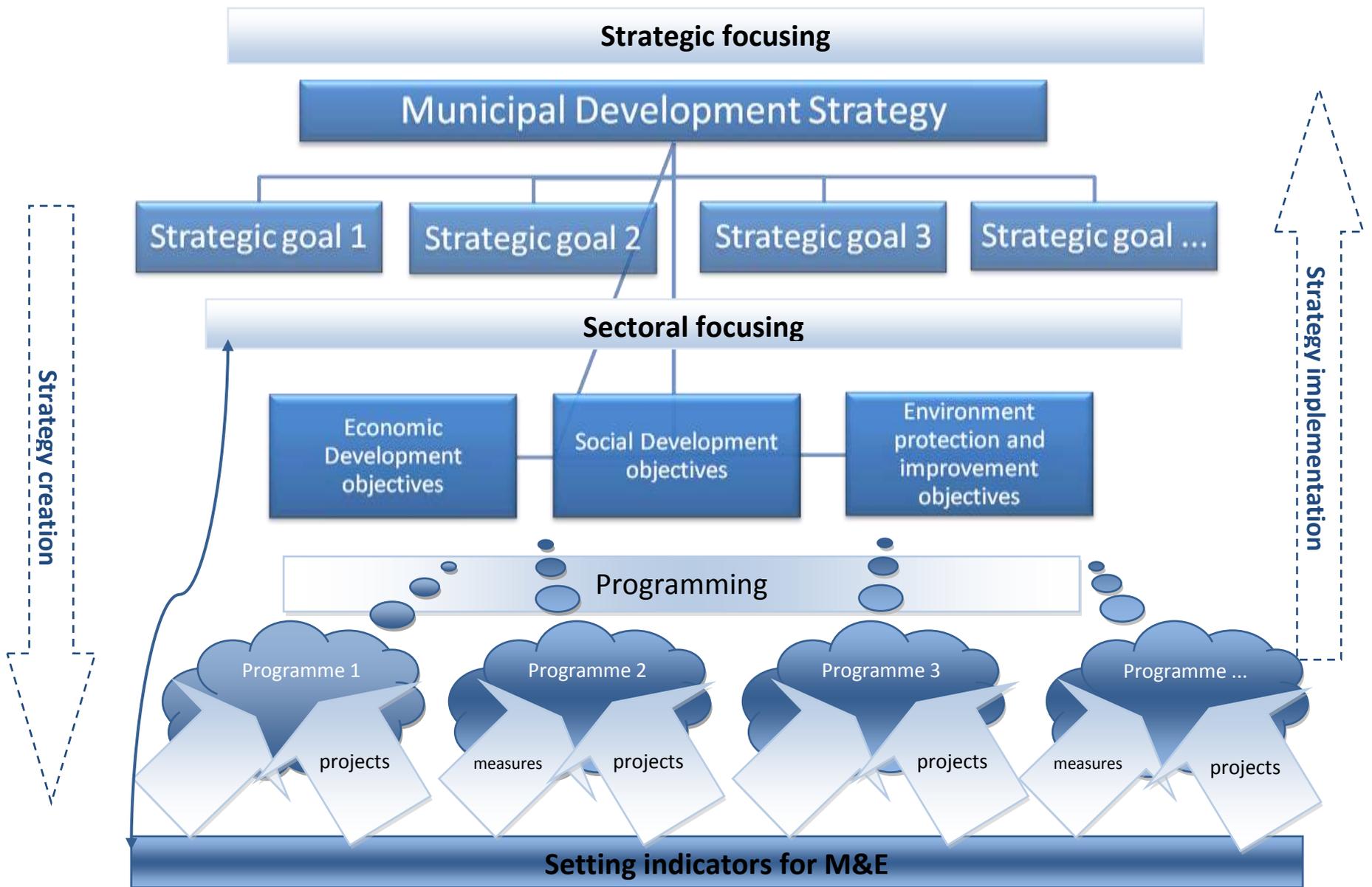
Attachment 38: Workshop
vision.doc

In the days following the workshop, when matters “settle down”, a synthesised text of the development vision is formulated. This may be done by the core team. What is singled out is

some sort of attractive, easily understood and catchy title of the vision that may be used as an advertising slogan. Examples of visions are provided in the attachment below.

Attachment 39: Vision
examples.doc

Central role of the vision in the design of the development strategies is shown on the following page. Vision serves as immediate basis for shaping strategic goals, and indirectly determines the selection of sectoral foci and objectives, and the selection of programmes to attain these goals, and accordingly the vision as well. Indicators are set for monitoring and evaluation of attainment, at strategic-sectoral and programmatic-project level.



4.5. Setting strategic goals

Setting strategic goals implies that they be defined and checked for alignment.

The following is important in terms of defining:

- strategic goals arise from the development vision and the defined strategic foci; they are a true transformation and concretisation of the vision and foci;
- stand for the main directions to achieve the vision and express the ultimate results that are to be achieved by the end of the planning period (by 2020, if the strategy covers the period from 2010 to 2020);
- preferably should have at least three, not more than six strategic goals;

Alignment control includes a horizontal dimension (mutual inter-sectoral alignment of goals) and a vertical dimension (alignment with the goals and orientations of superior strategies and plans). Chapter 8. titled „Harmonisation“ provides more guidance on ensuring vertical and horizontal integration.

It is recommended that it be carried out within a workshop of a format as enclosed.

Attachment 40: Workshop
strategic goals.doc

In the couple of days following the workshop, the core team formulates strategic goals based on the results of the workshop, with appropriate descriptions and explanations.

Thereafter the findings and results of SWOT analysis, strategic focusing, shaping of the vision and strategic goals are compiled into a single draft, whilst at the same time formulating a more detailed reasoning behind development foci, vision and strategic goals. Examples of descriptions of strategic foci and strategic goals are given in the attachment below.

Attachment 41: Description of
strategic foci.doc

Attachment 42: Description of
strategic goals.doc

A draft of an integrated development strategy is delivered to all engaged and potential members of the local development partnership group, with a kind request to prepare their comments, remarks and suggestions.

The presentation of the draft via local media and/or other communication channels is then organised.

The third large meeting of the local development partnership group is scheduled to review the draft.

After the meeting and feedback, necessary corrections of the draft document are made.

Draft document is submitted to consideration to the Municipal Assembly/Council.

4.6. A shift to sectoral development plans

After the finalisation of the draft integrated development strategy, the next step involves activities on the preparation of sectoral development plans (economic development, social development and environmental protection).

Respective working groups are set up to prepare these plans, comprising the assigned members of an inter-sectoral development team, by their field of expertise and interest. Working groups also include competent and interested representatives from public, private and non-governmental sector, with equal participation of both sexes. A critical success factor in economic development planning is to ensure adequate active participation of the private sector. A critical success factor in social development planning is to include representatives of socially vulnerable groups and MZs. A critical success factor in environmental development planning is to include the right experts.

It is recommended to have parallel work with sectoral working groups, with continuous alignment of findings and projections, which is ensured through intersectoral team. A critical factor to ensure parallel work lays in the availability of the "critical mass" of expert stakeholders in sectoral working groups. This problem is particularly evident in smaller and less developed, mainly rural areas.

Example - Ljubinje

In Ljubinje Municipality the Municipal Development Team (MDT) as an executive and coordination body led the process of elaboration of the municipal development strategy. The MDT consisted of senior municipal officials and representatives of civil society, private sector and legislative bodies. Its activities were coordinated by a coordinator who was directly responsible to the Mayor. The MDT acted as the communication link with other stakeholders within and outside the municipal administration and was responsible for preparing the draft strategy.

Most of the work in the planning process was done by sectoral working groups - operational bodies established for specific sectors: (i) local economic development; (ii) social development; and (iii) environmental protection. Senior municipal officials who were also members of the MDT coordinated activities of the working group, thus ensuring intersectoral coordination throughout the entire processes. In addition to municipal staff, external experts from various fields participated in the work of these working groups, whereby each group had between 5 and 15 members. Sectoral working groups were a forum for operationalisation of activities within the sector – from sectoral analysis to elaboration of specific project ideas.

A Partnership Group was created as a mechanism to ensure wider public participation in the planning process and had 49 members who elected the president of the group (coming from the business sector) and two vice-presidents (coming from the NGO and public sector). Specifically, this body discussed and agreed on key elements of the strategy throughout the process, including agreeing on development priorities based on MDT's proposals. The Partnership Group played a key role in defining development vision and strategic directions of the municipality and it reviewed and adopted the draft development strategy prior to its submission to the Municipal Assembly for formal adoption.

Special attention was paid to encouraging and empowering meaningful participation of representatives of marginalized and socially excluded population groups so as to ensure that needs and priorities of these groups are taken into account in the planning process. In this respect, small-scale projects implemented by community based NGOs had a particular value; via information campaigns, surveys and

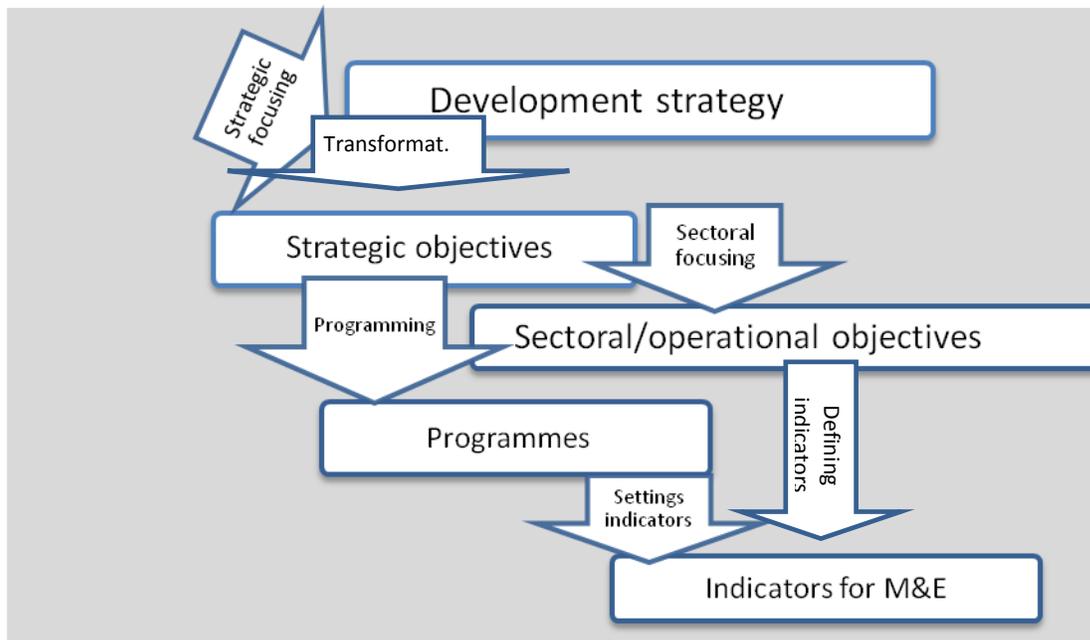
direct contacts with the youth, women, the unemployed, persons with disabilities and pensioners, needs of these population groups were identified and shared with the MDT for the purpose of identifying solutions and including a proper response to those needs in the development strategy.

In the event that a municipality does not have the “critical mass” of experts to establish sectoral working groups, then such groups should not be established, but the local development team would continue to work on preparation of the strategic platform through defining and elaborating objectives, programmes and indicators that adequately cover the main sectors of local development, maintaining a constant intersectoral integration. Specialists occasionally should join the local development team, depending on the needs and abilities, and assist the team to resolve problems for which there is not enough expertise within the team.

In this case, the planning process will probably take a little longer, due to successive rather than parallel preparation of sectoral plans and defining objectives with corresponding programmes and indicators. In addition, one could expect fewer projects considering that an agreement is reached more easily among team members who are working on the same task from the very start to finish, as well as a result of significant limitations in terms of funding opportunities.

Interdependence of elements of an integrated local development plan and stages of integrated planning may be represented through:

- hierarchy of goals - from development vision through strategic and sectoral objectives, to programmes with measures and projects, and indicators for monitoring and evaluation of progress (M&E);
- steps in the process - from strategic and sectoral focus, through programming, to preparation of indicators.



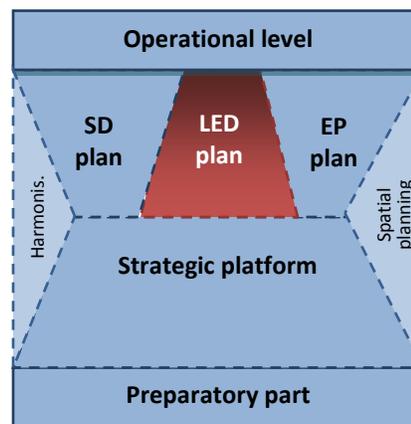
Hereby enclosed is an example of hierarchy of goals in a municipal development strategy. It is evident that, in this specific case, the first two strategic goals are related to economic development sector, the third to social development sector, and the fourth is related to environmental protection, integrated with infrastructural development.

Attachment 43: Strategic goals hierarchy

5. Local economic development planning

Local economic development plan has the following minimum structure:

- ⇒ Sectoral focusing;
- ⇒ Economic development objectives;
- ⇒ Programmes, projects and measures;
- ⇒ Inter-municipal cooperation initiatives;
- ⇒ Assessment of expected outcomes with indicators;
- ⇒ Financial framework.



According to the standardised methodology, the following steps and results are essential in creating a local economic development plan:

Stage	Steps	Results
Local economic development planning	- sectoral focusing	- SWOT analysis of local economy - Competitive advantages identified - Obstacles identified
	- setting economic development objectives	- Economic development objectives
	- programming (preparation of programmes, measures and projects)	- projects and measures grouped into appropriate programmes - inter-municipal cooperation projects
	- assessment of expected outcomes with indicators	- Strategic-sectoral and programmatic-project indicators defined
	- preparation of financial framework	- Indicative sectoral financial plan prepared

Socioeconomic analysis, SWOT analysis and strategic focusing, provided that they are well-prepared, bring about the identification of local economy sectors (businesses and companies) with an evident growth potential. As one goes deeper into economic development planning, this image gets sharper. Conducting additional interviews with those who have the knowledge or organising focus groups with direct stakeholders from the growing sectors, helps acquiring better understanding of the potentials and problems of businesses and companies with notable growth rate, but also those with zero or negative growth, especially if these are still among major employers.

The following table shows the main tasks that need to be performed through the main stages of economic development planning.

Stages:	Tasks:
SWOT analysis of local economy	<ul style="list-style-type: none"> - focusing competitive advantages – current and potential “driving” forces of economic development - identification of “bottlenecks” that hamper or slow down growth - focusing critical issues
Determining economic development goals	<ul style="list-style-type: none"> - determining the range and impact of the driving forces of economic development - determining the ways to address critical issues
Programming	<ul style="list-style-type: none"> - initiating projects and measures to overcome the identified “bottlenecks” and realisation of development potentials of focused sectors (businesses and companies) - initiating projects and measures to address critical issues - preparing an implementation plan
Monitoring and evaluation (M&E)	<ul style="list-style-type: none"> - defining the appropriate strategic-sectoral and programmatic-project indicators - quantifying the expected outcomes of the implementation of the plan - defining the plan of monitoring and supervision
Framework financial structure	<ul style="list-style-type: none"> - overview of approximate costs and sources to fund economic development programmes

With the local economic development plan,¹⁸ we intend to improve the economic capacity and competitiveness of a certain area (municipality or city), so that we would ensure an economic future and quality of life for all its citizens, males and females. Successful economic development planning and implementation of the plan implies active participation and cooperation between partners from public, private and non-governmental sector, and leads to improvement of conditions for economic growth and employment.

The following table gives an overview of available methods, tools and participants in the preparation of local economic development plan. Tools/methods and participants that are deemed necessary according to the standardised methodology are underlined.

Stages	Methods and tools	Participants
Sectoral focusing	<ul style="list-style-type: none"> - <u>SWOT analysis</u> - Diamond, Boston matrix, analysis of 5 driving forces, chain value analysis, ALARM - <u>workshop</u> 	<ul style="list-style-type: none"> - <u>working group for LED planning</u>¹⁹ - participants from companies and institutions of support - <i>external expert</i>
Setting sectoral goals	<ul style="list-style-type: none"> - initial workshop 	<ul style="list-style-type: none"> - <u>working group for LED planning</u>

¹⁸ As already suggested in the relevant sections of socioeconomic analysis, agriculture and tourism are an integral part of local economy, provided that the area in question has solid preconditions for these activities and already existing appropriate entrepreneurial initiatives.

¹⁹ Working groups for LED planning should have balanced gender representation to the extent possible.

Stages	Methods and tools	Participants
	<ul style="list-style-type: none"> - interviews and meetings - <u>final workshop</u> - time maps/scenarios - <u>SMART goals</u> 	<ul style="list-style-type: none"> - participants from companies and institutions of support - associations - <i>external expert</i>
Selection of programmes	<ul style="list-style-type: none"> - focus groups - <u>workshops</u> - importance-urgency matrix - if-then analysis - <u>priority matrix (importance-readiness)</u> - RALIS – assessment of local inventiveness 	<ul style="list-style-type: none"> - <u>working group for LED planning</u> - <u>representatives of target groups of activities and companies</u> - representatives of institution of support - associations - <i>external expert</i>
Monitoring and evaluation	<ul style="list-style-type: none"> - logical if-then project model - <u>SMART indicators</u> 	<ul style="list-style-type: none"> - <u>those who proposed the selected projects and measures</u> - representatives of target groups - local development team/ <u>working group for LED</u> - <i>external expert</i>

In the coming sections, practical explanations and advice is offered for each stage of economic development planning.

5.1. Sectoral focusing: competitive advantages and critical issues

Sectoral focusing enables determining the core of a local community economic development plan. Such focusing may be conducted through a SWOT analysis of local economy, based on the following:

- sections of socioeconomic analysis;
- sections of higher level sectoral strategies and plans;
- integral SWOT analysis;
- selected strategic foci.

The most important aspects of the socioeconomic analysis to be used in the SWOT analysis for a local economic development plan include:

- **the overall economic aspect of the analysis**, including the **business environment analysis**;
- geographical position and communication links;

- climate and natural resources (but only if these are extraordinary);
- education breakdown of the population with gender breakdown;
- education, age and gender breakdown of employed and unemployed;
- quality and price of workforce with gender breakdown;
- education, especially tertiary (if any) and adult education;
- culture and sports, nature and historical heritage (if it is possible to show their special economic potential);
- the state of spatial-zoning documentation and of the appropriate physical infrastructure of relevance for economic development;
- the state of administrative and public services of relevance for business sector;
- situation and trends in budgetary revenues and expenditures, especially for economic affairs.

Naturally, aspects to be analysed depend on features and structures of economy of the specific municipality. For example, if the municipality is predominantly a rural one, focus will be directed towards analysing its agricultural potentials. On the other hand, if the municipality is a predominantly an industrial one, focus will be placed towards further growth of existing and new industrial activities.

It is possible to use parts of analysis, especially PEST analysis and sections which outline the planned strategic interventions, from higher sectoral strategies and plans (for SME development, for tourism development, for attracting investments, to increase export, to develop agriculture...), but also from general national and entity development strategy. Some of those strategic interventions may be seen as opportunities, but also potentially threats for a certain local economy. Also, one should also consider the available and announced EU funds, which will be an important source of financial and technical assistance in local economic development sector.

Local economy SWOT analysis practically elaborates on:

- economically relevant advantages, previously noted through situational analysis and fine-tuned through an integral SWOT analysis and strategic focusing;
- weaknesses that prevent, limit, hamper or slow down the economic development based on activating and improving the competitive advantages of an area (noted previously in the situational analysis and partially fine-tuned through SWOT analysis and focusing;
- opportunities that may multiply positive impacts of the use of the noted economically relevant advantages;
- threats to economic growth and development of a municipality/city.

SWOT analysis of local economy may be carried out by the working group for economic development planning, with the assistance of competent and interested participants from companies and support institutions, according to a partially adapted workshop format as recommended for the preparation of integral SWOT analysis. The format may be further

expanded by adding an adapted closing part of strategic focusing workshop, as hereby enclosed.

Attachment 44: Workshop
SWOT economy.doc

SWOT analysis matrix is hereby considered as a „process tool“ used in the planning process and as such does not necessarily need to be a part of the local economic development plan or other sectoral plans. What should come as a result of the SWOT analysis and be included in strategic documents are strategies - courses of action selected based on the analysis:

INTERNAL FACTORS EXTERNAL FACTORS	STRENGTHS	WEAKNESSES
OPPORTUNITY	S - O strategies Strategies where strengths are used to take advantage of opportunities	W - O strategies Strategies that aim to overcome weaknesses to pursue opportunities
THREATS	S - T strategies Strategies that identify strengths to reduce vulnerability to external threats	W – T strategies Strategies that minimise weakness to avoid threats

An example of SWOT analysis and synthesis is given in the attachment below.

Attachment 45: SWOT
analysis.doc

Apart from SWOT, other tools that enable better understanding of economic activities and focusing of those that are growing or are critical are given in the attachment below.

Attachment 46: Activity
focusing.doc

5.2. Setting economic development objectives

The framework for setting objectives of economic development comprises:

- vision and strategic development goals;
- development goals from development strategies higher in hierarchy; and
- objectives in terms of social development and environmental protection.

Objectives of economic development should not exceed this framework.

Content-wise, they represent a further elaboration of the development vision and strategic goal (goals) with a distinctive economic focus.

On the other hand, economic development objectives should not jeopardize the objectives of social development and environmental protection, but instead should be mutually coordinated.

Compliance, rather than arbitrariness or opposition, should be implemented in terms of relations with the goals in the field of economic development as defined at the state, entity, cantonal, regional levels.

These are the methodological and content-related restrictions that should primarily be taken into account. What is the content of economic development objectives? What does it mean and how is further elaboration of the vision and strategic development goals conducted?

Elaboration is primarily related to selection of target group (or target groups) of activities and companies that are strategically important for the location. Since our economy is in transformation, in practice it comes down to specific industries and/or certain types of services, especially those that show that they could be a “driving force” of economic development and the “generator” of employment in a specific environment. Well-targeted and well-balanced support to accelerated development of these sectors and companies will lead to opening of new jobs for the local workforce and increasing budget revenues to fund the improvement of public services for the local population. In real situations, the targeting and balance of support usually has at least two dimensions and focuses on:

- ⇒ accelerating and facilitating development of new business activities and companies, commonly based on locally available resources on one side; and
- ⇒ attempt to preserve as many jobs as possible in industries and companies that are the traditional source of employment in an area, on the other side.

This second group typically consists of activities and firms that were previously the so-called drivers and leaders of development of an area. The first group comprises sectors and companies that show a serious potential to assume the role of the “driving force” of local development.

Closer definition of target companies whose advancement we particularly care about (for such companies create jobs that “hold” or are about to “hold” the local economy) is also carried out through placing a focus on one of the following target groups:

- foreign investors to open a factory/branch in our area;

- existing local companies;
- new companies at the stage of preparation or start-up of business operations.

Selection of priority target groups will depend on the specific characteristics of the location and development level of local economy. Attracting foreign investors is usually a priority for areas characterised by a small number of local firms and the lack of entrepreneurial dynamics, while strengthening the competitiveness of local small and medium enterprises appears as a more logical choice where there is a strong local economic base.

Provided that it is well performed, a previously made SWOT analysis already shows the groups of activities and companies that will be the strategic priority of the community. This refers to the final results of SWOT analysis workshop for the economy, which were named as *2-3 right things* that have the greatest potential for economic growth and development, and *2-3 critical things* that can produce serious negative economic effects on the community.

In addition to defining the group of activities and companies that will be the community strategic priority, in setting objectives of local economic development, impacts intended to be achieved with this focusing should also be determined. Impacts are usually expressed as indicators related to jobs or employment, not only in terms of the intended increase in the number of jobs, but also in terms of their quality.

Objectives of local economic development should be more specific than strategic development goals. In fact, they should be:²⁰

- ✓ specific (to indicate the targeted types of activities/companies);
- ✓ measurable (expressed so that it is possible to monitor and evaluate progress in their implementation; indicators for assessing progress will be defined later, in stages of preparing monitoring and evaluation);
- ✓ appropriate (placed in the framework of vision and strategic goals, aligned vertically and horizontally);
- ✓ realistic (based on resources that are already available or can be provided);
- ✓ time-defined (defined in terms of attainment time).

Example - Srbac

Development vision of the Municipality of Srbac states the following: “In 2020 Srbac will be a municipality with very advanced agricultural production which enables good quality of life in rural areas, and with competitive, growing and export-oriented food, wood processing and other industries. In this way Srbac will become a municipality of creative, business oriented and educated people with good communal and social infrastructure, attractive for living and investing”.

This vision is further transformed into five strategic goals, two of which are with predominantly economic focus, one with predominantly social focus, while two goals integrate aspects economic, social, spatial and environmental aspects. Each of these goals that relate to the entire strategic period (2011-2020) is elaborated within operational objectives. In the case of economic development, these goals and objectives read as follows:

²⁰ This is about the application of the so-called SMART rules (S=specific, M=measurable, A=appropriate, R=realistic, T=time bound).

Strategic Goal 1: "Developed economic sector based on the processing and sustainable exploitation of local resources and raw materials (especially food industry)".

Objectives:

- ⇒ Conditions for opening 10 new production capacities created by 2015;
- ⇒ Increased competitiveness of the existing SMEs with increase in their profitability by 20% by 2015;
- ⇒ Business infrastructure improved and five foreign investors attracted by 2015;
- ⇒ Basic research of the quality and volume of mineral and water resources in the municipality conducted by the end of 2015.

Strategic goal 2: "Developed entrepreneurship and sustainable agricultural production in rural areas"

Objectives:

- ⇒ Stimulated increase in the number of market-oriented agricultural producers by 50% by 2015;
- ⇒ Increased competitiveness of agricultural products with increase in their profitability by 20% by 2015;
- ⇒ Stimulated development of non-agricultural activities in rural areas and 10% increase in their participation in total income of rural households by 2015.

Working group for economic development planning sets local economic development objectives in three basic steps:

- reaching a consensus on target group sectors and companies (may be carried out within a short initial workshop), where the choice of activities should enable both women and men to see their prospects in the economy of the local community;
- deeper understanding of capacities and potential of the selected target industries and companies (may be performed through additional interviews and meetings with relevant experts from these sectors and companies);
- defining the intended effects and adjustment of objectives (can be preformed through a final workshop for defining the goals of economic development).

The format of the initial and final workshop is hereby enclosed.

Attachment 47: Workshop
LED objectives.doc

Once consensus on target activities and companies is reached, it is necessary to assess the employment potential they possess for the next three year period, in optimistic and pessimistic scenarios, which can be done by using the time map of capacities and potentials of targeted activities/companies, hereby enclosed.

Attachment 48:Time map.doc

5.3. Selecting programmes of economic development

While sectoral development objectives are the operationalisation of strategic goals, programmes (which incorporate respective projects and measures) represent instruments to achieve these goals. Programming is a part of the planning process in which, guided by the framework defined strategic and operational objectives, we identify projects and measures that lead the attainment of these goals, and then we group similar projects and measures into appropriate programmes.

Definitions, links and differences between programmes, projects and measures are hereby enclosed.

Attachment 49: Programmes,
projects, measures.doc

Thus, local economic development programmes are practically sets of intervention in the form of projects and measures that contribute to strengthening the competitiveness of the identified target group enterprises (indicated under economic development objectives) and strengthening of selected location factors. Project interventions are focused on factors that are “bottlenecks” to improvement of competitiveness and development of groups of enterprise that are targeted with economic development plan.

The task of programming is typically launched and coordinated by the working group for economic development planning, while trying to involve all interested and knowledgeable stakeholders who could contribute by their ideas or already elaborated projects.

There are several ways to carry out programming. Consistency of programming stage with the entire planning process is ensured through the following steps:

- timely and fair identification of targeted activities and companies, and the range of the needed programmatic interventions;
- identification of “bottlenecks” and location factors which require priority action, so as to enable and facilitate the growth and development of targeted industries and companies;
- nomination of projects and measures to remove “bottlenecks” and improve the selected location factors;
- selection of priority projects and measures and their grouping into appropriate programmes.

Considering that the first step has been already described in the previous stage, namely, setting the objectives, the coming sections will describe the steps that are to follow.

Investors, existing companies and new enterprises are the target groups that are the main focus of efforts in local economic development. While the creation of an enabling business environment is important for all three target groups, there are specific instruments of support for each of them. Hereby enclosed is an overview of the usual instruments to support target groups of companies.

Attachment 50: Support
instruments to companies.doc

In addition to efforts to contribute to strengthening the competitiveness of companies, local economic development plan focuses on improving and strengthening the competitiveness of the site location factors. Location factors are divided into so-called *hard* (which are relatively easily measurable) and *soft* (which are mostly of qualitative nature). An overview of location factors and the manner of their selection is hereby enclosed.

Attachment 51: Location factors.doc

Two steps are recommended in determining these sets of interventions, that is, programmes (projects and measures):

- Choice of location factors that are "bottlenecks", and
- Selection of projects and measures to overcome these bottlenecks and improve the selected location factors.

Both steps can be practically carried out within one well-prepared workshop.

Priority consideration will be given to those location factors which, according to estimates of local stakeholders, are the most important to achieve the set objectives of development, and also those that are deemed important.

A similar logic is applied in terms of time priority (most urgent task in the first place).

Workshop format for the selection of projects and measures of local economic development is hereby enclosed. The workshop format incorporates the elements of synchronization of projects and measures for economic development with other sectors (social development and environmental protection).

Attachment 52: Workshops LED projects.doc

The following aspects are emphasised for projects and measures in the strategy document:

- ⇒ links with relevant strategic goals and sectoral development objectives;
- ⇒ main expected results;
- ⇒ main activities or groups of activities;
- ⇒ cost estimate including expected sources and modalities of financing;
- ⇒ duration and period of implementation;
- ⇒ roles of stakeholders in the implementation.

It is very useful to prepare templates containing the most important information on programmes/projects, which represents the basis for prioritisation of projects and programming. It would be wise that the proposed programmes/projects are brought in the attached format.

Attachment 53A: Project idea form.doc

Attachment 53B: Project fiche sample.doc

In the process of preparation of the strategy, templates are gradually updated in order to get its final in the implementation plan. Project ideas obtained as a result of meetings and workshops should be processed and refined, the ideas that overlap should be consolidated, placed into programmes, linked with the set strategic goals and sectoral development objectives, additional information requested and alike. This task can be handled by members of the working group for economic development planning, in cooperation with entrepreneurs and companies who have an interest in the implementation of programmes/projects and representatives of institutions and organisations that are dealing with the economy.

In the preparation of local development strategies and plans, two types of projects should be included, namely the so-called quick-win projects²¹ and those with leverage effects and multiplication effects.²² The choice between the two types of projects depends on the existing trust (social capital) in the community, on one hand, and the availability of resources for the implementation of interventions, on the other. In a local community without particular previous experience in strategic planning, it is advisable to start the implementation of local development strategy with simpler projects for which there are locally available resources, in order to build the necessary confidence in the community. Simpler interventions represent a good basis for implementation of complex and expensive catalytic projects that allow for larger steps on the path towards achieving strategic goals.

Furthermore, one must distinguish between the duration of project implementation and the duration of the established structures and results achieved in the implementation of projects (e.g. the project of setting up a business incubator is completed once there is an incubator in place, although the incubator will provide services over a longer period of time).

Alternatively, the method of rating projects, as hereby enclosed, may be also used for selection of priority projects. Elements of synchronisation with plans of social development and environmental protection are also incorporated here.

Attachment 54: Priority
selection.doc

After the workshop, the core team or the entire working group consolidates the selected projects and measures into appropriate programmes.

²¹ **Quick win projects** usually require fewer resources. Resources for their implementation are available at the local level; they achieve visible results in only couple of months and thus build the trust in the community and self-confidence in those who are in charge of the implementation of plans.

²² **Catalytic projects**, on the other hand, demand far greater resources, usually all resources required for their implementation are not locally available, and these projects stretch over a period of more than one year. Just like lever, these projects facilitate a growth of local economy or improvements in social standing or environment of all these areas together, according to development challenges and goals. They are usually directed to resolve problems which pose serious limitations to local development, which cannot be resolved by activities of market mechanisms (due to significant risks, too long investment return term or insufficient profit), but also directed at the creation of public and common goods and benefits (usually of infrastructural nature). Their contribution in achieving strategic goals is far greater, but such projects are proportionally more complex and difficult than quick win projects.

The following programmes are commonly seen as the basic programmes of local economic development.²³

- Improving local business and investment climate;
- Improving local hard infrastructure;
- Improving locations and business premises for companies;
- Improving soft infrastructure;
- Encouraging growth of local companies;
- Encouraging set-up of new companies;
- Empowering and encouraging women to develop the existing and set up new companies;
- Attracting foreign investors;
- Encouraging sectoral development (cluster development);²⁴
- Improving certain vulnerable areas of the city;
- Improving employment opportunities for vulnerable groups (e.g. women, youth, unemployed over 40 years of age, ethnic minorities and alike).

The last two programmes are virtually a blend of areas of economic and social development.

In the selection of priority projects, and later on programmes, one should take into account the priorities set within the relevant pre-accession EU funds, as a growingly important source of financial and technical assistance.

Innovations are an increasingly important element of local economic development, so the building of business infrastructure aimed at supporting innovations is more commonly and increasingly among priorities under local development plans. This involves different concepts of industrial parks, centres for beginner entrepreneurs, technology centres and technology parks, all with a common denominator: **innovation centres**. The first of the two enclosed documents provides a summary overview of these centres, taken from the *Manual for the Promotion of Economic Development in Croatia*. The second document describes the BIT Centre in Tuzla, currently the best example of an innovation centre in BiH.

Attachment 55: Innovation centres.doc

Attachment 56: Example BIT centre.doc

In addition, the attachment contains basic information on one of the "tools" for assessment of local innovation - RALIS, developed by an organisation specialised in local economic

²³ The approach developed and promoted by the World Bank (www.worldbank.org/urban/led)

²⁴ The concept of clusters was introduced by Michael Porter, in the attempt to explain competitive advantages of a company and location. *Clusters are geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated organisations (such as universities, standard agencies, trade associations) in a particular field where there is competition as well as cooperation.*

development (www.mesopartner.com). It is used to estimate the innovation system of an area and quick generating of proposals for implementation of specific activities. It also allows monitoring of technology transfer and technological progress, but also the wider surroundings that shape the innovative behaviour. It provides an analytical basis for establishing or strengthening the interaction between the main actors of the innovation system to identify new opportunities (clusters, value chains) and creating preconditions for the use of other analysis (benchmarking).

Attachment 57: RALIS.doc

Example - creating enabling economic environment in the Municipality of Cazin

The SWOT analysis and strategic focusing led to the conclusion that the entrepreneurial spirit of Cazin and its domestic economic capacities should be used to the maximum in order to intensify economic development in the municipality. This can be achieved through reaching one of the objectives in the field of economic development, namely **creating enabling economic environment**.

Through a workshop and several individual interviews with lead entrepreneurs in the municipality the following bottlenecks that impede and slow down intensive economic development were identified:

- Poor state of municipal infrastructure;
- Low level of finalization in agriculture and wood processing;
- Extremely high unemployment rate;
- Grey economy and illegal employment.

At the same time, ideas were collected in terms of effective projects and measures that could eliminate the bottlenecks and significantly impact economic development:

- Resolving property and legal affairs and building supporting infrastructure in Slatinske bare and Male Lise business zones;
- Elaboration of spatial planning documents for the business zone of Čoralići, Pjanići, Slatina, the former foundry and Polje;
- Promotion of investment opportunities in Cazin (catalogue for investors, promotional activities, fairs, etc.);
- Cheaper and simpler procedures for entrepreneurs and investors in the municipality;
- Establishment of municipal development agency;
- Establishment of business associations;
- Programme of support to enterprises that introduce the system of standardization of production processes, products and services;
- Strengthening institutions and systems to monitor labour market and support employment.

Described steps in the process of programming (identification and selection of interventions in the form of projects and measures grouped into programmes) usually do not appear in the final strategic document. The document presents the results of that process.

For successful programming, it is important to take into account the hierarchical relationships between objectives, programmes, projects and measures, shown in the following table.

LOCAL ECONOMIC DEVELOPMENT PLAN (2011 – 2015)								
Programme	Project / Measure	Link to objectives	Indicative implementation time frame					Indicative financial value
			2011	2012	2013	2014	2015	
Programme 1. Programme title	Project 1.1.:							
	Project 1.2.:							
	Project 1.3.:							
	Measure 1.1.:							

Hierarchically speaking, programmes are subordinated to objectives, as they need to contribute to their attainment. Indicators that are defined for evaluating progress in achieving objectives serve as an important landmark for determining the contribution of the programme. A corresponding contribution, if any, to social development and environmental protection is noted for each programme.

Programmes, on the other hand, consist of similar projects and measures. Indicators to monitor implementation of projects are synthesised from indicators of programmes and measures. Indicative costs of programme implementation are determined by adding up the costs of projects and measures.

5.4. Inter-municipal cooperation initiatives in economic development

In creation of the development vision, it would be good to define a so-called narrow or a cooperative environment, whether it involves a sub-regional or cross-border cooperation. This determines the area of strong cooperation. Operationalisation of inter-municipal cooperation initiatives occurs on the project level through designing common interventions.

Inter-municipal cooperation in terms of economic development is considered by taking into account two key things: (1) avoiding causing damage to each other by going into so-called zero-sum games, where everybody lose in the end, and (2) promoting (sub)regional competitiveness through joint ventures, entering the so-called win-win games, in which every party has a gain.

Examples of things that should be avoided in the first case (to avoid damage to each other) would be projects of constructing industrial zones, where, in the event that every side makes a zone for itself, without coordination with the neighbouring municipalities, as a result, business premises are unnecessarily built, while scarce resources are spent needlessly. Similarly, an

example of measures that do not benefit anyone would be offering land and other local resources to investors under the price.

An example of harmonious design and construction of business zones is the project of development of business zones, with joint participation of municipalities of Odžak, Orašje and Domaljevac-Šamac, building mutually complementary business zones. The project titled "Business zones - situation and perspectives in the Posavina Canton", initiated and implemented by the Independent Development Bureau Modriča - Gradačac in cooperation with municipalities of Odžak, Orašje and Domaljevac-Šamac, resulted in the analysis of space and capacities for the development of business zones at the disposal of each individual municipality, and also in defining opportunities and prospects for the development of new business zones. The project was funded by the Federal Ministry of Development, Entrepreneurship and Crafts, the European Commission and the Centres for Civil Initiatives, while the participating municipalities provided co-financing for the project. As a result of the overall process, works have been started to build a business zone in the Municipality of Odžak.

Examples of programmes and projects that show a real economic feasibility and effectiveness only at the (sub)regional level are:

- clusters/business zones;
- technological parks /innovation centres²⁵;
- centres for vocational training;
- centres for business training and counselling;
- wine roads and similar tourism projects;
- marketing areas for investors, etc.

Examples

Projects of this sort are only just starting to be implemented in BiH, mainly as projects that are largely financed by other countries and led by their specialised organisations. Examples include projects that are more focused on tourism (*Wine Road Herzegovina*, development of tourism in the Posavina region, *the Posavina region - hunting and fishing paradise ...*).

Working group for economic development planning may relatively easily identify and extract the programmes and projects that are more efficient and effective if undertaken in cooperation with other municipalities. A more difficult part of the job is to ensure that these programmes and projects are actually agreed and prepared with interested partner municipalities. An opportunity that should definitely be seized is the increased donor interest for this kind of projects. Expected successful implementation of cross-border cooperation projects financed largely from the IPA funds, may serve as an incentive for projects of inter-municipal cooperation between regions in BiH. Some of these projects have so far been implemented with the support of regional development agencies.

²⁵ Further in relation to innovation centres, as discussed in previous chapter, it is evident that SICI (small industry centre) and CBE (centre for beginners entrepreneurs) may be formed both as local and inter-municipal project, while a TC (technological centre or technological park) is more of a regional project, commonly located in the regional centre.

Another insufficiently used opportunity is cooperation with municipalities and cities from other countries, which had established special relations with BiH municipalities and cities. Therefore, an economic development plan should provide for such programmes, whether it is to facilitate the transfer of technologies that local companies are missing, an easier and faster linking between local small and medium enterprises in the international value chain, attracting investors from these cities, and alike.

Inter-municipal cooperation includes the exchange of best practice, particularly in the region. Some municipalities and regions are simply the leaders in some aspects of economic development – for example the Municipality of Indija in attracting investments, Istria in developing rural tourism, etc.

5.5. Estimated outputs with indicators

Monitoring is a system of collecting and processing data so as to compare the results against the plan, conducted annually.

Evaluation is based on the findings of monitoring and gives an overall assessment of the extent to which goals have been achieved. Evaluation at the sectoral level is carried out halfway (2nd or 3rd year) and at the end of the period of implementation of sectoral plans.

Monitoring and evaluation will be performed at several levels, from the level of an individual project, through programmes, to attainment of economic development objectives. Firstly, indicators are defined for each level, and the most appropriate ways for monitoring and evaluation are selected.

Well-defined indicators are the basis for monitoring and evaluation. They represent a key but not the only part of a comprehensive system for monitoring and evaluating the implementation of the strategy, and update of the strategy, described in more detail in Chapter 10.

Indicators may be defined so as to indicate in advance the type and degree of *direct* change with target groups/activities defined in the relevant sectoral development goals (the so-called *performance indicators/outcomes*), or to indicate in advance the type and degree of change that will be achieved *indirectly* in the local community (the so-called *impact indicators*, which are more specifically related to strategic goals).

In defining indicators, one should be particularly mindful to apply the so-called SMART rules (specific, measurable, adequate, realistic and time-defined indicators), far more than in the definition of objectives. In fact, indicators should be considered already while defining objectives, because such thinking is a sort of a control and corrective factor. To wit, if it is not possible to define indicators for an objective, then it is likely that the objective needs to be redefined.

In defining indicators, one should always bear in mind what is it that reflects the movement of phenomena the best, that is, the best way in which the degree of attainment of a certain goal is expressed.

Wherever possible, indicators should be gender sensitive and allow measurement of the influence of achievement of objectives on both sexes (e.g. number of employed men and women).

Table below gives an example of indicators set at the level of objectives, programmes and projects.

Sectoral objectives	Indicators at the objective level	Indicators at programme and project level
<p>Example:</p> <p>Objective 1: Entrepreneurship supported and at least 200 new jobs created by 2015.</p>	<p>Example:</p> <p>By 2015 at least 20 new enterprises opened in the existing and new business zones providing jobs to 200 people.</p> <p>At least 2 new investments in production of final products attracted by the end of 2013.</p>	<p><i>These are individual indicators set at the level of programmes and projects and as such represent input for indicators at objectives level.</i></p> <ul style="list-style-type: none"> ○ A new business zone with space and supporting infrastructure for 10 SMEs constructed. ○ 50 secondary school students completed practical programme and began apprenticeship in the new business zone. ○ System of employment incentives in SMEs established.

Project level

The basis in defining indicators of success for the level of individual projects is information from the project form, in particular information related to the expected outputs of the project and the expected impacts that the project will achieve through its implementation on target groups. It is good to consult those who proposed those projects to obtain well-defined indicators for the level of projects.

Example – support to planning new vineyards

Wine producers are faced with the problem how to ensure adequate land for new vineyards. Although there are areas suitable for planting, it is not being cultivated. In the next 3 to 5 years, it is necessary to provide about 150 acres of land through appropriate concessions. This project intervention is identified within the program of support to the development of wine making and viticulture. The following indicators were selected for monitoring and evaluation of success of the implementation of interventions:

- Increase in the number of wine producers included in the final concession arrangement;
- Increase in the land surface under new vineyards.

Programmatic level

The effects of the selected programme on a target group and its impacts on the entire community are best defined with those for whom the programme is intended. It involves a well-prepared meeting or a series of interviews with selected representatives of target groups, with approximately the following basic question: in case we succeed to overcome the noted “bottlenecks” in time, and through planned measures and projects, what kind of impacts could we expect, for example in terms of an increase in the number of companies and growth in the number of jobs.

Example – winemaking

After having defined “bottlenecks” through a workshop and several interviews and completed a **programme of support to the development of winemaking and viticulture** (with the relevant projects and measures), at an additional meeting with members of the association of winemakers and winegrowers, it was estimated that in case of a timely and complete implementation of envisaged measures and projects, it could be expected that the number of wineries would grow from 18 to around 50 by the end of 2012, and the number of jobs in viticulture and wine to over 500. So these two indicators were selected for monitoring and evaluation of implementation success of this programme:

- increase in the number of wineries, and
- more jobs in wine production and viticulture.

The link between indicators on project and programmatic level is not a direct mathematical or mechanical one, but logical. If we take into account the previously mentioned examples, it would be logical to expect that the larger area of land with new vineyards would contribute to more jobs in viticulture and wine-growing.

Strategic-sectoral level

Defining indicators of success at the strategic and sectoral level is strongly related to the objectives of economic development previously defined in line with the SMART rule. Depending on how these objectives are defined, as well as strategic goals higher in hierarchy, any of the following indicators, and other not listed here, may be used:

- increase of economic investments in the municipality;
- number of jobs in the economy (especially in activities in focus of the strategy);
- increase in the value of exports and the number of exporters;
- growth of companies’ profit;
- growth in the number of economic entities per 1000 inhabitants;
- growth of average wages;
- growth of domestic product per capita.

The example given below involves a timely (*ex ante*) and complex definition of indicators, which will include at least one strategic goal (created viable and competitive local economy) and the corresponding objectives of local economic development, as mentioned earlier. In addition to

keeping strong ties with the goals (defining of goals is practically completed with specifying of indicators), good defining of indicators requires a “helicopter view” (not too detailed, but clear enough) into selected programmes and the dynamics of their implementation. In addition, it is good to use the comparisons with other comparable areas, as is done in the example shown, since it provides for better arguments and explanations. It is recommended that scenarios, optimistic and pessimistic, as shown in the example, are used.

Attachment 58: Example strategic sectoral indicators LED.doc

Who defines indicators?

Indicators for individual projects are to a considerable extent determined by those who nominate and develop project proposals, primarily through the definition of expected project results, which are the main ground for defining the effects and impacts of the project. What is crucial here is the quality of communication between the knowledgeable members of the working group that prepares the plan and specialists who propose and develop projects.

Indicators for programmes are best defined through intensive communication with competent representatives of the target group which is a primary concern of the programme. If the programme also includes services for the target group, it is good that service providers are included in this communication related to indicators.

Strategic and sectoral indicators are defined by an intersectoral local development team, or sectoral working groups. It is advisable to also engage external experts.

5.6. Preparation of financial framework

Financial framework for implementation of local economic development plan is based on information from project fiche prepared for priority projects and measures as well as on the financial projection done within the budget analysis. Financial framework should indicate allocations from the municipal budget and other sources. In other words, financial framework of the sectoral plan should reflect financial possibilities of the municipality to provide funds for implementation of projects from the development strategy, regardless whether they come from municipal or other sources. This ensures that sectoral plans are set realistically instead of being simple wish lists.

At this stage of planning, financial framework is used as an orientation for the working group and the local development team, and may have the following basic form:

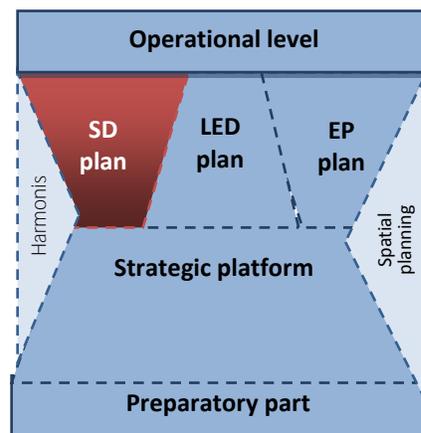
Objective Programme Project/ Year	Costs	Sources (%)								
		Budget	Loan	Entity	State	Public Companies	Private source	IPA	Donors	Other
1	2	3	4	5	6	7	8	9	10	11
Objective 1										

Objective Programme Project/ Year	Costs	Sources (%)								
		Budget	Loan	Entity	State	Public Compa nies	Private source	IPA	Donors	Other
Programme 1.1.										
Project 1.1.1.										
Project 1.1.2.										
Project...										
Objective 2										
Programme 2.1.										
Project 2.1.1.										
Project ...										

6. Social development planning

Social development plan has the following minimum structure:

- ⇒ Sectoral focusing;
- ⇒ Social development objectives;
- ⇒ Programmes, projects and measures;
- ⇒ Inter-municipal cooperation initiatives;
- ⇒ Estimate of expected outcomes with indicators;
- ⇒ Financial framework.



According to the standardised methodology, the following steps and results are necessary in creating a social development plan:

Stage	Steps	Results
Social development planning	- sectoral focusing	- SWOT analysis of social infrastructure and services - foci of social development for the coming period defined
	- defining objectives of social development	- operational objectives of social development
	- programming (preparation of programmes, measures and projects)	- projects and measures grouped into appropriate programmes - inter-municipal cooperation projects
	- estimates on expected outcomes with indicators	- strategic, sectoral, programmatic and project indicators defined
	- preparation of the financial framework construction	- indicative sectoral financial plan prepared

Social development plan encompasses the intended changes in the local community which will enhance the attainment of economic, social and cultural rights of citizens, primarily through increased availability, access and quality of services. Successful implementation of a social development plans leads to more equal opportunities in development and greater social inclusion and integration, for both women and men. In this sense, allocations for social sector should be seen as investment into development through which beneficiaries of social welfare are given an opportunity to work and earn income, rather than just receiving passive financial help.

The following table gives the approximate overview of available methods, tools and participants for the preparation of social development plan. Underlined tools/methods and participants are deemed necessary, according to the standardised methodology.

Stages	Methods and tools	Participants
Sectoral focusing	<ul style="list-style-type: none"> - SWOT analysis - interviews - workshop 	<ul style="list-style-type: none"> - working group for social development planning - representatives of NGOs and MZs - representatives of Gender Commission - representatives of public sector - external expert
Setting sectoral objectives	<ul style="list-style-type: none"> - initial workshop - interviews and meetings - final workshop - time maps/scenarios - SMART objectives 	<ul style="list-style-type: none"> - working group for social development planning - representatives of public services - representatives of NGOs and MZs - representatives of Gender Commission - external expert
Selection of programmes	<ul style="list-style-type: none"> - focus groups and triangle meetings - workshops - participatory and gender sensitive budgeting - importance-urgency matrix - priority matrix (importance-readiness) 	<ul style="list-style-type: none"> - working group - representatives of target groups - providers, users of public services - MZs and NGOs - representatives of Gender Commission - external expert
Monitoring and evaluation	<ul style="list-style-type: none"> - logical if-then project model - SMART indicators 	<ul style="list-style-type: none"> - those who proposed the selected projects /measures - representatives of target groups - representatives of Gender Commission - intersectoral local development team /working group - external expert

The following sections provide practical tips and explanations for each of these stages in social development planning.

6.1. Sectoral focusing: levers and critical factors of social development

Sectoral focusing determines the core of social development in the future. Focusing can be carried out through a SWOT analysis of social infrastructure and services, by using the following basis:

- appropriate parts of socioeconomic analysis;
- parts of hierarchically higher sectoral strategies and plans;
- integrated SWOT analysis;

- selected strategic focus.

The most important sections of socioeconomic analysis²⁶, used in preparation of SWOT analysis:

- **overview of the state of public services and departments** (employment office, education, health and social protection, culture and sport, civil protection, housing, security of citizens ...);
- **overview of the state of utility services and infrastructure** (including infrastructure that does not belong to municipal jurisdiction, such as transport, energy, telecommunications ...);
- **situation in terms of social exclusion and poverty, where attention is also paid to determining the causes of social exclusion and poverty of men and/or women;**
- demographic characteristics and trends, sex disaggregated;
- overview of the state and trends at the labour market, sex disaggregated;
- overview of non-governmental organisations and local communities, including an assessment of their interaction with local government;
- conditions and trends of income and expenditures in the municipal budget, especially allocations for public services and capital investments.

A SWOT analysis enables sharpening of:

- public services and utilities/services in which we are leading when it comes to improving the quality of life, and the factors that make it possible;
- public services and utilities in which we are lagging behind when it comes to improving the quality of life, and the factors that cause it;
- levers in social infrastructure that could facilitate and accelerate economic development;
- critical factors that lead to social exclusion and gender inequality in terms of attainment of economic, social and cultural rights.

SWOT analysis may be carried out by the working group for social development planning, enhanced with the working group for economic development planning and experts from public sector (education, health and social protection ...), as well as from public enterprises, representatives of the Gender Commission, and representatives of associations, especially vulnerable groups, according to the enclosed workshop format.

Attachment 60: Workshop
SWOT social development.doc

²⁶ Detailed contents of all of these parts are given in the chapter on socioeconomic analysis and respective attachments. For example, an overview of situation in public services includes pre-schooling and education, primary, secondary and tertiary, adult education, healthcare, social protection, culture etc.

The workshops focus on several major foci of social development for the coming period, one towards a potential contribution to economic and social development, and the other by the degree of criticism in terms of retention or worsening of social exclusion and the quality of life.

Example - Bosanski Petrovac

The low population density and the fact that young and highly educated people tend to leave the municipality in search of better living were among the key weaknesses identified in the socio-economic and SWOT analyses in Bosanski Petrovac. Another weakness that was identified was the unsatisfactory position of the elderly, especially in terms of social and community care. These were further crystallized in the SWOT analysis conducted in the process of creation of the social development plan.

Creating the conditions for the stay of the current and attracting new residents has therefore become one of the strategic foci the municipality for the future period. Particular attention is also paid to planned education and improvement of social infrastructure in order to increase the quality of life for young and elderly population groups through the first strategic goal.

6.2. Setting social development objectives

As in the previous section related to economic development, the framework for setting objectives of social development comprises:

- vision and strategic development goals;
- development goals from higher levels development strategies and plans; and
- objectives in terms of economic development and environmental protection.

When setting objectives of social development, one should take into account the content-related and methodological aspects. When setting objectives, it is necessary to take into account that their implementation should contribute to the creation of such a community that would be an attractive place to live for both men and women.

Content-related aspects

Further elaboration of the vision and strategic goals is performed here with the selection of priority target groups, on the one hand, and determining the range in terms of increasing the availability and quality of public services that strengthen social integration and improve the quality of life, on the other, wherein the preliminary selection of priority target groups can significantly facilitate the selection of priority target services.

In determining the priority target groups it is good to take into account the two different criteria: groups that show particular potential for development on one hand, and groups that are in the area of social exclusion on the other.²⁷

²⁷ The standard division of sensitive/vulnerable groups also took roots in BiH, and it includes: youth, elderly, disabled persons, Roma and rural population. In many municipalities, these groups also include returnees and refugees and displaced persons. UNDP Human Development Report for 2007 gives an overview of situation with socially excluded groups in BiH.

In defining objectives of social development, we practically *specify the intended achievements in terms of impacting development potential of one group, and social inclusion and integration of others.*

The following classification of **public services** for exercise of social rights may be useful in setting objectives of social development:

Mandatory services:	Standard services:	Non-standard (elite) services:
- primary education	- pre-school education	- universities
- primary healthcare	- secondary education	- specialised educational institutions
	- secondary healthcare	- museums
	- social protection	- theatres
	- culture	- galleries...
	- physical culture	
	- protection of animal health	

Basic/mandatory services are a constitutional guarantee and obligation, which means that they are necessarily available under approximately equal conditions to all citizens, that is, target groups, and for this reason, such services are the responsibility of higher levels of government. Norms and standards are unique and relate to all local communities. In case some of this is not fulfilled, *ensuring full availability and relatively uniform quality of these services, with clear time definition*, shall be deemed priority objectives of social development of a municipality, regardless of the fact that these are matters where competencies and resources are mostly with higher levels.²⁸

Standard services are desirable and common in most municipalities, since they are the result of the development of civilization and the achieved level of the quality of life. Although its organisation is regulated by law (in terms of competencies, standards and norms), there is no strict obligation to ensure access to all citizens and target groups. In terms of standard contents, minimum standards and norms that must be met in order to organize these activities are defined. Geographical distance and non-profitability is usually the main reason why citizens in certain types of settlements are deprived of these services (rural areas ...). *What would be the level of availability and quality of these services in the mid-term plan* is dependent on priority target groups and available funds.

Non-standard (unique, elite) services and departments are typical of large, mostly administrative centres. Their existence and development depends on the level of urban settlements, for they require a potentially large number of users with specific needs, expectations and standards, and considerable funding for the functioning of institutions. Apart from the budget, these are being increasingly financed from private sources. *How to plan the level of availability and quality of these services in larger centres* is dependent on the ambition of the city administration and the interest of other stakeholders / investors. *How will the*

²⁸ A detailed overview of municipal competencies in BiH and the neighbouring countries is given in the book titled *It is good to cooperate well – HAND IN HAND – experiences in development of local self-governance* (www.edabl.org/publikacije/).

smaller communities plan the development of some of these services is primarily dependant on the attractiveness of the location, proactive approach of local authorities and interests of the private and NGO sector. In some cases, development of these services is closely related to the priorities of economic development of an area.

How can a previous choice of priority target groups facilitate the selection of target services? If we opt for young and educated citizens as a priority target group, considering that they are the future leaders of economic and social development of the municipality, then such a decision entails a choice between some of the following: secondary and higher education (scholarships and participation in specialised programmes to acquire new knowledge and skills), incentives to (self) employment of the youth, pre-school education (as a form of support for young families), subsidised housing for young families, support to development of culture, sports, non-governmental sector, and alike. On the other hand, if we choose the elderly as one of the priority target group²⁹, this involves different priorities in the development of services: social and health care. Regardless of the target group in question, it is very important to ensure that the choice of target services and policy takes into account the specific needs of both sexes and that it does not contribute to furtherance of social differences between women and men, to the extent possible.

In addition to these public services and departments that enable high-quality implementation of social and cultural rights, an important aspect of social development planning of an area includes *transport, technical and communal infrastructure and adequate services*. A priority for municipalities and cities are communal infrastructure and services, as these are the responsibility of local government, but in no way could the planning ignore other aspects of infrastructure and services, given its significant influence on the quality of life. This means that social development objectives refer to the improvement of these aspects of infrastructure and services. *Which ones and to what extent* - depends on the specifics of a particular community, its priorities in terms of economic development and social development of target groups, and resources that can be engaged for this purpose. If rural development is a priority, and the rural population a priority target group, then the investment in appropriate infrastructure and services in these areas represents one of the top priority target categories.

Here one should be particularly careful about the common misinterpretation that only what is included in objectives and programmes of social development would be indeed later on implemented, so everybody is simply trying “push” whatever they care about. As a result, the development plan loses its focus and is fragmented to a number of bigger and smaller, but mainly infrastructural projects. In order to avoid this, it is important to clarify as soon as possible that neither integrated strategy of local development, nor plans of economic, social and environmental development, could serve as an excuse for failure to pass plans and development programmes of utility companies, public services, and other stakeholders in an environment. They all have to adopt their development programmes, which will be **guided** by an integrated strategy and municipal development plans, but will include the usual activities and specific priorities in respective activities.

²⁹ Needs for different forms of protection of the elderly are on the rise in practically all areas, due to an evident trend of aging population, but also due to greater share of the elderly households that have difficulties to resolve the current problems of everyday life, increasingly difficult position of pensioners (who for the most part already fall under the category of underprivileged population), etc.

Methodological aspect

In methodological terms, requirements in view of specific, measurable, adequate, realistic and time-defined objectives are also valid here, as explained in sections on economic development planning.

Setting objectives of social development is carried out by the working group for social development planning in three basic steps:

- reaching a consensus on target groups and target services (could be performed through a short initial workshop, according to format of an appropriate workshop for economic development objectives, but adapted for this purpose);
- deeper understanding of the needs and potentials of target groups and services, and resources available (could be carried out through additional interviews and meetings with relevant experts and users, taking into account the equitable representation of both sexes);
- defining the intended effects and adjustment of objectives (could be done through a final workshop for defining social development objectives, according to format of an appropriate workshop for economic development goals, but adapted for this purpose).

Time maps for planning the availability and quality of targeted service target in the future is hereby enclosed.

Attachment 61: Time map.doc

Primjeri – Doboj Istok, Kotor Varoš, Odžak

In preparing the social development plan it is recommended to take proactive measures to identify needs and priorities of socially excluded population groups, bearing in mind that these categories often remain on the margin of society as a result of their specific positions. A good example of such a proactive approach is the Municipality of Doboj Istok where women were recognized as a category excluded from decision-making process in the community. As a result of the efforts of the municipal government, a series of thematic meetings was held with women where they were encouraged to participate in the planning process, point out their problems and their proposals for resolution of those problems. The proposals that the women presented during these meetings were incorporated into the development strategy adopted in 2011. The energy that was created among women in this process transformed into concrete initiatives; a Women's Association was established and nowadays it is a still young but active NGO in Doboj Istok.

In the Municipality of Kotor Varoš returnees, refugees and displaced persons were identified as vulnerable population groups requiring special attention in defining projects and measures, especially in the field of social development. Focused interviews with these categories led to determination of priorities that should be tackled in order to provide them with better living conditions. Returnee areas were most burdened by lack of infrastructure (water supply, electricity supply and reconstruction of roads), existence of illegal dumps, and lack of playgrounds and sports fields for children and youth. Displaced persons and refugees faced similar problems, and this was particularly the case with families living in the village of Bare, which had been exposed to rapid post-war housing construction but lacked

basic infrastructure. In the process of design of the social development plan the Municipal Development Team collected priorities and ideas from these groups and transformed them into concrete projects that were subsequently included in the development strategy and the capital investment plan. Out of these, priority and feasible projects such as road construction, repair and construction of water supply in rural areas and construction of playgrounds were included in the action plan of priority projects for 2011.

A good example is the initiative of the NGO "House of Hope" in Odžak municipality which gathers 106 persons with disabilities. These persons are faced with health, education, professional and social rehabilitation issues which results in their exclusion from society and isolation. Through the initiative of the "Houses of Hope" persons with disabilities and their families were encouraged to take part in the planning process and propose specific projects and measures to successfully address their problems and improve their overall quality of life. As a result, projects relating to improvement of health care for all persons with disabilities and renovation of facilities and provision of equipment for the daycare center for children with special needs in Odžak were included in the development strategy.

6.3. Selecting programmes of social development

Social development programmes are sets of practical interventions in the form of appropriate projects and measures that support the selected target groups (in terms of their development, protection and/or social inclusion) and improve the availability and quality of selected public services.

Well-executed stages of SWOT analysis and setting objectives are the main preconditions for a quality selection of social development programmes, as well as active involvement of interested and competent stakeholders.

Programming task is typically launched and coordinated by the working group for social development planning, with the attempt to involve all interested and knowledgeable actors, whilst mindful of gender equality, who could contribute with their ideas or already elaborated projects.

Programming can be done in several ways. Consistency of the programming stage with the entire planning process is ensured through the following steps:

- timely and fair determination of the target groups and services, and the range of necessary programmatic interventions;
- nomination of projects and measures to improve targeted services and social position of target groups;
- selection of priority projects and measures and their grouping into appropriate programmes.

It is recommended that in identification and selection of projects and measures the following forms of active participation of local actors are applied:

Focus:	Forms of participation:
Support to priority target groups	- Focus groups or interviews with representatives of target groups ³⁰ (for deeper understanding of problems and “bottlenecks”);

³⁰ In selection of representatives of target groups, it is necessary to take into account equal representation of both sexes.

Focus:	Forms of participation:
	- workshops with representatives of target groups (to nominate and select appropriate projects and measures).
Improvement of priority target (social) services	- workshops/meetings in the triangle comprising: representatives of those who order/finance services (municipal and/or other levels of government) - service providers (public services, NGOs, private sector) - beneficiaries of services.
Improvement of infrastructure and public (utility) services	- meetings/workshops in local communities to nominate priorities. ³¹

A result of a series of meetings and workshops will be a greater number of ideas for projects and measures that are important (from the aspect of citizens-beneficiaries) and viable to some extent (from the perspective of local authorities and service providers).³² These need to be processed, refined, ideas that overlap consolidated, placed into appropriate programmes, linked with the strategic goals and sectoral development objectives, additional information requested and alike. This work can be done by members of the working group for social development planning in cooperation with relevant experts from public services and local government. An example of the completed project fiche for a project related to social development is hereby enclosed.

Attachment 62A: Example project fiche.doc

Attachment 62B: Example project fiche 2.doc

Thereafter, the entire working group may establish priorities among the proposed programmes (projects and measures), adapting and using some of the available methods of evaluation. For programmes related to improvement of social services, it is possible to adapt and use almost identical method of evaluation as the one shown in sections on selection of local economic development projects.

Example - Bosanski Petrovac

As shown previously, through strategic platform and SWOT analysis of social infrastructure and services, among other target groups, the youth was in focus, especially young married couples (because of their potential contribution to younger demographic structure), and the elderly (because of the lack of adequate social services).

Within the social development objective "*Established trend of positive birth rate by 2015*", programmes, projects and measures were defined to contribute to resolving key issues that make the young people leave the municipality. Among these, the most critical ones were education, employment and housing and social infrastructure for young married couples. Within the program "*Support for increasing the birth rate*" several projects and measures were planned as priority: (i) introduction of one-time

³¹ This is a format of meetings/workshops that are increasingly used for nominating projects for capital investment programme (the so-called participatory budgeting), introduced through appropriate projects supported by the World Bank (CDP), USAID (GAP), SDC (MDP)...

³² The same project fiche given earlier in the part related to programming economic development is also used here.

assistance to mothers upon giving birth and to newly married couples; (ii) housing for young couples; (iii) visit of health care workers to women in the first three months upon giving birth; and (iv) reconstruction of roof and facade in the kindergarten.

In the framework of the programme "*Improving education*", the following projects and measures were incorporated: (i) defining the needs for education profiles in co-operation with Employment Office and Mixed Secondary School, (ii) scholarships for students based on the needs of the community, and (iii) organizing a fair of young people's creative ideas.

Youth employment is an integral part of the activities planned within the economic development plan. In addition to the aforementioned programmes, the social development plan focuses on improving sport and cultural life in the community.

As for the elderly population as second critical target group, the social development plans foresees activities aimed at improving social and health care, namely: (i) mapping of social care needs in rural areas, (ii) opening of a daycare center with soup kitchen, and (iii) attracting investors to build an elderly home.

This following example illustrates the good practice of inclusion of minority groups in the process of preparing the strategy, prioritising interventions and their implementation.

Case study - Visoko

Socioeconomic analysis conducted during the planning process in the Municipality of Visoko showed an extremely difficult position of the Roma population in the municipality, both in terms of employment opportunities, as well as in terms of overall living conditions, although the percentage of Roma living in the Municipality of Visoko is about 2.5% of the total population.

In order to actively address the difficult situation of Roma, and encourage stronger participation of from this category in the process of defining needs and priorities, the Municipality of Visoko had organised focus groups with Roma representatives with the aim of defining the key individual problems. A problem which stood out in particular was the one of water supply and sewage in the suburban settlement of Križ.

This identified problem was a constant threat to the health of residents both in the settlement and the entire municipality. Thanks to the powerful voice of the Roma population, but also understanding and willingness of the municipal administration, the problem was recognised as a priority for the entire local community, and its resolution was taken into account in the process of defining priorities. For the first year of the implementation of the strategy, projects of rehabilitation and construction of sewerage and water networks in the Križ street were nominated, and some of these activities were implemented with financial support of municipal and donor funding, as well as the participation of service users.

Given the multitude of needs and problems in terms of social and communal infrastructure and services, one of the critical questions is *whether it is possible to avoid or at least significantly reduce the problem, as early as at the stage of programming, the major discrepancy between the necessary funds to finance projects and available funds in the municipal budget and other likely sources of funding*. If this is not taken into account already at this stage, the problem becomes apparent only in the final operational stage, in preparation of the indicative financial plan, and when, due to very limited funds that can be seriously counted on, usually most programmes of the sectoral plans turn to be a nice and good wish list, with no chance of realisation.

Take for example the programme to improve priority target (social) services. A recommended format is that of triangle meetings which include representatives of those who purchase/finance services (municipal and/or other levels of government) - service providers (public services, NGOs, private sector) – beneficiaries (such as representatives of some of the vulnerable groups). It is very important prior to these meetings to provide a solid approximate estimate of funds that may be available to fund programmes aimed to improve services. Part of the assessment can be carried out based on analysis of the budget, which was previously conducted within socioeconomic analysis. All participants at the meetings should be aware of financial opportunities and constraints, so that the end result of the meeting is a sort of a compromise reached between the partners. List of programmes consists of two parts: (1) priority programmes, which the stakeholders find as very important and the necessary funds may be secured for their implementation, and (2) “backup” programmes, which will be implemented if there is additional funding from other sources (donor funds, grants from higher levels, etc.).

Intersectoral and innovative programmes

Programmes with intersectoral impact have a particular value. These usually have a better chance to provide the required level of sustainability, which is normally the most critical component of social development. A good example are the programmes organising practical training and retraining in accordance with the growing demand of small and medium enterprises or investors who lack adequate workforce profile and skills. Similar situation is with programmes of financial support for traineeship, which help young people to enter the labour market, and employers to reduce the costs and risks associated with the introduction of new staff without appropriate work habits and skills to their business. A good way ahead is also the promotion and stimulation of entrepreneurship as early as possible through mandatory or optional programmes, such as, for example the *Youth Entrepreneurship Project*, which has been implemented successfully for several years in secondary schools in BiH.³³

An outstanding example of innovative approach to the problem of social inclusion of demobilised soldiers were registered in the Sarajevo Municipality of Centar, which encouraged and assisted a veteran organisation to start a company to build apartments for demobilised soldiers, and later on, for other categories of the population. Here are the words of the-then mayor (between 2000 to 2004) on impacts of this solution, achieved in late 2007, “From threats of holding rallies as conveyed by veterans when we started to introduce some principles, we came to a situation that the municipality provided the initial 10,000 KM for the establishment of the company of war veterans. Now, that same company is the largest investor in the Municipality of Centar – invests around 20 million KM and employs 80 people. This is what I consider the greatest achievement; from distrust we came to a situation where people today live a good life. The Municipality does not give them any money; there is no need, as they finance themselves”.³⁴

Another outstanding example comes from the Municipality of Doboj Istok. It involves a rarely successful combination of activities that combine humanitarian and social with the economic sphere. Activities are

³³ Basic information on the project is available for example at: <http://komora.doboj.net/omladinsko.htm>

³⁴ Taken from *It is good to lead good – ABC OF GOOD LEADERSHIP – research stories*, Eda, 2008.

implemented by the humanitarian organisation *International Solidarity Forum* based in Gračanica, involved in sustainable return, youth, drug abuse prevention, AIDS, violence, illegal migrations and human trafficking and helping the homeless, the elderly and persons with special needs.

In late 1999, the *Emmaus-Forum Duje* Centre was opened, but the large number of beneficiaries and difficult financial situation forced the management to think about self-sustainability. Over the time, primarily thanks to financial support from donors, the existing humanitarian activity was complemented with projects related to agriculture and food production (milk, bakery products, breeding of poultry and small livestock, mushrooms, fruits and vegetables), so the Centre today is partially self-financed. Recognising the significant benefits for the local economy, municipal administration also joined in to support the activities of the Centre.

Their kitchen with a dining hall prepares hundreds of meals a day for beneficiaries and employees of the Centre. Own production was launched in order to have savings, improve the quality of bakery products and create new jobs. Necessary equipment for the bakery (stove for baking bread, an oil tank, dough mixers, dough dividers and other equipment) was funded by donors and own investments.

Facilities for the production of cheese and milk processing were built with own investments (electronic scale, vacuum packaging machine, cheese press, milk pump) and donor funding (refrigerator and maturation chamber). Daily, 1200 litres of milk are processed (with a possible increase of up to 5,000 litres), and the monthly production of cheese is from 1200 to 1300 kg (soft cheese, semi-Trappist cheese, semi-soft white Trappist cheese, semi-smoked Trappist cheese, cheese with various additions). For these purposes, the shareholders company MFS TRADE was founded, and products are sold under *Bosna Milk* trademark. The plan is to expand the range of products to packaging milk and production of yogurt and sour cream through purchase of additional equipment (separator, homogeniser and pasteuriser).

The purchase of land near the centre had secured quality sites for greenhouses purchased from donations and through loan. Greenhouses were set at more than 1,000 square meters, and more than 1,000 square meters of open agricultural land is cultivated. In greenhouses, they grow cucumber, pepper, tomato, spinach, onions and lettuce, and potatoes and green onions out in the open. Most of the produced vegetables are used to prepare meals in the kitchen, and a small share for production of winter stock. This secures natural diet to beneficiaries, but the possibility of involvement in a work and occupational therapy.

Future plans of the Centre include expansion of production capacities of dairy and greenhouse production, with the introduction of new products and agricultural crops. Currently two new facilities are under construction, which coupled with the existing infrastructure, should contribute to better living conditions of beneficiaries.

The following image shows the location of programmes, projects and measures in a social development plan. Hierarchically speaking, the programmes are subordinated to goals, as they need to contribute to their attainment. Indicators that are defined for evaluating progress in achieving the objectives serve as an important landmark for determining the contribution of the programme. Programmes, on the other hand, consist of similar projects and measures. *A corresponding contribution, if any, to economic development and environmental protection is noted for each programme.* Indicators to monitor implementation of projects are synthesised from indicators of appropriate programmes and measures. Indicative costs of programme implementation are determined by adding up the costs of projects and measures.

SOCIAL DEVELOPMENT PLAN (2011 – 2015)								
Programme	Project / Measure	Link to objectives	Indicative implementation time frame					Indicative financial value
			2011	2012	2013	2014	2015	
Programme 1. Programme title	Project 1.1.:							
	Project 1.2.:							
	Project 1.3.:							
	Measure 1.1.:							

6.4. Inter-municipal cooperation initiatives in social development

A number of problems in terms of transport, technical and communal infrastructure can be resolved in a much more efficient and better way from the perspective of inter-municipal cooperation, rather than from a narrow local perspective. In the field of transport and technical infrastructure, there are practically no problems and solutions that are only local, with the exception of local roads. Even these problems could be resolved more easily through inter-municipal cooperation, rather than individually.

Good examples of inter-municipal cooperation, which also include inter-entity cooperation, are projects of constructing local roads between the Municipality of Dobož and Dobož Istok, as well as between the Municipality of Trnovo in the FBiH and Trnovo in RS. In addition to contributing to infrastructural problems and improving the quality of life, these examples of cooperation also have a social dimension (building trust and establishing good neighbourly relations), and an economic dimension (connecting more municipalities and joint cooperation between the public and private sector in implementation of projects, as well as new infrastructure to improve economic currents).

The practice of local solutions is predominant in the domain of communal infrastructure and services. Such practice leads to cost-inefficient provision of services, higher price of services, on the one hand, and lack of funds for maintenance and investment, on the other. Quality and beneficiaries are affected. This problem is more evident in places with less spatial concentration of the population, and the sustainability of local solutions is shorter. At the same time, urban outskirts, especially remote rural areas remain deprived of such infrastructure and services.

Some of these problems may be solved only from the inter-municipal perspective, especially when it comes to border areas of neighbouring municipalities. Such areas and the creation of conditions for availability of the standard utility and social public services to residents there, represent a real need and an opportunity for inter-municipal cooperation, but are disregarded by default, since each municipality is concerned about its own central area.

In terms of the number of utilities and social services, smaller and poorer municipalities, especially those emerging as a result of the Dayton Peace Agreement, simply must turn to

neighbouring and more developed municipalities that have such infrastructure in place from before. From their perspective, projects of inter-municipal cooperation in the field of communal infrastructure and social services are a priority, which is the reason why these municipalities are the first leaders of such initiatives given the state of affairs.

Such examples include, for example, joint projects of construction and use of water supply systems, between municipalities of Tešanj and Doboju, or between municipalities of Bileća, Berkovići and Nevesinje, where each municipality solved the water supply to their outskirts, through a joint initiative.

In determining whether certain problems (especially in terms of municipal infrastructure) should be resolved independently or through inter-municipal cooperation, in addition to economic feasibility of investments, it is necessary to take into account the aspects of access to public services, that is, the possibility of a more efficient provision, as well as social impact and impact on improvement of quality of life for citizens. This “cost effectiveness” of inter-municipal cooperation should be evaluated separately for every project.

Initiatives of inter-municipal cooperation in the field of social services are still genuinely rare.

One of the few such initiatives is the formation of a joint agency for culture, information dissemination, sport and tourism (KIST) by municipalities of Eastern Herzegovina, united in the Association of Municipalities of Eastern Herzegovina. Furthermore, the Association itself is a unique example of regional self-organisation of municipalities. In addition to the KIST, these municipalities also jointly established two agencies, one for local/regional development and the other for project preparations. It is a self-created initiative, which has not yet received support from senior levels of government, or from international donors.

Some of the examples of inter-municipal cooperation in the field of social development include:

- joint preparation and implementation of infrastructural projects that have an impact on the quality of life and social development (such as e.g. building infrastructure in isolated rural areas and their links with administrative centre, a joint organisation of transport services, such as school transport for students and workers from more local communities, etc.);
- establishment of common institutions for social and health care (care for the elderly, homes for abandoned children, institutions for persons with special needs, common health services, etc.);
- setting-up joint centres for training, retraining and additional training of workers, which in addition to social influence has a positive reflection in the field of economic development, etc.

In practical terms, in preparation of an action plan, sectoral working group in cooperation with relevant experts should separately process projects that need to be planned and implemented through inter-municipal cooperation. Given the stated requirements in terms of mutual coordination of multiple actors from different municipalities, and often different levels of government, more time should be foreseen for the launch and implementation of these projects than projects with a local scope and coverage.

If the projects include cooperation with municipalities from the neighbouring countries, the effort to launch and coordinate project activities is even more complex. However, it is expected that EU pre-accession funds (IPA) for cross-border cooperation, with technical support, would significantly encourage and facilitate the planning and execution of such projects in the area of social and other public services.

6.5. Estimated outputs with indicators

Monitoring and evaluation here is also performed on several levels, from the level of individual projects, through programmes, to achieving objectives of social development.

Sectoral objectives	Indicators at objective level	Indicators at programme and project level
Example: <i>Established trend of positive birth rate</i>	<ul style="list-style-type: none"> • Number of inhabitants increased by 5% by the end of 2015; • Continuous support to newly married couples is provided via: <ul style="list-style-type: none"> ○ provision of housing for 30 couples; ○ financial incentives (200 KM per couple); ○ financial support to women upon giving birth (200 KM per women). 	<ul style="list-style-type: none"> • Location selected and required documents obtained, housing units for newly married couple constructed; • Regular visit by health care workers to women upon giving birth.

The approach used to define indicators for social development plan is identical, as already described in the same section dealing with economic development planning. With minimal adjustments, everything described and recommended in that section may also be used in part relevant to definition and monitoring of indicators and monitoring progress in achieving social development plan. The key difference is in stakeholders: in economic development, predominantly businessmen are involved in defining and monitoring indicators, while in social development those are representatives of public sector, NGOs, MZ (for municipal infrastructure and services development programmes) and socially sensitive groups (for programmes aimed at supporting such groups).

Project level

Here as well, information from the project fiche represent the basis for defining success indicators for the level of individual projects, particularly those related to expected impacts that the a project would bring to target groups. Also, a good definition of indicators on the project level may require consultations with those who proposed those specific projects.

Instead of defining as many indicators of success of the project, as it often happens, one should strive to define minimum indicators that show the expected progress in a sufficient manner. Thus, for example, for the *project of constructing and equipping kindergartens*, it is sufficient to

define *growth in the number of children covered by preschool education in kindergartens* as an indicator.

Programmatic level

Indicators for the programmatic level are defined in a similar way. If, for example, a *programme of support to young families*, in addition to construction and equipping of kindergartens, also includes *projects of training and preparing young couples for parenthood*, organising counselling services for *pregnant women, future mothers and fathers*, and subsidized housing for young families, then appropriate indicators of the success of the programme would be: (1) *growth in the number of young families*, and (2) *natural growth*, for this is exactly what we were trying to achieve with this set of interventions with *young couples* as a target group.

Strategic-sectoral level

An example of how to define a strategic indicator for social development is hereby enclosed. It further develops the corresponding strategic goal (*younger and progressive community created, that attracts young and successful and caring for the elderly and vulnerable*), respective social development objectives (*trends of positive natural growth established and proactive adaptation of knowledge and skills to new economic structures in the region ensured*), and defined programmes (*programme of support to young families, programme of adjustment of knowledge and skills and programme to attract young people*).

Attachment 63: Defining SD indicators.doc

It is possible to use some of the following indicators, provided that they are in accordance with the set objectives of social development:

- increase in the share of educated population (disaggregated by secondary, higher and tertiary education, and sex);
- increase in the coverage of territory and population by utilities (by type);
- increase in citizens' satisfaction with quality of life (social and communal infrastructure), etc.

The list of possible indicators of social development is given in the attached document:

Attachment 64: Indicators SD.doc

Financial framework

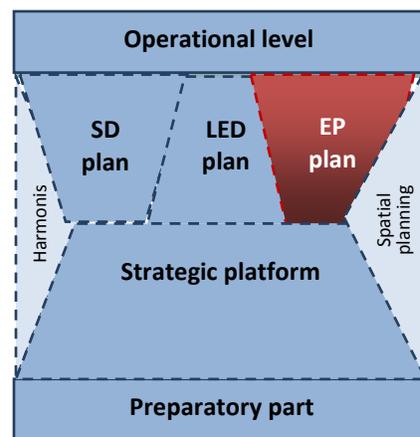
The implementation of social development plan is also based on information from project fiche prepared for projects and measures that are defined as a priority. The items that are used are related to anticipated costs and sources of funding.

Financial framework serves as an orientation for working group and local development team and has the same basic form as the case is with economic development plan (see attachment 59).

7. Environmental protection and improvement plan

Environmental protection and improvement plan has the following minimum structure:

- ⇒ Sectoral focusing: evaluation of problems and environmental potentials;
- ⇒ Environmental protection and improvement objectives;
- ⇒ Programmes of improvement of priority areas;
- ⇒ Inter-municipal cooperation initiatives;
- ⇒ Estimate of expected outcomes with indicators;
- ⇒ Financial framework.



According to the standardised methodology, the following steps and results are necessary in creating an environmental plan:

Stages	Steps	Results
Planning environmental protection improvements	- sectoral focusing	- risk analysis - SWOT analysis
	- defining objective of environmental protection and improvements	- priority areas for improvements - objectives of environmental protection and improvement defined
	- programming improvements for priority areas	- programmes, projects and measures (including inter-municipal cooperation and activities) defined
	- estimates on expected outcomes with indicators	- strategic sectoral, programmatic and project indicators defined

The following table gives an overview of tools and participants for the preparation of an environmental protection and improvement plan. Underlined tools represent the recommended minimum and participants whose involvement is deemed necessary.

Stages	Methods and tools	Participants
Sectoral focusing	- comparative risk analysis - <u>SWOT analysis</u> - workshop	- <u>sectoral working group, with equal participation of women and men</u> - <u>department for utilities/environment</u> - experts/organisations for ecology

Stages	Methods and tools	Participants
Setting sectoral goals	<ul style="list-style-type: none"> - <u>workshop</u> - time maps / scenarios - <u>SMART objectives</u> 	<ul style="list-style-type: none"> - <u>sectoral working group</u> - <u>department for utilities/environment</u> - <u>experts/organisations in the area of environment</u>
Selection of programmes	<ul style="list-style-type: none"> - <u>criteria for selection of projects</u> - <u>working sheet for defining activities</u> - working sheet for activity planning 	<ul style="list-style-type: none"> - <u>sectoral working group</u> - <u>department for utilities/environment</u> - experts for priority areas - <u>organisations active in the area of environment</u> - <u>representatives of priority MZs</u> - <u>representatives of companies that are a threat to environment</u>
Monitoring and evaluation	<ul style="list-style-type: none"> - logical if-then project models - <u>SMART indicators</u> 	<ul style="list-style-type: none"> - <u>those proposing selected projects and measures</u> - <u>sectoral working group / intersectoral team</u>

The intention behind an environmental protection and improvement plan is to ensure such responsible and sustainable management of natural resources and environment that would be balanced to meet the needs of present and future generations in the local community.³⁵

In BiH, generally used is the practical methodology for local environmental action plans (LEAP), recommended by the Regional Environmental Centre (REC) for Central and Eastern Europe. For the purposes of standardisation and use of the methodology within integrated local development planning (MiPRO), the LEAP methodology was partially modified and adapted, particularly in terms of logic and steps that are harmonised with planning of economic and social development and harmoniously integrated into the standardised methodology for integrated planning.

The part of the methodology relative to environmental assessment has been given earlier, in the corresponding part of socioeconomic analysis. The following provides an example of the analysis of environmental situation.

Attachment 65: Example analysis environment.doc

The following sections offer practical solutions and advice for each stage in planning a sustainable development of environment.

³⁵ This is a principle of sustainable development defined as *development that meets the current needs, without endangering opportunities for future generations to meet their needs*. Environmental protection and improvement plan ensures requirements of sustainable development in terms of environment/natural resources, while social requirements are ensured through social development plan, and economic through economic development plan.

7.1. Sectoral focusing: evaluation of problems and environmental potentials

The relevant part of previously prepared socioeconomic analysis should contain a list of environmental problems, including major polluting sources and materials, as well as their potential impact on human health, environment and quality of life. Sectoral focusing is carried out in this part, to practically define the focus of an environment protection and improvement plan in the future.

Focusing may be carried out by combining the methods of comparative risk analysis and SWOT analysis.

Comparative risk analysis attempts to identify the problems in a particular environment that pose the biggest risks for the health of the population, ecosystems and the quality of life in an area. This analysis is performed on the basis of available information, using a previously prepared list of identified problems related to the environment. It includes three types of risks and three types of measuring impact, which are presented in the following tables.

Three types of risks	
Risk to human health	Risk to human health is likely to be understood as deterioration of the health of people, including risks of disease (e.g. respiratory organs, cancer ...), disability, birth defects ...
Ecological risk	Is likely to imply endangering ecological systems (rivers, lakes, forests, etc.) and some animal species and plants
Risk to quality of life	Is likely to imply deterioration of the overall quality of life, including economic stability (sustainable jobs and employment, for example in tourism, or agriculture ...), recreation opportunities, quality housing, social and health care ...
Three types of measuring impact	
Coverage	How big or widespread is the influence? If it is a risk to human health, how many people or a percentage of the population is endangered? If it is a risk to ecosystem, such as forests, how much forest is threatened?
Intensity	How serious or strong is this influence? If it is a risk to human health, does it cause serious or less serious diseases, or even death?
Reversibility	Can the impact be reversed? If so, how much time is needed - after removing the cause - for the impact to disappear?

Assessment, comparison and ranking of problems are performed by using the following matrix:

Type of risk	Risk to human health	Ecological risk	Risk to quality of life	Synthetic estimates
Measuring impact				
Coverage				

Type of risk Measuring impact	Risk to human health	Ecological risk	Risk to quality of life	Synthetic estimates
Intensity				
Reversibility				
Synthetic estimate				

Synthetic estimate is of qualitative nature. It can be used as a simple scale: high (H), medium (M), low (L). Scale may have more variants.

The critical environmental problems in a municipality are determined through a comparative risk analysis. After that, through a SWOT analysis it is possible to determine:

- local **strengths**, that may be used as leverage to resolve critical environmental problems, and **unique ecological potentials** of an area that require a special attention of the community;
- local **weaknesses** and limitations, that need to be improved and overcome, in order to facilitate solutions to critical problems and ensure the preservation and accenting of unique ecological potentials;
- outside **opportunities** that could be used to resolve critical problems and potentials;
- outside **threats** that endanger ecological potentials and lead to deterioration of critical environmental problems.

Comparative risk analysis and SWOT analysis can be combined and performed within one workshop of the sectoral working group, with wider participation of local experts and representatives of competent organisations. In the first part of the workshop, participants would address the comparative risk analysis, and SWOT analysis in the second part. The basis for the first part of the workshop would be the list of environmental problems, prepared within the socioeconomic analysis. An additional background for the second part of the workshop would be the appropriate, pre-prepared main findings and measures from the National Environmental Action Plan for BiH (NEAP) and other relevant strategic documents.

7.2. Setting objectives for environmental protection and improvement

The methodology for preparation of local environmental action plans, as recommended by the REC, does not set an explicit requirement for defining objectives of protecting and improving the environment as a separate methodological step. Instead, it talks about defining priority areas for which action plans are created. Priority areas are practically a group of selected priority problems identified within a comparative risk analysis. In practical application, especially in larger cities in BiH, priority topics are grouped according to the Sixth EU Action Plan for Environment (building systems for urban management following the principle of sustainable development; rational management of natural resources and waste; achieving the

quality of environment with minimum level of pollution and minimal risk to health and the environment; sustainable urban transport).

Problems and potentials of the environment, which were identified through socioeconomic analysis and then further assessed by using the comparative risk analysis and SWOT analysis, can be grouped into following areas:

- air quality management;
- sustainable use, protection and management of water resources;
- sustainable use, protection and land management;
- sustainable forest management;
- waste management;
- use, protection and management of space;
- energy efficiency;
- economy and environment;
- biodiversity and protection of natural and cultural heritage;
- administrative and institutional framework for environment management;
- information systems.

So the setting of sectoral development objectives in of the area of environment in fact comes down to **selection of priority areas** on which interventions will be directed, and **determining the intended scope of these interventions** in the planning period. It is conducted based on the results of comparative risk analysis and SWOT analysis on the one hand, and the vision and strategic development goals, on the other.

Similar to the case of defining the objectives in other sectors (economic and social), the workshop format for an extended sectoral working group is recommended here as well. An auxiliary tool to be used is also an adapted time map of the planned improvements of priority areas, provided in the attached document.

Attachment 66: Time map.doc

Workshop results may be further expanded through interviews with experts in priority areas.

7.3. Programming improvements for priority areas

Programming improvements for priority areas provides an overview of activities (projects and measures) that need to be implemented so that the current situation in these areas is improved and upgraded to a level determined under mid-term environmental objectives, and standards expressed in long-term strategic goals and community development vision.

In designing improvement programmes, sectoral working groups should be required to consult with experts in particular areas, with active participation of other interested and competent partner. It is particularly important to facilitate the participation of representatives of local communities in which environment is threatened, and local and regional non-governmental organisation specialized in environmental issues. Also, to the extent possible, it is important to include representatives of companies that endanger the environment, as well as representatives of municipal departments and enterprises in charge of resolving environmental problems.

It is possible to use project template to gather suggestions and process the proposed activities (projects and measures) that should be taken to improve the environment, as previously shown in sections related to economic development planning.

Attachment 67: Project fiche environment.doc

For the final selection of activities (projects and measures) it is recommended to use the following criteria:³⁶

Technical viability	Is this action possible, does it apply local technologies? Are there any examples of applications in other comparable communities?
Efficiency	How will actions actually contribute to reducing the risk to human health, ecological systems and the overall quality of life in the community? Can we do everything with local resources? Whether, and to what extent, will the achieved effects justify the resources invested?
Costs	Can we afford it? What are the available sources of financing for this action, and to what extent?
Political acceptability	Will the action be accepted by the public and politicians? Will it be accepted / supported by representatives of international community / projects / donors?
Legal feasibility	Is this action feasible from the perspective of existing regulations? What does the undertaking require (construction permits, environmental permits, study of environmental impacts ...)?
Implementation period	How long will the implementation last?
Compliance	Are there such projects already being implemented in the municipality? Are there any similar projects already implemented in the local surroundings? Is there a possibility for adjusting and achieving synergetic effects?

It is also recommended that appropriate work sheets are used as well.³⁷

Attachment 68: .work sheet.doc

³⁶ Criteria with descriptions taken over from the Manual for Preparation of LEAP (REC).

³⁷ Work sheets taken from the Manual for Preparation of LEAP (REC).

Application of the **energy efficiency** concept at the local level is increasingly becoming a priority, especially for larger cities. These are measures that lead to reduction of energy consumption, including the replacement of non-renewable energy sources with renewable ones, replacement of inefficient energy consumers with efficient ones, insulation of heated premises and alike. Introduction of this concept to development strategies and plans of cities is only just beginning. A good example is the Banja Luka Development Strategy for 2007 to 2015, which has a built-in series of programmes that should significantly reduce energy consumption in the city. Another good example is Tuzla, where the Mayor recently formed a committee “Tuzla – energy efficient town”, consisting mainly of professional and academic workers, tasked to analyse the situation and propose programmes that would make Tuzla a leader in the region when it comes to energy efficiency.

Intersectoral and innovative programmes

A textbook example of the concept of sustainability and achieving synergy effects in environmental protection, economic development and social development in an area is given in the publication “*The Hexagon of Local Economic Development*”.³⁸ It deals with edible oil that is used in large quantities in large cities, especially in restaurants and factory kitchens. After some time, substantial quantities are disposed off; much of it goes to rivers or sewage, while plastic bottles represent a waste that is disposed with major costs. On the other hand, this problem can be perceived as a good opportunity to start a local business of processing the used cooking oil for other purposes, which can produce environmental, economic and social effects. In environmental terms, this will reduce pollution of rivers and environment; in economic, this will open several sustainable jobs and enable the creation of income from the oil processing business, and in social terms, a certain number of people without qualifications will be employed in collecting the oil that will no longer be used in restaurants and households.

A news piece from the *Nezavisne Novine Daily*, published on 23 April 2009, is the best illustration that this example is not just of theoretical nature, and it is possible to implement it here and now. It is a pilot project of the Tuzla Centre for Development and Support, which started production of biodiesel from edible used oil. In pilot phase, biodiesel will be used by the City Transportation Company to operate buses.

Attachment 69: Biodiesel
Tuzla.doc

Another good example of multiplication effects with very little investment was found in a single, creative and responsible donor-led project. Project manager had about fifteen used computers at the disposal, which were replaced with new ones. The initial idea was to give computers as a gift to the local community, for example a school. That would then require the organisation of trainings, since back then, computers were still a novelty in the community, covering maintenance costs, etc. Instead, through an innovative workshop with partners on the project and representatives of the local community, the following idea was shaped: computers would be given on “lease” to a local entrepreneur who wanted to expand business with computer trainings; “repayment” of computers would be done through training of interested

³⁸ Jorg Meyer-Stamer: *The Hexagon of Local Economic Development*, mesopartner, www.mesopartner.com.

young people who, instead of paying for lessons, would perform a certain number of hours of voluntary work to clean up riverbeds and other locations where the municipal administration organised voluntary work activities. The idea was implemented with multiple effects: economic one, as it enabled a local company to expand business; social one, for it enabled young people in the community to gain new skills that have made them more competitive at the labour market; and environmental one, given that critical public areas were cleaned and restored. All of this was done for fifteen used computers that the project manager was to write off.

The following table shows the position of programmes, projects and measures within an environmental protection and improvement plan. Programmes are hierarchically subordinate to objectives, as they need to contribute to their attainment. Indicators defined to monitor progress in achieving the objectives serve as an important landmark in determining the contribution of the programme. *A corresponding contribution to the economic and social development is noted for each programme, if any.*

Programmes, on the other hand, consist of similar projects and measures aimed at improving selected priority areas. Indicators for monitoring implementation of the programme are obtained from indicators of appropriate programmes and measures. Indicative costs of programme implementation are determined by adding up the costs of projects and measures.

ENVIRONMENTAL PROTECTION PLAN (2011 – 2015)								
Programme	Project / Measure	Link to objectives	Indicative implementation time frame					Indicative financial value
			2011	2012	2013	2014	2015	
Programme 1. Programme title	Project 1.1.:							
	Project 1.2.:							
	Project 1.3.:							
	Measure 1.1.:							

It is particularly important to always take into account the interaction of this plan with the planning of economic and social development. If this is not the case, it could easily happen that natural resources and environment pay the price of the struggle of an area for its economic and social survival, characteristic of the harshest stage of transition. One cannot stress enough the three-dimensionality of sustainability principles, which is embedded in the basis of integrated planning with the balanced interaction between economic, social and environmental systems.

7.4. Inter-municipal cooperation initiatives in the area of environmental protection and improvement

The need for inter-municipal cooperation is most visible and evident in the field of environmental protection. This is probably the reason why the first serious inter-municipal projects, that were initiated and supported by the World Bank, were environmental projects.

These primarily involve organised, systematic and cost-effective collection, disposal and recycling of waste materials through the establishment of regional disposal sites. In addition to considerably more economic and effective problem solving for waste disposal in every participating municipality, these projects also contain the potential to create new jobs, through recycling facilities.

Although on paper it is easy to prove advantages of regional local waste sites in terms of costs, in local practice the process of establishing regional disposal sites is followed by constant delays and problems, despite external incentives. In some places, the problem is to find an appropriate location (no one wants waste in their area; only shortcomings of disposal sites are looked at, and not the benefits of sanitary disposal sites), and in other places, to regulate ownership in the joint enterprise to be established, and alike.

Another evident example of inter-municipal cooperation is protection of watercourses, on one hand, and flood protection, on the other. The problems here, by their very nature, exceed the capacities and possibilities of a municipality and require concerted action by all municipalities that are interested in solving the problem. Such concerted action is usually not possible without a unified approach to project and project organisation. It is common that inter-municipal cooperation projects are insufficient to efficiently solve the problem of watercourses, thus cross-border cooperation projects are launched. Thus the World Bank, as the implementer of the Global Environmental Fund (GEF), in May 2008, approved an amount of USD 8 million to BiH and Croatia for the *Project to Manage the Neretva and the Trebišnjica rivers*. The countries involved in the project should adopt a management plan for river basin of the two rivers in order to reduce nutrients and other pollutants from urban and industrial sources in the selected municipalities.³⁹

Situation is similar with inter-municipal project, and often with cross-border cooperation projects, in terms of protection of forest and mountainous areas, including fire protections. That is why, for example, the World Bank approved USD 3.4 million for the *Project of forest and mountainous protected areas*⁴⁰ to preserve biodiversity of global significance in critical forests and mountain ecosystems.

³⁹ It is planned to reconstruct several facilities for processing waste waters, improve maintenance of ecological streams and improve the health of eco systems and biological diversity, and a pilot project to reduce the inflow of salt waters to the Neretva Valley. The main project components will include improving capacities for management of water resources, reparation of water infrastructure, reduced contamination of waters and established incentives for an accountable management of resources with participation of CSOs.

⁴⁰ This project includes improved effectiveness of management in four existing protected areas, placing two additional areas under protection, assessment of feasibility for additional two areas and promotion of activities of sustainable management of natural resources and biodiversity protection in or around protected areas. The main project components are: development of

Donor community in BiH is increasingly encouraging projects of inter-municipal cooperation in environmental protection.

A good example is the GOV-WADE - a project of good governance in the field of water and environment, which includes 17 municipalities of the Una River Basin. The project was initiated and supported by the Swiss Agency for Development and Cooperation. *Specific project objectives are to support the introduction of models and mechanisms for sustainable development in the field of water and environment based on the principles of good governance and quality services in 17 pilot municipalities of North-Western Bosnia and Herzegovina; strengthen the capacity of local civil society actors to further engage, enhance cooperation and inter-municipal networking in the field of water and environment in favour of water resources management in the Una-Sana region; enable the project implementation unit to efficiently and effectively facilitate the process at the municipal level and to support providers through effective capacity building.*

In practical terms, in preparation of an action plan, sectoral working group in cooperation with relevant experts should pay particular attention to projects that need to be planned and implemented through inter-municipal cooperation. Given the stated requirements in terms of mutual coordination of multiple actors from different municipalities, and often different levels of government, more time should be foreseen for the launch and implementation of these projects than projects with a local scope and coverage.

If the projects include cooperation with municipalities from the neighbouring countries, the effort to launch and coordinate project activities is even more complex. However, it is expected that EU pre-accession funds (IPA) for cross-border cooperation, with appropriate technical support, would significantly encourage and facilitate the planning and execution of such projects in the area of environmental protection.

7.5. Estimated outputs with indicators

Methodology for preparation of local environmental action plans, as recommended by the Regional Environmental Centre for Central and Eastern Europe (REC), does not set an explicit requirement or instructions in terms of defining indicators and monitoring and evaluation of implementation of environmental plan. The following sections will provide several recommendations on how to compensate for this shortcoming and align this aspect of environmental protection and improvement with other aspects.

Monitoring changes in the field of environmental protection is technologically a demanding process. It usually implies the existence of capacities that can periodically perform certain measurements that requires special equipment and professional staff. Such facilities exist usually in larger and more developed local communities. This is still not a reason for small and underdeveloped areas not to monitor changes in this area. There are a number of indicators that can be monitored even with very limited resources, and for some of them there are already existing secondary data.

system of protected areas in BiH and necessary infrastructural capacities for effective establishment and management of protected areas, and support to activities of protection of biodiversity.

For examples, some of the indicators in environmental plan may be:

- increase the number of companies that have introduced ISO 14000;
- ratio between areas of felling and reforestation;
- number of illegal dumps;
- amount of processed (recycled) waste;
- number of patients who have problems with airways, disaggregated by sex;
- number of enterprises that discharge waste water with / without treatment;
- number of days in the year when water from public water supply was declared unhealthy for drinking;
- increase in the number of endangered plants and animal species;
- number of patients whose condition is associated with the state of the environment, disaggregated by sex;
- number of times when the key values of water, soil and air pollution are checked / measured;
- number of risk by category (risk to human health, ecological risk and risk to quality of life);
- number of villages that have organised the collection and disposal of solid waste, etc.

Depending on the specific characteristics of an area and the set environmental objectives, it is necessary to define the key risks and establish a system for monitoring their movements. It could very much be the case that the situation will prove that it is possible, to some extent, to work with capacities available to local communities. In case of lack of capacities for specific measurements, it is possible to engage resources from other communities (companies and organisations that are engaged in this particular field), while capacities for these demanding measurements could be established in the long run.

There is also a possibility to monitor indicators indicative of a problem with something that cannot be directly measured (<http://www.who.int/whosis/indicators/compendium/2008/en/>). Thus, the increased number of patients who have problems breathing will certainly be indicative of a high degree of air pollution.

At the beginning, it is certainly necessary to perform initial measurements of key parameters in order to obtain a basis for comparison and tracking.

The following attachment contains examples of indicators that measure the consequences of pollution on human health in a municipality, that is, indirect effects. They express the **impact** of implemented environmental measures and projects in the community. If we were to set indicators in a more direct manner (such as *improving air quality*, measured by reduction of emissions and concentrations of certain pollutants, *improving water quality*, for example, potable water, etc.), then they would express the **outcomes** of implemented environmental projects and measures.

Attachment 70: Indicators
health.doc

In order to obtain the right information on the current state of the environment and set realistic and measurable indicators, it is particularly important to include specialists in certain areas, from experts from the municipal administration and municipal agencies, through experts from non-governmental organisations dealing with various aspects of environmental protection, to experts from universities and other specialised organisations and institutions.

As the case is with other sectoral plans, here too, indicators for monitoring and evaluation are set at three levels, project, programmatic and strategic and sectoral.

Sectoral objectives	Indicators at objective level	Indicators at programme and project level
<p>Example: Construction of the water supply system for the remaining 50 % citizens of Orašje finalised and construction of the sewage system initiated by 2015.</p>	<ul style="list-style-type: none"> • Completion of construction of primary and secondary water supply network for 10 000 inhabitants of Orašje. • Waste water treatment plant built and construction of sewage network resumed. 	<ul style="list-style-type: none"> • 56 km of water supply distribution network. • Reduction in discharge of waste water into the Sava river for 1,200 households.

Indicators at the level of projects are defined through interactions with those who proposed them, indicators on the programmatic level are defined in cooperation with the most knowledgeable players from a selected priority area which is in focus of the programme, while strategic and sectoral indicators are defined by the sectoral working group and/or local development team.

If it, for example, involves a *project of support to enterprises that are environmentally responsible*, which is especially important for developed urban areas, a success indicator may be the *increase in the number of companies that have introduced ISO 14000*.

If it is, for example, a programme of *sustainable forest management*, consisting of appropriate projects and measures, and which is characteristic of underdeveloped rural areas, then a ratio between *felling and reforestation area* can be a good enough indicator of (un)successfulness of the programme.

An example of strategic sectoral indicators, particularly for urban areas, may be *reducing emissions in the city*, which is, *improving air quality in the city*.

7.6. Preparation of financial framework

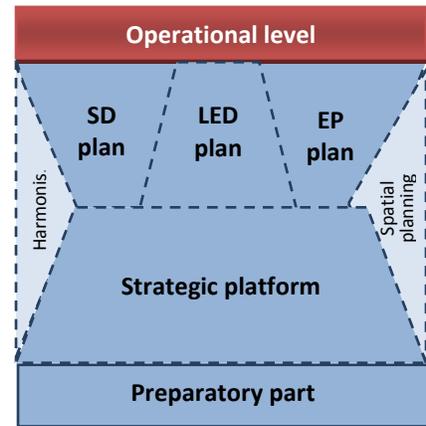
Financial framework for implementation of an environmental protection and improvement plan is also based on information from project fiche prepared for projects and measures that are defined as a priority. The items that are used are related to anticipated costs and sources of funding.

Framework financial construction serves as an orientation for the working group and local development team and has the same basic form as the case is with economic development plan.

8. Operational part – implementation framework

Operational part has the following minimum structure:

- ⇒ implementation plan for (priority) projects and measures
- ⇒ indicative sectoral financial plans and a general financial plan
- ⇒ organisational and human capacities development plan



Here it is necessary to take the following steps and achieve the results as shown in the table:

Stage	Steps	Results
Operational part (implementation framework)	<ul style="list-style-type: none"> - preparation of an approximate overview of priority projects and measures for the period of 3 to 5 years - action plans for projects implemented in the first year 	<ul style="list-style-type: none"> - approximate implementation plan - action project plans
	<ul style="list-style-type: none"> - indicative financial planning 	<ul style="list-style-type: none"> - indicative financial plan for 3 yr. - detailed financial plan for 1st yr.
	<ul style="list-style-type: none"> - organisational adjustments - preparation of human resources 	<ul style="list-style-type: none"> - organisational and human resources capacity development plan - unit for operational management established and equipped - development body established - local network for project preparation established and equipped

Overview of recommended tools and participants by stages:

Stages	Methods and tools	Participants
Preparation of implementation plan	<ul style="list-style-type: none"> - project fiche - hierarchical overview of sectoral plans - implementation plan format - action project plan format 	<ul style="list-style-type: none"> - local development team
Preparation of an indicative financial	<ul style="list-style-type: none"> - forms for projects and measures (project fiche) 	<ul style="list-style-type: none"> - those proposing selected projects and measures

Stages	Methods and tools	Participants
plan	<ul style="list-style-type: none"> - implementation plan format - financial plan format 	<ul style="list-style-type: none"> - local development team - expert for budget - external expert (for financing from external sources)
Planning development of organisational and human capacities	<ul style="list-style-type: none"> - development office - development body - Project cycle management (PCM) training - stakeholders' roles and responsibilities matrix 	<ul style="list-style-type: none"> - Mayor - local development partnership - the youth from public, private and NGO sector - PCM trainer

8.1. Implementation plan

Many strategic plans were not implemented as there was no systematic effort on their operationalisation. The purpose of the implementation plan is to ensure prerequisites for an effective implementation of the strategy.

Implementation plan has the following two main parts:

- approximate overview of priority projects and measures for the period of 3 to 5 years, based on sectoral plans. It is important to note that implementation plan should be prepared following the principle of integration of sectoral plans, and **should not** represent their simple mechanical compilation, and
- detailed action plans for priority projects and measures that will be implemented in the first year of the implementation of the strategy.

Approximate implementation plan provides an overview of priority projects and measures, including their relation with strategic goals and sectoral objectives, as well as the most important elements for their implementation. As such, it combines projects and measures from all three sectoral development plans, whose implementation should begin in the next three to five years. The basis for the preparation of an approximate implementation plan are synthetic overviews of sectoral development plans, which present the hierarchy of sectoral objectives, programmes and projects, with indicators and costs, and relations with strategic goals and intersectoral relations. The missing information (duration of implementation, implementers, focus groups) is extracted indirectly from the defined objectives and indicators and relevant project fiche.

The following document presents a structure of an implementation plan and synthetic overview of sectoral development plans, which represent the main grounds for the preparation of an implementation plan.

Attachment 71:
Implementation plan.doc

For projects and measures that are to be implemented in the first year elements important for planning and monitoring their implementation are summarised in a proper format: contribution to corresponding objectives, expected impacts on target groups, main activities and implementation period, main participants in implementation, costs and expected approximate funding sources, and the status of project preparedness. The basis for the preparation of these action plans are project fiche, initially completed earlier in the process, in the programming phase, and in the meantime, further elaborated and completed in cooperation with representatives of sectoral working groups with proponents of projects / measures and other experts.

Action plans are prepared for projects and measures that are to be implemented in the first year of implementation of the strategy. Action plans contain detailed information on individual interventions. They describe the main activities, the dynamics of implementation and impact on target groups and links with relevant goals and objectives and give approximate costs and funding sources.

Attachment 72: Action
plan.doc

Local development team leads the preparation of an approximate plan, while sectoral working groups lead the preparation of action project plans, with intensive cooperation with experts who are most informed about the relevant technical requirements of projects and measures. Representatives of the Gender Commission should be included in all activities of an implementation plan, ensuring that priorities of both sexes are adequately recognised.

It is important to emphasize that other operational plans prepared by municipalities, such as investment programmes, derive from the development strategy, its strategic orientations and priorities established within sectoral plans.

8.2. Indicative financial plan

An indicative financial plan is one of the most important management tools for operational implementation of management strategies and sectoral development plans. A good financial plan achieves three primary functions:

- provides a timely consideration of the expected costs of implementation of the strategy and plans, and their corrections and adjustment to available financial sources;
- allows a systematic and timely planning and provision of necessary sources of funding;
- provides a timely and quality inclusion of funds for implementation of development strategies and plans in municipal budget, but also in other budgets (entity, cantonal, donors ...) whose financial support is counted on in implementation of programmes.

Therefore, this plan must be adjusted to three-year budget planning cycle, which involves detailed planning for the coming year and approximately for the remaining two, with constant repetition of this principle. It is precisely this link with municipal budget planning, but also with

other sources of funding, that makes the indicative financial plan the key tool for planning and monitoring the financing of implementation of the strategy.

The key bases for preparation of an indicative (three year) financial plan are:

- approximate implementation plan;
- financial framework for sectoral development plans;
- assessment of budget opportunities and borrowing potential of the municipality (refined in the meantime after socioeconomic analysis by municipal financial experts);
- evaluation of other available sources of financing (domestic and European funds, donor funds, funds of public enterprises, private sector and citizens) and the possibility of their use for co-financing the implementation of priority projects and measures.

The basic structure of an indicative financial plan is presented in the table below:

Link with strategic goal / goals	Project / measure	Total orient. costs	Financing from municipal budget				Financing from other sources								
			year I	year II	year III	total (I+II+III)	Loan	Entity Canton	State	Public comp.	Private sources	IPA	Donors	Other	
	1.														
	2.														
	3.														
	...														
TOTAL:															

In order to ensure that development strategy with its operational elements becomes a real tool for long-term development management, its full alignment with the indicative (three-year) and annual budget of the municipality is of crucial importance. Development strategy should be seen as the key strategic document and other planning documents, including the budget, should be aligned with the strategy.

The financial plan of the development strategy thus provides a basis for creation of an indicative three-year and a detailed annual budget of the municipality. Revising the financial plan coincides with the one-year budget cycle and includes a detailed breakdown for one year and orientation for the remaining two, with a parallel revision of the implementation plan. It is important to note that the indicative financial plan is at the same time a tool for monitoring implementation of the strategy.

Based on the elaborated project ideas, the three-year indicative financial plan and the annual action plan of priority projects, a detailed financial plan for projects that are implemented in the first year of strategy implementation should be prepared.

Attachment 72: Detailed financial plan.doc

Preparation process

For the preparation of an indicative financial plan it is not necessary to organise a special workshop. It would be good to ensure that the person from the municipal administration in charge of budget and finances is included in the preparation. More over getting assistance from outside experts when it comes to modalities of projects' financing is also recommended.

After preparing a draft, the plan is presented to the local development team to identify and remove any poor estimates in terms of sources of financing, the dynamics of implementation and modalities of funding of individual measures and projects. The team should:

- check the validity of financial projections.

In cases where financial projections are too imprecise, it is recommended to plan resources for the preparation of pre-project surveys and studies to define precise terms of reference, implementation period, sources of funding and costs.

- check compliance with funding opportunities from the municipal budget.

If the municipal budget cannot cover the costs of implementation, alternative sources/modalities of financing should be sought or implementation of specific projects and measures should be given up or planed for a later period. Also, if there are possibilities in the budget, the financial plan should be revised by adding new measures and projects, which would then reflect on the implementation plan.

- check compliance with financing from other sources.

Similar to the previous verification, if some external funding sources are uncertain and insufficient, alternative sources are planned or implementation of relevant projects and measures are postponed. In the case of availability of additional sources of financing, it is also possible to add new measures and projects.

This phase of verification is critical for the quality of indicative financial plan, and thus for implementation of the strategy. Leaving out individual measures and projects or insertion of new ones should not be mechanical. It is necessary to take into account the mutual links and dependency of individual measures and projects, just as it is done programming process. At the same time, it is necessary to ensure that measures and projects are responsive to the needs of all citizens of the local community, both men and women.

In addition to being a tool for planning, an indicative financial plan is at the same time a mean for monitoring the implementation of the strategy. Its revision includes the corresponding revision of the implementation plan. The revision coincides with the annual budget cycle and includes a detailed elaboration for one (following) year, and approximate for the remaining two. In case of major deviations (due to difficulties in implementation, lack of funds or appearance of new sources of financing), a review of indicative financial plan can be conducted more frequently, whenever such deviations occur.

Despite everything, funding for programmes and projects will constitute a critical problem, which may be resolved through the following procedures:

- budget analysis and simulations that will lead to a fair assessment of municipal borrowing potentials;
- an emergency shift to multi-year (at least three years) financial management;
- the use of models of public-private partnerships to finance and implement projects;
- the use of models of public-private partnerships for financing and implementation of projects;
- issuance of municipal bonds;
- applying for funds from development programmes and funds at state / entity / cantonal levels;
- timely and quality preparation of applications for resources from EU funds;
- applying projects systematically with an appropriate donor.

8.3. Organisational and human capacities development

Successful implementation of development plans would require adjustment of the existing or establishment of new organisational structures and adequate human capacity.

Successful implementation of development plans requires adjusting existing or establishing new organisational structures and ensuring adequate human capacities, which would make local governments capable to respond to challenges that development management and project approach bring. A research conducted under the project "Training System for Local Government in BiH" in late 2010 indicated a number of key success factors that need to some extent be present in local governments to enable them to efficiently and effectively manage their development.⁴¹ First of all, it is about the municipal leadership, their attitude towards implementation of local development plans and their capacities to carry out their specific tasks and provide operational structures that would constantly and systematically work on coordination, implementation and monitoring of planned activities and tasks. Apart from these factors, in the context of an integrated and participatory approach to development, there are also requirements for internal (within the local government) and external coordination.

Without commitment and decisions of municipal leadership (especially the mayor) there will be no effective local development strategies and plans. Even if they are created, usually upon an external initiative, they will remain unimplemented if the municipal leadership is not interested and involved in the implementation process. A case study in BiH shows, at least in one case (and there more such examples in the field) that all important factors - external initiatives and support, a solid strategy, and the willingness of the municipal team – are in vain if the mayor is not interested in strategy implementation. In addition, continuous involvement and support of the Municipal Council/Assembly through regular reviews of progress reports on strategy implementation and coordination of municipal policies with the priorities of the strategy is crucial importance.

⁴¹ „Training System for Local Governments in BiH“ is a project implemented by UNDP with financial support of the Swedish International Development Cooperation Agency (Sida). The critical factors stated here were obtained through synthesis of findings from workshops and focus groups held with experts and practitioners in the field of local self-governance and local government during the aforementioned research.

Operational day to day management of local development requires a trained unit within the local government with explicitly defined responsibilities related to ensuring effective implementation, monitoring and updating of local development strategies and plans. This means that someone (a person or an organizational unit) has the responsibility to continuously and systematically work on the implementation and monitoring of strategies and plans.

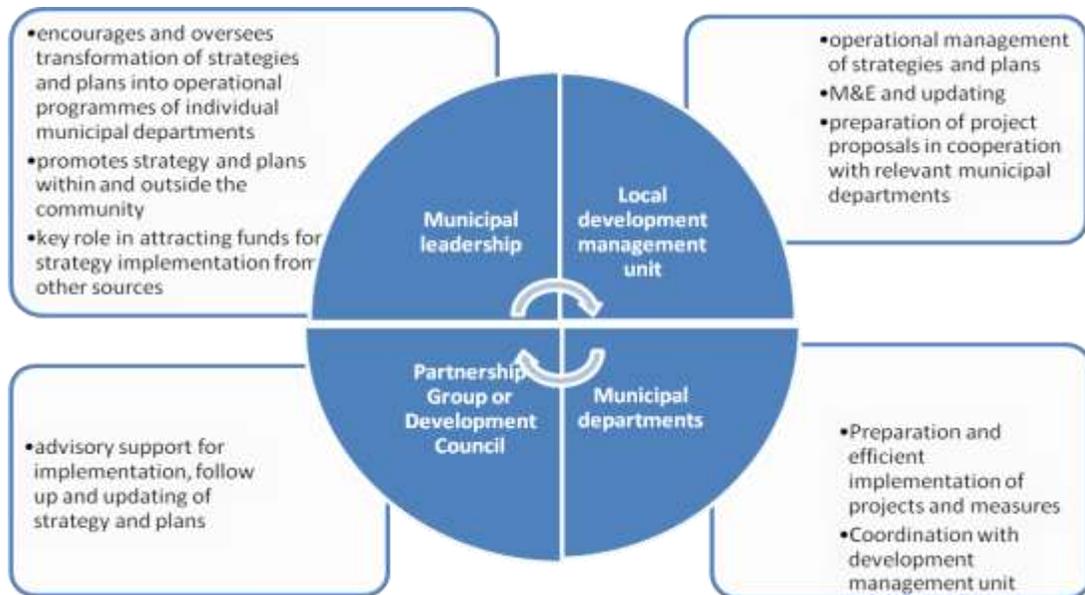
Internal coordination entails coordination of all activities of the local government in the process of implementation and monitoring of development strategies and plans. It is about a coordinated transformation of relevant parts of strategic documents into operational plans and programmes of individual municipal departments/agencies; joint efforts in preparing documents required for implementation of strategies and plans (such as the indicative and annual budget, identification of funding modalities, preparation of tender documents and carrying out public procurement procedures, etc.); and the process of monitoring the realization of planned activities and reporting in line with defined indicators.

External coordination in managing local development entails the manner in which municipalities communicate with relevant external actors. Good communication tools within the community are the municipal development team and the partnership group. The municipal organisational unit responsible for development management and frequently the mayor would be responsible for communication with stakeholders (higher levels of government, donors, other municipalities, etc.).

In preparation of a strategic document, it is recommended to assess the adjustment of organisational capacities and foresee activities to prepare human resources for the implementation of the strategy. Approximately, it would imply the following:

- a brief description of the most important strategic challenges and priorities for the municipality and the key requirements in terms of effective management of implementation of strategies;
- identification and analysis of the necessary technical and organisational resources for the defined strategic priorities and management requirements;
- review of available technical and organisational resources (in the municipal administration, public, NGO and private sector) that meet the identified priorities and requirements to some extent;
- analysis of the gap between available and required resources, with a recommendation of appropriate measures, which include: planning and implementation of the necessary training, organisational adjustments, specialisation of non-governmental organisations, public-private partnerships and alike.

The following diagram outlines the key leverages that need to be established and enabled in terms of a successful implementation of a local development strategy.



Development management unit/office

In order to ensure a continuous and everyday attention on the implementation of the strategy, it is recommended to strengthen the existing or establish a special organisational structure, in the form of development management unit. Organisational anchoring of the development management unit depends on the specifics of each municipality (size of the municipality, heterogeneity of strategy, size, organisational and human resources potentials of the municipality, etc.); it can be organisationally attached to the mayor's cabinet, established as a separate department or a sub-unit within an existing department, while in cases of smaller municipalities individual employees can be responsible for operational management of strategy. In principle this unit should not implement any individual project (each project will have its implementers, defined according to the nature of work, selected through a proper procedure), but would take care of the implementation of the entire strategy on daily a basis, carrying out the following basic tasks:

- promotion of strategies and priorities (within municipal administration, local community, among most important potential partners and co-financers outside the municipality...);
- elaboration of project tasks according to the dynamics of preparing projects for implementation;
- preparation of specific project proposals in cooperation with relevant municipal departments. It is important to bear in mind that the role of the development management unit is more related to technical aspects in line with specific requirements of donors, while relevant municipal departments should be responsible for substantive aspects, considering that employees of development management unit will not always know the substance of each project.
- coordinating preparation of financial structures for implementation of strategies / projects;

- launching projects (selection of appropriate modalities of engagement implementers and financing modalities, preparation of background, contracting ...);
- coordination of projects and activities of implementers;
- design a system for monitoring and evaluation of strategy implementation, implementation and continuous improvement of the system;
- preparing reports on implementation of strategies for the Mayor, partnership group, the Municipal Assembly and others, with recommendations how to improve implementation;
- upgrading the strategy (from annual and multi-annual perspective).

The establishment of such organisational mechanism for operational management of strategy implementation is complementary with a local development agency, if it exists. A local development agency is specialised for implementation of specific development programmes and projects that are priorities and professional challenges for the municipality, while the unit performs the administrative part of the work for all projects and implementation of the strategy as a whole.

Establishing and capacity building for the development management unit can be planned in advance, as one of the first projects. During the work on preparation of sectoral strategies and plans it becomes evident who has affinity and capacity to work on tasks reserved for the development office.

Network for preparation of projects

A critical problem present in a number of municipalities is the lack of local capacities for project preparation according to EU standards, especially if one takes into account the estimates that EU pre-accession funds will be a significant potential source of financing for local and regional development projects. This problem can largely be solved through timely, quality and intensive training of a group comprising 15 to 20 young people, ones with interest (from the municipal administration, NGO sector, from public institutions, from faculties ...) for the preparation of projects and project cycle management, according to EU standards. During the training, as part of the practical work of participants, it is possible to partially or fully prepare a few selected projects from the development strategy for applications towards available local, EU and donor funds. After the training, the municipal development office may use a network of trained young people for the preparation of other development projects.

It is recommended that the network includes local NGOs, which are co-financed by the municipality through budgetary allocations. This would ensure that these NGOs are far more focused on the preparation and implementation of projects of importance for municipal development, while funds for their co-financing will be indirectly used to finance the implementation of the strategy. In addition, non-governmental organisations can attract funding from external sources (especially donor funds and IPA funds), and direct these to co-funding of strategic priorities of the community.

Development Council

Development Partnership Group (or a local development forum) should continue engagement, now through the provision of advisory support for implementation, monitoring and updating of strategies and development plans. This advisory role can be regulated through a separate decision, the transformation of the Partnership Group into a Development Council, or in some other way. Through PG / Council, the participation of community (public, private and NGO sector) in effective implementation and update of development strategies and plans is practically ensured.

Development Management Unit and Municipal Development Team should bear the primary responsibility for technical and programmatic preparations of PG meetings. Discussions and conclusions of the PG/Council may be used as a filter for the discussion and conclusions of the Municipal Assembly/Council.

Roles and responsibilities of stakeholders

Critical success factors in implementation of strategies and development plans imply at least two other things: (1) how local actors see their role in implementation, and (2) how is responsibility distributed and to what extent.

Where actors perceive local government as the sole holder of implementation and accountability for (un)successfulness, often there are no results. Where actors clearly see their role and assume a share of responsibility, more serious results and success in implementation take place.

The following table,⁴² as attached, outlines the roles and responsibilities of the key actors in implementation, financing, monitoring and evaluation of implementation strategies and projects. After the part that relates to local actors from the public, private and NGO sector, a possible participation of agencies and organisations of higher levels is shown.

The principle of gender equality in new organisational structures, in implementation of the strategy, updating the plans and strategies, in the preparation of projects and project cycle management, capacity building, as well as the distribution of roles and responsibilities in the implementation, financing, monitoring and evaluating the implementation of strategies and projects - is a necessary concept and a key precondition for the actual development.

An indicative overview of key elements of organisational capacities and human resources plan is given in the attachment below.

Attachment 74:
Organizational and HR

⁴² One should bear in mind that this table is still very much general and should be made more specific in every given case (e.g. instead of *develops projects* one should put *numbers of projects from the implementation plan* developed by a specific organisation or department).

During the process of creation of its development strategy the Municipality of Bugojno identified the need to strengthen its development function to be able to effectively respond to the dynamic demands of local development management. The Municipal Administration of Bugojno has six departments divided into units. In addition, there are 11 public institutions/enterprises active in the municipality, 27 MZs, 50 civil society organisations and over 200 small and medium enterprises.

Under the current Rulebook on Internal Organisation of the Municipal Administration each department is responsible for planning within its scope of responsibility. The Department for Economy and Social Affairs is, among other tasks, responsible for initiating and participating in implementation of development programmes in the field of economic and social affairs and other projects important to the municipality.

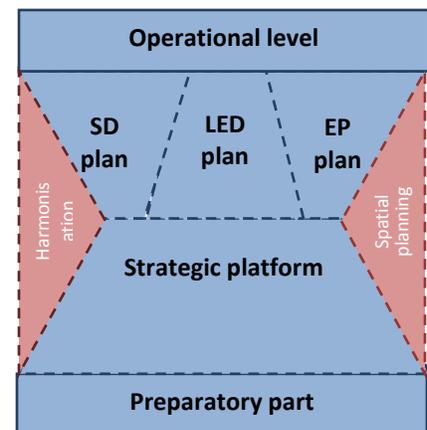
With technical support organizational measures and training areas were identified with the aim to set up effective and efficient structures capable of managing development in an integrated manner and working on preparation and implementation of development projects in cooperation with the socio-economic partners.

As a first step a project on establishing a local development department was prepared and included in the action plan of priority projects within the development strategy to be implemented in 2011. The project defined the activities of the new department in terms of transforming strategic goals and objectives into specific projects, support to other departments in project preparation, implementation, and monitoring and evaluation of activities and impact. At the same time, the Municipal Administration initiated changes and amendments to the Rulebook on Internal Organisation so as to formally adjust its organisation to the actual needs and establish an efficient system of coordination and support to municipal development. In the initial phase this entails hiring three employees in the new department (head of department and two associates) as well as defining responsibilities of other departments and units with respect to coordination with the local development management department in implementation of development strategy and individual projects.

9. Harmonisation

The process of integrated local development planning is characterised by numerous interactions and constant adjustments in order to provide for:

- ⇒ vertical compliance (with development documents higher in hierarchy - strategies and plans at the EU, national entity, cantonal/regional level ...);
- ⇒ horizontal alignment (between the key municipal sectoral development plans and policies);
- ⇒ compliance with spatial plans.



Ensuring compliance is important for at least the following reasons:

- local development strategies should be an integral part of the overall planning system in BiH, no matter how the current system is fragmented and incomplete, thus contributing to their consistency and sustainability of development progress throughout the country and its parts;
- compliance provides a significant allocation of funds from higher levels, as well as from European funds, over to the local level if local plans are consistent with the national strategic platform and its parts and represent their operationalisation;
- compliance enables significantly more efficient spending of funds, both those from higher levels and from European funds, but also local funds, for it substantially narrows the space for unnecessary overlapping and unnecessary or perhaps mutually conflicting interventions.

9.1. Vertical integration

How to ensure vertical integration?

Firstly, in the preparation of a SWOT analysis, or during strategic or sectoral focusing appropriate sections from higher development strategies and plans should be analysed, particularly the respective SWOT and PEST analyses and parts describing the strategic interventions and mechanisms planned for their achievement. Then the most important findings are should be classified into appropriate opportunities and threats that should be made use of or avoided, as much as possible.

Secondly, in defining development goals and objectives through workshops, the workshop format has a built-in alignment of local goals and objectives with the goals and priorities of higher level strategic documents. A list of higher development documents relevant to the process of local development strategies published by the BiH Directorate for European Integration is herewith attached as a reference.

Thirdly, in the preparation of indicative financial plans, financial instruments for the implementation of higher strategies and plans should be analysed, followed by the necessary adjustment of local programmes to specific requirements of the corresponding financial resources. This creates conditions for local priority programmes that are consistent with higher development policies to be treated as the right address for allocation of funds from higher levels, EU funds and any other funds to support local development.

9.2. Horizontal integration

Horizontal integration of different sectors and local policies takes place within a local development strategy through an integrated planning process as described above. The entire process recommended through this standardised methodology allows for easy horizontal adjustment. The following section offers an overview of the most important landmarks.

How to ensure horizontal alignment?

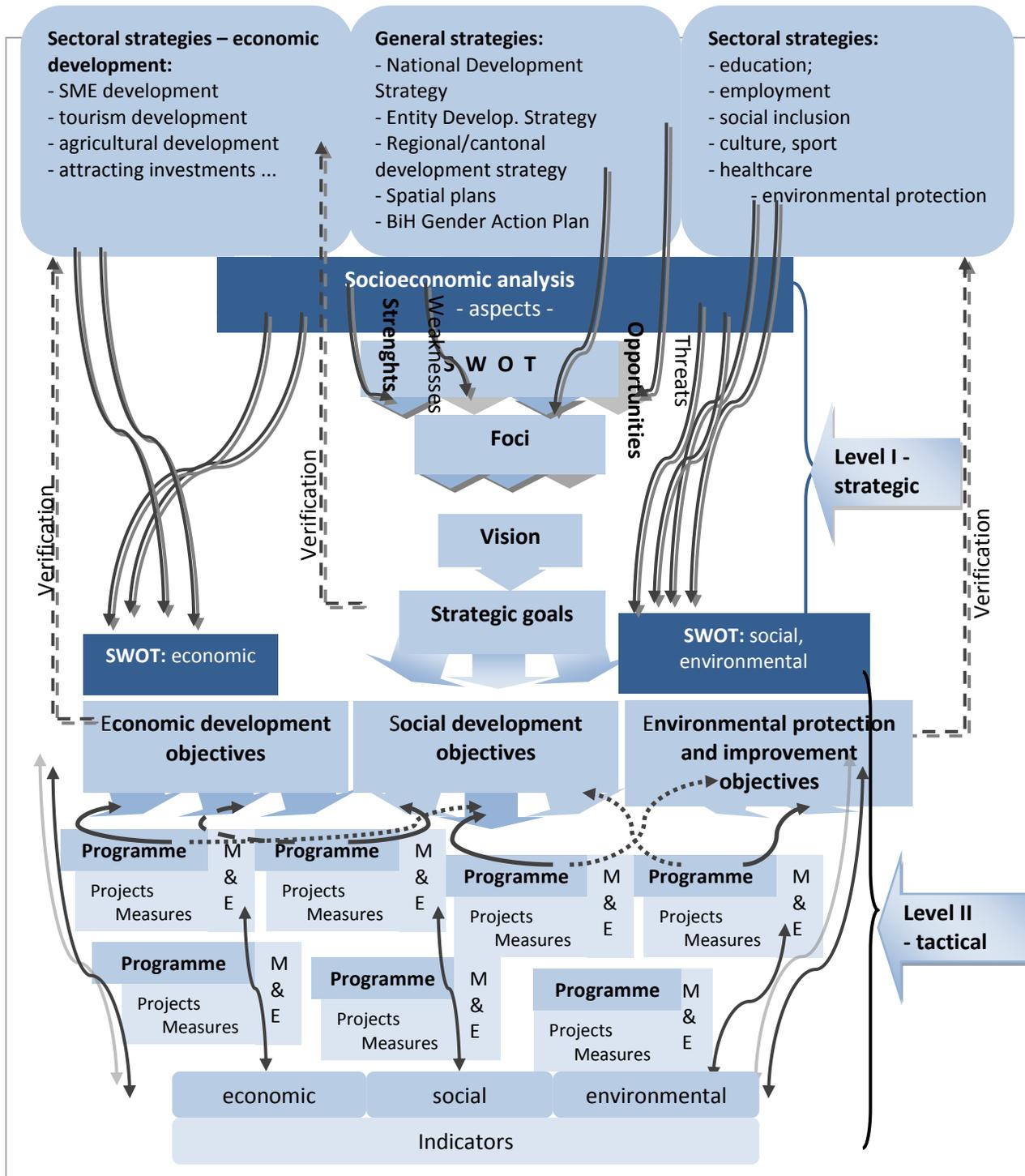
- Firstly, through an intersectoral approach in shaping the strategic platform and intensive use of this platform in shaping sectoral development plans.
- Secondly, in the process of setting up sectoral development objectives, where the format of workshops has a built-in alignment of objectives across sectors.
- Thirdly, in the selection of priority programmes/projects, where a positive horizontal/intersectoral impact is preferred.
- Fourthly, in the preparation of an approximate implementation plan and indicative financial plan, with priority planning and implementation of projects that will generate impacts in several areas of importance for the municipality.

Examples of horizontal and vertical integration at the level of strategic goals and objectives are given in the attachments below.

Attachment 76: Vertical integration.doc

Attachment 77: Vertical and horizontal integration.doc

The following diagram partially shows the complexity of an integrated planning process and the multitude of the most important interactions (marked with arrow lines).



As already noted in the theoretical part of the methodology, one should seek to harmonise the time period of the strategy and spatial plan, for the time period is long in both cases. Since changes are faster and less predictable, ten years seems as an appropriate measure of long term, in both cases.

Secondly, the key part of strategic platform (vision and strategic development goals) should be a common landmark for both spatial and sectoral development plans. While sectoral development plans elaborate and operationalise those common directions through mutually coordinated sectoral policies and programmes, spatial plans elaborate and operationalise the same directions but in the dimension of space, creating spatial and planning preconditions for implementation of sectoral development plans. Spatial planning defines municipal land policies, which is then further elaborated by zoning and regulatory plans. Based on these plans, land is regulated and its use controlled.

Opportunities for interaction and synergy of spatial and sectoral planning are not sufficiently utilised in BiH. Here are some of those opportunities.

When it comes to local economic development, planning, preparation and regulation of land for industrial zones is one of the most important elements. In BiH, however, land is rarely prepared for construction in advance, and there is still no practice introduced in municipalities and cities to form in due time reserves of land for construction, namely, the so-called land banks, as is the case in developed industrial countries. This is an opportunity for a special form of public-private partnership, when private organisations are included in the process of preparing the land, the so-called promoters of construction land, searching for land that is profitable and provided for construction under plans, who buy the land and finally sell it in plots. Such people are called *land developers*. These are lucrative and important tasks, which require greater financial investments (especially for preparing and equipping the land) than the funds available in the municipal budget for these purposes. If a municipality secures the necessary funds, it could exercise the right of first refusal to buy land and start on time with its preparation and equipping for an industrial zone, through public-private partnership or independently.

The first local example of a serious private investment is the creation of the Business Zone Gračanica, an investment project by the Širbegović Group, launched in order to build a modern business infrastructure, according to the turnkey system, then commercialised and made available to businesses and potential investors. It covers a surface of 200,000 m² owned by the Širbegović Ltd., total investment costs was 41 million, expected total sales value is 55 million, with expected profit of 14 million. (www.sirbegovic.com)

The link between spatial planning and social development planning is crucial for expansion of communal and social infrastructure and adequate services. And here as well there is already a possibility for the private sector to get involved in the construction and maintenance of infrastructure systems based on the model “build, use, transfer to the municipality”, as implemented over the past years in Croatia, the Varaždin Canton, especially in the town of Varaždin. Management of land, creation of spatial and zoning documentation, issuing urban planning permits and construction permits, allows the municipal administration to ensure that

public interests are achieved, and to achieve a far more favourable price than usual one in the construction of buildings.

A good local example is the municipality of Foča, where, thanks to innovation and proactive approach of the Department of Planning, a project was prepared and successfully carried out to build housing for university staff with a sales price that was twice cheaper than the market price and with adequate credit line for purchase of apartments. This achieved the strategic interest of the local community to maintain and attract university staff, in order to maintain the existing university programmes in the town and create preconditions for attracting new university programmes.

Spatial planning has a crucial influence on environmental protection. Spatial and zoning plans are one of the most important instruments available to local government and citizens to preserve their natural heritage, provision and protection of green surfaces from uncontrolled residential and commercial construction, and protection of important natural resources of insatiable economic exploitation.

Sectoral development plans comply with the restrictions set under spatial plans, until it proves that those limitations are obsolete, unjustified and present an obstacle to achieving the strategic interests of the community. In this case, the normal procedure of amending and updating the respective spatial-zoning documentation is launched.

In addition to a number of opportunities for synergic interaction between spatial and sectoral development plans, some of the most important problems should be noted. For example, untimely decision on spatial-zoning documentation and its disregard lead to urban chaos, illegal land plots and construction, which is common, in almost every municipality, and results in urban chaos, non-functional solutions, compromising the security of people and numerous other problems that can be corrected later on through reparation plans but in a very expensive, and sometimes virtually impossible procedure.

In addition to the lack or obsolete spatial-zoning documentation, some of the most serious problems include unresolved property issues and cadastre. These problems often prevent or significantly impede economic and spatial development of local communities. Therefore, already at the stage of local development planning, these problems and risks must be taken into account and activities for their timely resolution should be initiated accordingly.

10. Monitoring, evaluation and updating the strategy

Monitoring and evaluation of implementation of the strategy is a system for measuring the progress of achieving goals as set, taking timely measures with the aim of possible corrections and evaluation of the overall successfulness of implementation of the strategy. *Monitoring* implies a system of collecting and processing data for comparison with of the achieved results against the planned ones. *Evaluation* is based on the findings of monitoring and provides an overall assessment of attainment of the set targets.

Monitoring implementation of development plans and strategies in general is done annually, based on the defined project and programmatic indicators and implementation plan, while using appropriate database that is updated at least once a year, when relevant statistics is available.

Development Management Unit is tasked operationally with monitoring.⁴³ Results of monitoring are considered by the Mayor together with line managers, and the Development Council, which provides suggestions of measures to the Mayor and his associates.

Monitoring should be in line with the cycle of preparing semi-annual and annual reports by statistical and other relevant institutions (institutes of statistics, APIF/AFIP, etc.), which roughly implies that direct information on implementation of programmes/projects is collected and analysed at the end of the year, while appropriate databases of secondary data are updated in April and May the following year, when there is available data from relevant statistics.

Evaluation of implementation of sectoral development plans shall be carried out after three years (when partial update is also performed as a rule), as a form of control, and finally at the end of the planning period (after five years). This is also the time to perform control evaluation of implementation of the strategy as a whole and update the strategy, in terms of possible shifts in strategic foci and redefining strategic goals.

This is when sectoral development plans are also updated.

Grounds for evaluation are prepared by the Development Management Unit, or other responsible organisational unit, based on the findings of annual monitoring. The second basis is indicators that are defined during the planning process. If there are funds available for these purposes, it is suggested that the task of evaluation is given to a competent external or local organisation, which has the necessary references. Findings and recommendations of evaluation are discussed between the Mayor and line managers, the Development Council and the Municipal Assembly/Council.

It is extremely important from the very beginning not to treat the task on collecting, processing and data analysis as a one-time task, but it should be established systemically, meaning that it is set in order to:

⁴³ That task can be handled by another organisational part of municipal administration in charge of operational management of strategy implementation. In some countries, there have been cases where municipal administrations engaged specialised external organisations for expert assistance in managing implementation of the strategy.

- create an appropriate database of secondary data, which can be updated annually in a relatively easy manner;
- regularly and annually perform adequate direct examinations of groups of actors/users of services, according to the standardised methodology and instruments, in order to monitor changes and progress;
- use for monitoring (annual) and evaluation (after 3 years) of implementation of strategies and development plans.

It is recommended that the following databases of secondary data be established:

- demographic database;
- labour market database;
- database for public social services;
- database for infrastructure and public utility services;
- database of local economy;
- database on the state of environment.

It is important to ensure that all data is sex disaggregated, wherever applicable, to ensure monitoring and evaluation of the impact of the strategy on both sexes.

Databases could be created by using Excel, so that they are easy to use.⁴⁴

It is recommended that the following annual surveys are carried out:

- measuring satisfaction of beneficiaries of social services;
- measuring satisfaction of clients of administrative services;
- measuring satisfaction of users of utilities.⁴⁵

Methodologies and tools (sampling, questionnaires, software, programmatic support, types of reports) for these tests should be standardised and sensitive enough so that they can register the status of availability, quality and prices of services for vulnerable groups, which are in the zone of social exclusion.

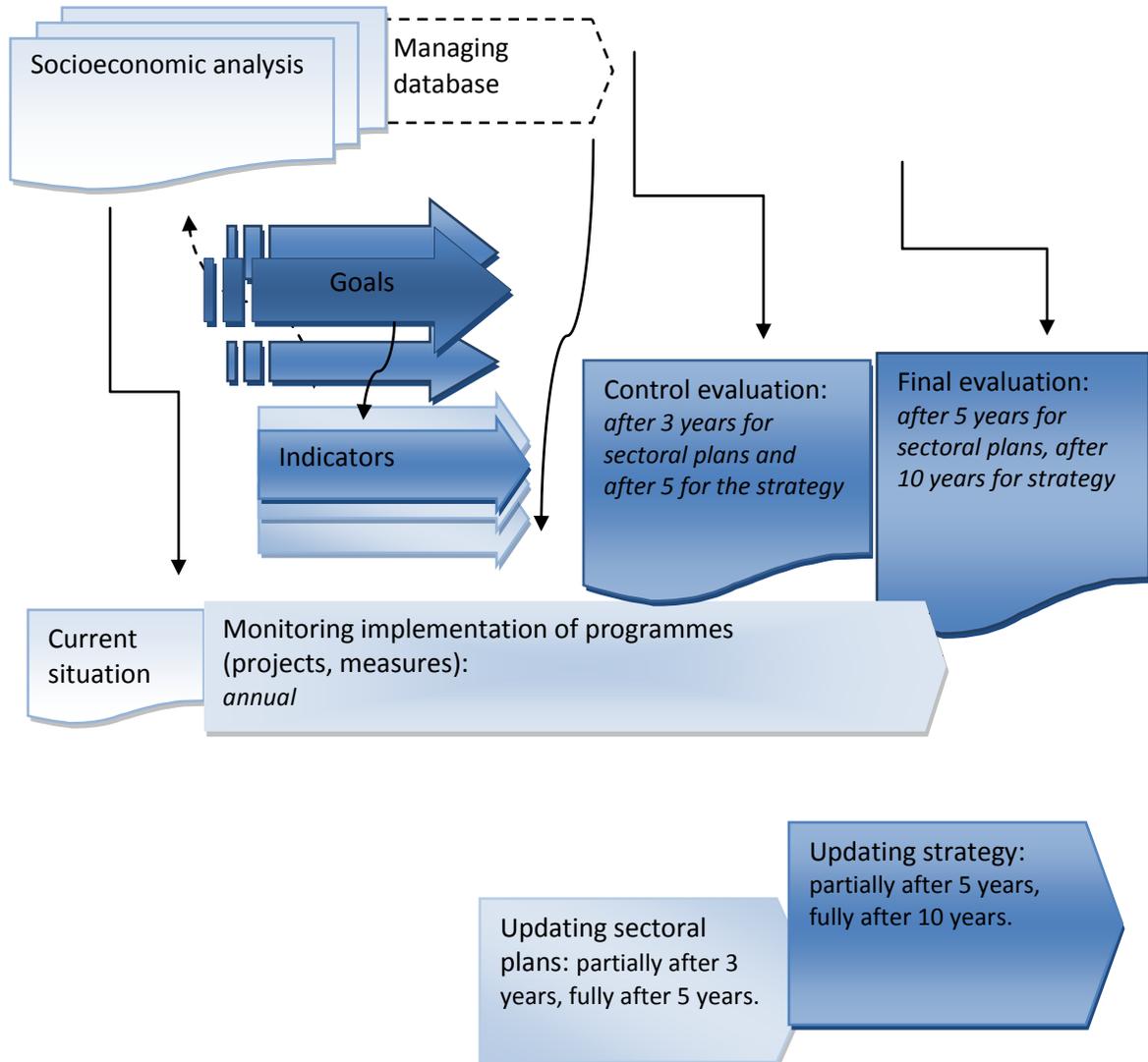
A part of the methodology to test satisfaction of service users, which refers to utility services, is hereby enclosed.

Attachment 78: Compass.doc

⁴⁴ A good local example are database (demographic, labour market and local economy) prepared by the development agency Eda from Banja Luka for municipalities included in the CREDO project, as hired by the Regional Development Agency NERDA from Tuzla.

⁴⁵ A good local example is the COMPASS methodology, developed to survey satisfaction of users of administrative and public utility services, applied and favourably assessed within the CDP World Bank project in BiH.

Key points and leverages to assess progress and update strategies and sectoral plans are shown on the following diagram.



An example of monitoring, evaluation and update plan is given in the attachment below.

Attachment 79: M&E and update plan.doc