

# Local Strategic Planning as a Factor of Regional Development In the Republic of Serbia

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## Introduction

From the point of view of economy, regional development policy could be seen as a tool for the efficient administration and utilization of comparative and competitive advantages in space and time. In the last few decades, the experiences in the Republic of Serbia in this field are not of major importance. They have evidenced that the application of a centralised administrative model in the management of social and economic trends is not able to deal efficiently with the cumulated contradictions neither at the national nor at the regional / local level to the least. It is necessary to deal with these contradictions as soon as possible by changing the model of social and economic development, since the negative effects of wrongly applied strategies and development policies so far have reached unanticipated boundaries. Such an approach is also required for the fact that Serbia has opted for joining the European Union, which means complying with their standards and models of regional/rural/local development.

Development must be based upon the so-called "good administration" which, in its essence, presupposes local strategic action planning as a basis for regional development and a factor of competitiveness ("bottom-up" approach). What have to be focused here are all formal and informal agents as well as formal and informal structures so as to be able to make the proposed decisions in an acceptable way and then implement them efficiently.

## "Good and Bad Governance" – the element of a Sustainable Strategic Planning

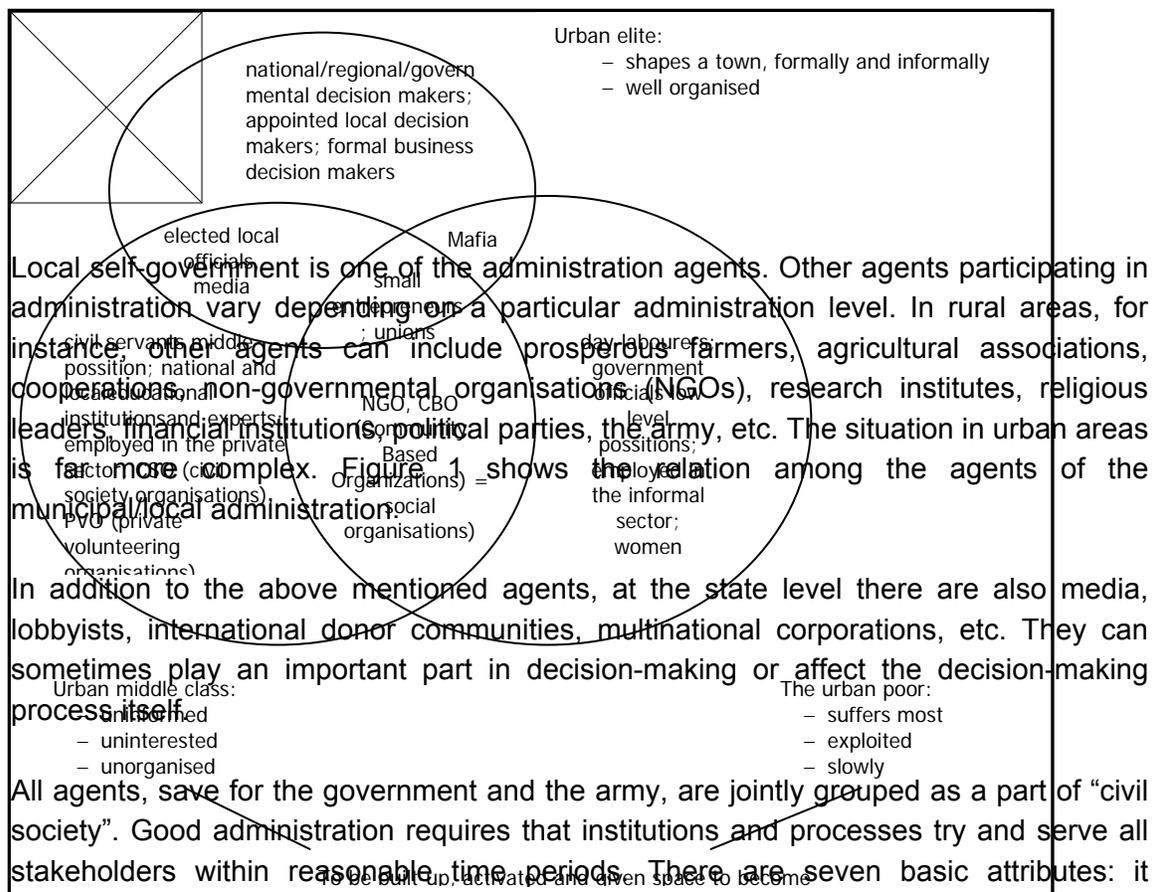
Recently the words *governance* and *good governance* have been increasingly used in the literature connected with a local sustainable development. For this reason, big donor communities and international financial institutions are binding its policy of financial

support to a particular state. Usually the only condition they are asking for are improvements that the reform process is in place or ongoing that will eventually lead to “good governance”.

The concept of *good governance* is not new one. It is as old as human civilization. To put it simply, *good governance* as a concept includes decision-making and implementation (or non-implementation) processes. Thereby, the word *good governance* can be used in many different contexts, such as corporate administration, international administration, public administration and local administration.

Since *governance* comprises both the decision-making process and its implementation, the analysis of governance is focused on formal and informal agents of decision-making and implementation, as well as on formal and informal structures appointed to make and implement decisions.

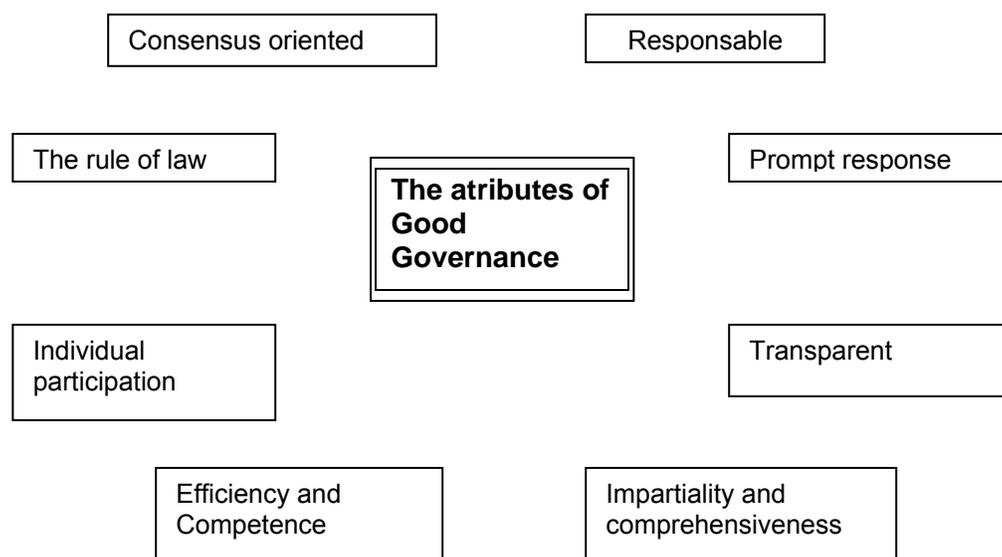
**Figure 1: Urban agents**



All agents, save for the government and the army, are jointly grouped as a part of “civil society”. Good administration requires that institutions and processes try and serve all stakeholders within reasonable time periods. There are seven basic attributes: it enables individual participation, rule of law, prompt response, consensus orientation, impartiality and comprehensiveness, efficiency and competence and responsibility. It makes sure that corruption is reduced to the minimum, views of minorities are respected

and the voices of the most sensitive parts of the society are spoken out loud in decision-making processes. It reacts quickly to current and future social changes as well.

**Figure 2: Attributes of good administration**



Therefore, good government cannot make it without an overall strategic planning process. As a rule, local communities which carry out strategic planning are more successful and efficient, at citizens' disposal, demonstrating more responsibility when it comes to the needs of the local community. If it is to be sustainable, strategic planning at the same time has to be a highly transparent process, thus making sure that all relevant subjects take part in planning the future of the local community. In countries like Serbia, such things do not speak volumes about strategic planning as a sustainable process, so what is going to be presented hereinafter is the history of the problem and an attempt to identify its essence as affirmed in market-oriented economies.

## **Concept of Strategic Planning in Market-Oriented and Sustainable Economy - Problem History and New Proposals**

The explication of this topic should begin with the question: *What has happened meanwhile with the planning function in Serbia and in the international surrounding, especially in developed market economies?*

As an answer to this question it is necessary to underline the importance of planning in the light of continual discussions on redefinition of the development concept, existence

of a wide range of potential developing areas<sup>1</sup>, and finally, its importance in the presence of manifold functions of the state. In addition, it is necessary to depict the level of interrelatedness and complementarity, which is realised in a triangular relation of the *market – planning – economic politics*, while the structure of economy and society, i.e. institutional organisation, undoubtedly represents a special aspect.

In the Republic of Serbia planning has for decades been not only an important part of the system, but perhaps the most prominent determining element and strength of economic, political and ideological practice. It conditioned the character and modalities of the society under development. The effects of such planning system were obvious and in relation to the planning process itself, whenever recently mentioned it evokes associations that relate planning to the roots of the so called “eastern sin”.

The necessity of building a new approach is inevitable and it has to be harmonised with the fundamental identity of the society, i.e. with the future orientation of the country, while being simultaneous with related achievements accomplished in countries with developed market economies. Monitoring of the latest international experiences in the field of regional development and planning lead us to a conclusion that inherent indicative planning from long ago has gradually transformed itself into something known as local strategic structural planning. This kind of planning, being the integral part of the so-called “Global”<sup>2</sup> approach to regional development and development in general, is very present in mixed economies and integrating countries. In course of time, these groupings have had to orient themselves towards planning as an important element for the market labelled as “organised market” or “human-oriented market”. Such a concept has developed as an answer to the question of the establishment of competitiveness, thus a long-term dynamical economic balance.

Common features of different interpretations of strategic planning and development management can be distinguished as follows:

- Prevailing partial approach, defined with clear specific objectives, i.e. field that is prefixed as – local development, ethno-development or environmental development, which refers to specialised action
- Referring to multidisciplinary and interdisciplinarity and emphasised necessity to define relations among different developing areas, holders, etc.

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<sup>1</sup> The most important developing areas are the following: international exchange, industrialisation process, technological development and dissemination, economic sectors, relation between nationalisation and transnationalisation of development, regional development, local development, rural development, environmental development, sustainable development, cultural development, development of human rights, etc.

<sup>2</sup> This approach is generally known as hybrid model – a combination of Global and Local approaches to developing tendencies

- Clearly defined differences, and sometimes underlined controversies as well, between the growth and development that should be ensured through strategic planning
- Growing emphasis on the importance and role of non-economic factors, in the first place information and communication, education, cultural identity, etc.
- Identification of beneficiaries and holders of development as a result of strategic planning without any class, racial and national attributes (man-centred development)
- Localisation of overall civilisational changes, such as the quality of living (individual human values and the like) that are not directly conditioned with economic power, i.e. property
- Readiness to tolerate different value judgements, different economic orientations and differently identified and defined strategic objectives
- Development, its planning and all relevant value connotations, and
- Growing impact and even realisation of ascendancy of technological development or technological transformation as essential precondition, objective and significance of strategic planning

Perhaps this is a good place to mention also theoretical approaches such as the *theory of anomie*<sup>3</sup> which states that development leads towards destabilisation and decentralisation of social consciousness and system structure through differentiation and progression of labour division. In other words, the impact of the existing social consciousness and social norms in a certain point of time becomes an increasing limitation, their effects start gradually decreasing so that they become less binding – which all results in the advance of anomie. This gives rise to public confrontations, fresh ideas and new movements, organisations, strikes, etc. which can by no means be brought under the old moulds. If this takes place when there is an economic crisis, as is the case in Serbia, we face what Durkheim calls de-qualification. This process pushes down many individuals and families to a lower level of material status in accordance with which they should tailor their behaviour – self-control, ethics and the way of life. In such a situation the advantages of social impact die out, so the society would have to promote more rigorous forms of ethical behaviour accompanied with attributes such as self-control and solidarity that are compatible with this phenomenon. Of course, this kind of behaviour cannot be attained so soon, and there are efforts to escape the existing hard conditions, which is often done in an inadmissible way. This leads to a weak (if any) integration, tensions and conflicts, which characterise the emerged social changes – namely, a tendency towards involution and regression to the old situation.

This practice often leads to a gradual establishment of fundamental functions and structural processes that make social advancement. One of the starting processes is

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<sup>3</sup> Durkheim's theory recently redeveloped by Neil Smelser

the differentiation<sup>4</sup> process, which as a rule begins with specialisation caused by disintegration and decentralisation. Thus the old set-ups are abandoned and the surrounding for new ideas and new mutual relations is created. Differentiation enables creation of new production/service centres, new cultural centres, as well as new political centres among which there are both competitive and cooperative relations. This normally refers to a smaller number of totally possible units (leaders), while other time-lag units are followers on the same track. Differentiation as such does not only make space for decentralisation, but also for democratisation of society as a whole. As a functional process on which development is based, it is also called *inclusion*, and it includes a growing part of strata in particular decision-making levels. Thereby adaptation to new situations and new events and enhancement of adaptation capacities are underlined as basic values in the neo-evolutional theory. It is generally achieved through competence, specialisation, professionalism and technological advancement.

Taking into account what has been said so far, as well as the character of this paper, it is necessary to highlight the subject of development and development goal as first value elements. Development has to do with the development subject in the first place, which puts in the foreground the question of the subject's own perception. This practically means the following: »I measure what it was like to me« and in what way what I have relate to what I expect, hope for and want. On the other hand, development goal is not mere daydreaming about what I might have, but is essentially related to own capacity and adopted and shaped capabilities to join the development process properly. This brings us to a dilemma how to lay out possible development courses, while avoiding »blindness of excessive closeness«, how to settle the issues like non-existence of social consensus over the role of the state, technological development, etc. but also how to create premises for a true perception of one's own reality.

With this as a starting point, local strategic action planning should respect the following factors:

- National objectives which should not be so large in number as clearly designed
- Need to solve acute problems
- Necessity to make sure that scientific/practical possibilities are realised, instead of basing the entire concept on production improvement only
- Necessity to decentralise the society, so as to create strong local research groups.

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<sup>4</sup> The most important differentiation area being isolation of an individual as a citizen with fundamental rights (the right to civil freedom – freedom of consciousness, opinion, speech, freedom of ownership, freedom of political self-organisation, and the like)

At the same time, from the point of view of external factors, it is necessary to point out that in the future the decisive factors related to development courses, dynamics and competitiveness at the local level will also be the following:

- strategies of multilateral governmental associations
- strategies of individual countries and groups of countries
- strategies of large business groups, especially trans-national corporations
- technical advancement in general, especially in research-intensive fields
- demand structure in markets of individual countries and regions
- relative ratio of factors in work- and capital-intensive industries, individual countries and regions

Consequently, it is necessary to emphasise that appropriate preparation and a dedicated approach to the planning function at the local level guarantee an efficient system of market economy and related long-term macroeconomic stability.

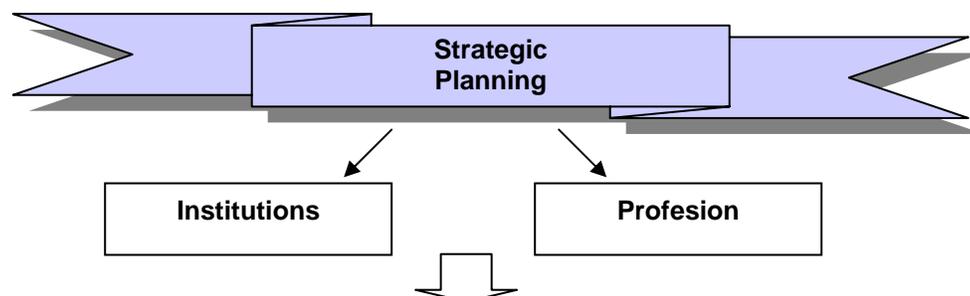
## Basic Aspects of Strategic Planning

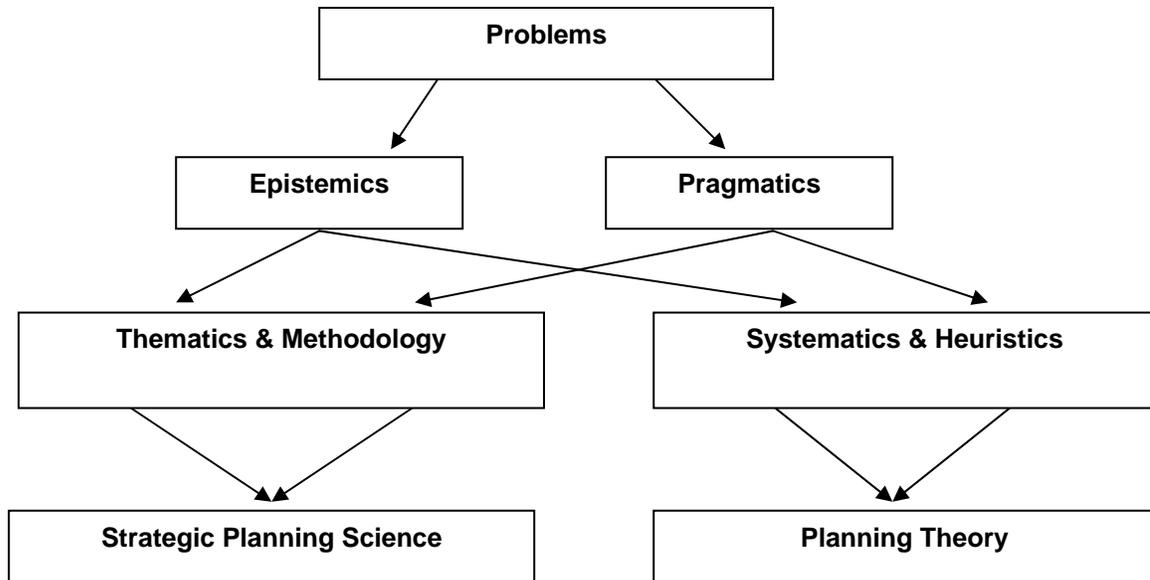
In its essence, strategic planning rests upon the aspiration and need to make some changes at the local level so as to ensure growth and development in the middle and long run through qualitative and quantitative approaches, to enable evolution and succession, instead of revolution and restart of initial development processes, over long time periods which will cover a range of generations – diagram 1.

Therefore strategic planning entails, as does any other planning practice, two basic preconditions:

- a) Adequate institutional grounds that will establish mutual relations among all agents – stakeholders within a community/joint arena, and
- b) Corresponding professional know-how to make sure that local participants at different levels do contribute to the creation of efficient action programmes (where failures are eliminated beforehand, mistakes avoided in advance, etc.).

**Diagram 1: The basis of Strategic Planning**





Institutional arrangements, as do applied professional practices, are activated in accordance with the need to eliminate internal frictions and external tensions, wherefore strategic planning gets attributes that are most often expressed as: knowledge-based, intention-guided, law-based and reason-controlled process.

Strategic planning as such is based on reliability of findings, possible perspectives and competent estimations, which, as approach, can be expressed with epistemic and pragmatic knowledge. Thereby, episteme and pragmatics in strategic planning are by no means pure derivatives of strategic planning science and planning theory, but rather represent the results of ample interrelated strategic planning practices. This goes side by side with experience in the professional implementation of certain scientific postulates which in this process, as a rule, influence recombination in the most varied contexts. The objective is to effectuate an objective approach in the elaboration of relevant proposals on the basis of valid/acceptable rules/propositions.

## **Model of Local Strategic Planning in Serbia**

Local strategic action planning has to be methodologically well-grounded so as to be able to answer the following important questions:

### ***Why is strategic planning so important?***

Successful and efficient development of local communities is not possible in the absence of an overall process of strategic management including planning, implementation and evaluation of accomplished effects. This is of equal importance for municipalities with abundant funds as for those with insufficient funds. Whatever the

case, the optimal funds allocation has to be based on development priorities of the municipality as defined in the strategic planning process. Municipalities that go through strategic planning are as a rule more successful, customer-related, demonstrating increasing responsibility for the needs of the local community. At the same time strategic planning is a highly transparent process which makes sure that all relevant subjects participate in planning the future of the local community.

### ***What is strategic planning?***

The following is one of the adopted and widely used definitions in projects: “*Strategic planning is a systematic process through which the local self-government, jointly with local business subjects and citizens, identify pressing issues and set tangible objectives, tasks and strategies in order to tackle the issues. Strategic planning can be, for instance, applied when planning the economic development or capital investment.*”

In the light of this definition, the most important elements of strategic planning are the following:

- Planning is not an *ad hoc* activity, rather a systematic, continual and cyclic process. This means that it has to be carried out in regular intervals, thus becoming a routine activity in the operation of the local self-government (covering the period of three-four years).
- Planning is a complex process that includes all relevant subjects of the local community:
  - Local authorities
  - Citizens and groups of citizens
  - Public companies
  - Enterprises

Planning is a means of administration for the purpose of meeting the current needs and solving the existing problems of the local self-government. As such it can be applied in deciding on capital investments, public services and future economic development.

### ***What are requisite preconditions for the initiation of a strategic planning process?***

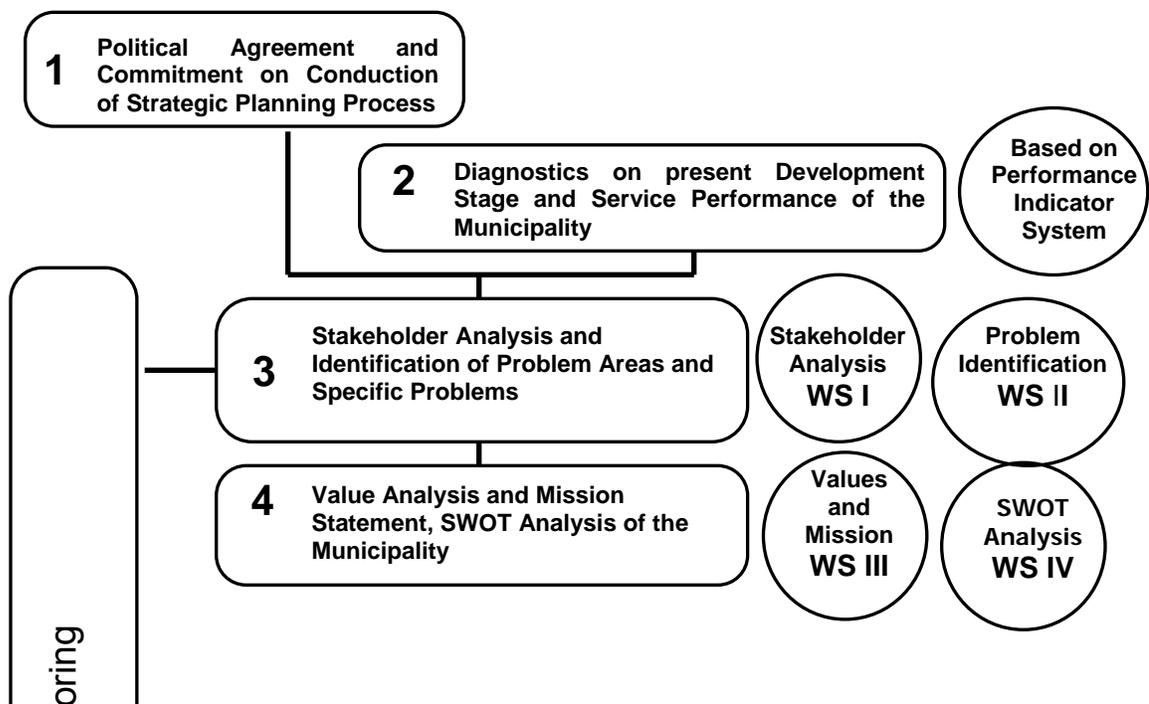
- Adequate surrounding – political, legal and economic, with special emphasis on:
  - Sufficiently wide and clear authorisation over local resources for successful strategic planning at the local level
  - Understanding of the framework within which strategic planning should be carried out, especially readiness to accept or realise the necessary changes in the local setting for the purpose of correct realisation of the process

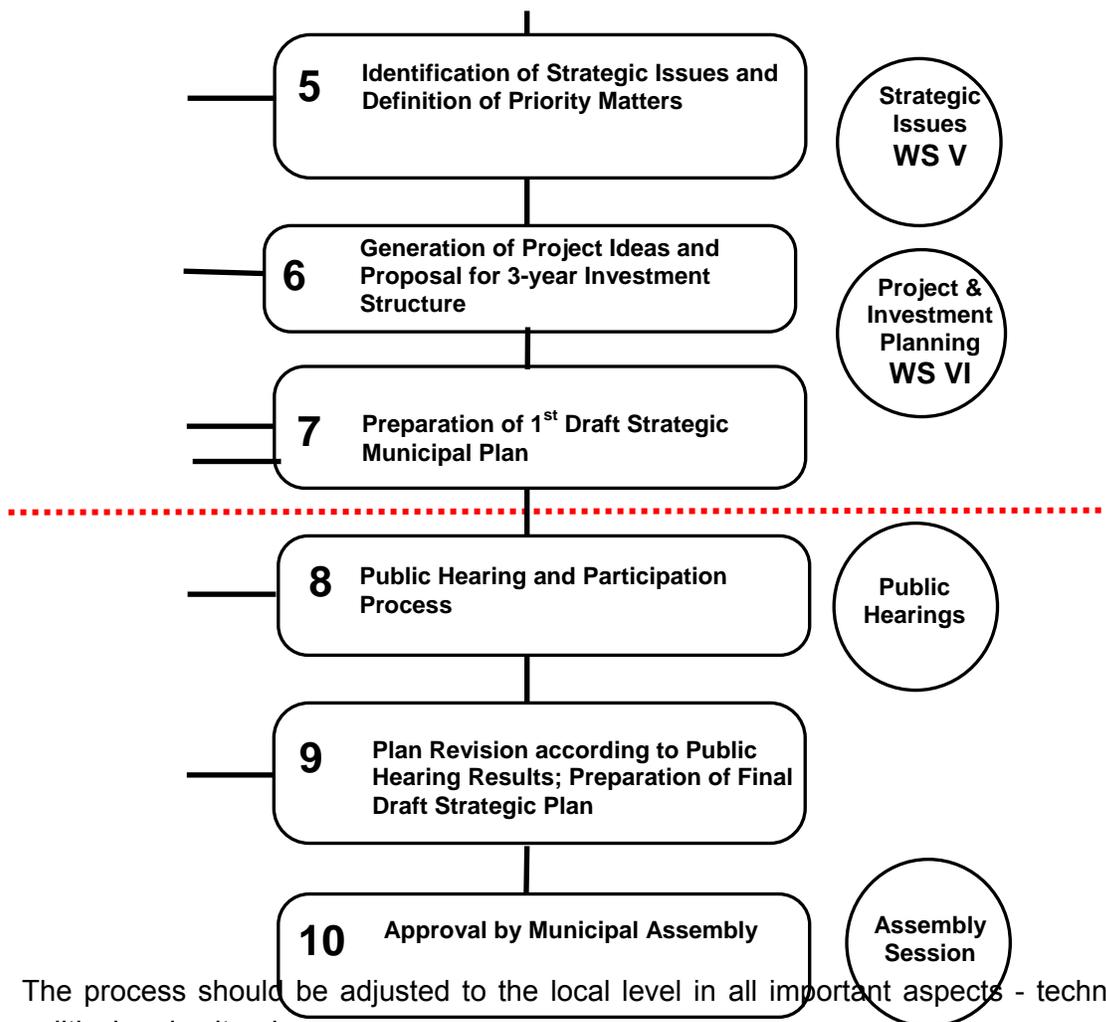
- Compliance in defining the objectives – the final objective and the most important parts of the process have to be completely clear to all participants and presented to the public.
- Readiness of officials/decision-makers for cooperation and team work in the local self-government and the community in general.
  - Officials have to have vision, belief and political courage to react on other people's collective proposals
  - There has to be willingness to allow for opinions of economic and political subjects, authorities and the public, as well as to establish cooperation among the aforementioned
- Understanding of the strategic planning process management, especially by those who manage the process.
  - Local staff and lecturers who know how to conduct strategic planning and possess the know-how of the matter: planning of capital development, i.e. of economic development and budgeting.
  - Access to information necessary for the strategic planning process – people who work on the realisation of the process are the ones who present the information
  - Identification of the need for external assistance

***How strategic planning is realised at the local level?***

The elected municipal management staff, with the assistance of the appointed staff, should develop the strategic planning process and define what will become a part of strategic planning and what will not. Considering this, the following has to be taken care of:

**Structure of the Municipal Strategic Planning Process**





This particularly refers to:

- The process should be adjusted to local conditions and special attention paid to the fact that there is poor knowledge about the concept of strategic planning; the terminology related to strategic planning should also be clarified.
- The process should be structured in such a way that expected results are realistic and feasible, which means that the realisation of objectives, tasks and results has to be within the financial capacities of the Municipality
- Reliance and understanding of all participants, including the community as a whole, can be achieved only if strategic planning contributes to the realisation of immediate and visible results.
- The Process should be realised in phases, meaning that all phases are included in planned activities, namely:

- Development of mission and vision
- Definition of objectives and tasks
- Training and presentation of the process (if necessary)
- Provision of appropriate (neutral, accepted by all team members) premises for the work of the strategic planning team
- Collection of information, including the analysis of project advantages, weaknesses, possibilities and challenges, as well as the estimation of available funds (internal and external)
- Identification of available alternatives
- Definition of priorities and decision-making process with public participation
- Regular informing the public on the results and implementation phases.

### ***How to make a sustainable process?***

It is essential to avoid situations where strategic planning starts being a theoretical exercise with no reference to the real life, or just a “single-shot attempt” which is not going to be realised in the future. Some of key elements and/or characteristics of the process that deserve special attention in order to avoid the “single-shot attempt” concept are the following:

- All local participants have to be involved in the process from the very beginning
- The process has to be transparent and the public has to be informed
- The process must not be realised *ad hoc*; it must be recorded and described in full detail for the needs of future preparation
- Strategic planning structure and procedures have to be realised on regular basis
- It is of vital importance that participants make special efforts in order to be successful in the first attempt of process implementation
- During the implementation and towards the end of the process, the local self-government should evaluate the process and foresee any necessary changes for future implementations
- The process should be internationally supported, as well as locally (local experts) so as to promote ideas and experiences acquired during process realisation to other subjects and local-self-governments
- Time and resources must be foreseen in such a way as to enable planning in the long run

### **Model of Local Strategic Action Planning**

The strategic planning model, as described here, can be considered applicable in Serbia because it represents one of many successfully standardised models that have

been developed and implemented in the cities and municipalities of the Western Europe. A representative model contains several components that have to be considered when formulating the strategic planning process in the local self-government, with special emphasis on the following:

- **Environment** – Each process planning, especially if it is a strategic planning process, has to be based on an objective estimation of the environment conditions within the community. This includes the assessment of external and internal factors. External environment can be such that the local self-government is not in a position to change certain conditions which are prescribed by the higher-level authorities. However, the local authorities can and have to be ready to affect the local conditions having a bad impact on the process.
- **Vision and values** – in the nature of the assessment of the local community's working environment, it is of vital importance to develop a system of local values and a vision which are reasonable for the majority of representatives of the local authorities and wider community, i.e. citizens and economic agents. The vision of a community represents a wider perspective for the future and should serve as a guideline for all participants in the strategic planning process. Its role is also to ensure that all participants in the process, even when they do not act identically, stay on the same track during the process. Values are common knowledge, opinions and attitudes of all participants which are related to the purpose, internal (organisational) culture and general behaviour in an organisation and the society. Both the community's vision and its values are usually long-term and change only over a long time intervals. The main role of values is to ensure that the community's vision and its future are not disturbed by future political or non-political changes.
- **Mission and leadership** – In so far as the vision of the community reflects a wider perspective, the mission of the community is a clearly defined wide system of objectives which serves to explain this wider picture in a more detailed way. It is typically a short description of the future of the Municipality (with or without an explanation). Mission can be essentially defined as a standalone, widest objective of the community.
- **Objectives** – Objectives are management tools aiming at precise explanation of the ways for best materialisation of both vision and mission. While mission gives a wider course and meaning, multiple objectives are there to make a concrete orientation in the everyday work of municipal authorities and of other agents involved in the process. Such objectives are often defined during the budget development process in order to achieve the defined vision and mission of the community considering the available resources.

- **Strategy, structure and systems** – are “tools” by means of which vision, mission and objectives are realised. *Strategy* refers to the general action plan aiming at the achievement of certain objectives. It defines activities (fields of operation) that the community sets to develop, capacities, abilities and knowledge that are necessary for the realisation of these activities and, of course, the tendencies and courses required for the **growth/progress** of the municipality. *Structure* refers to the way the organisational structure of the municipal authorities is established in order to realise vision and mission. Finally, *systems* refer to management tools by means of which strategy is accomplished within the defined structure. Systems, such as annual budget (management tool, in the first place) are developed in order to distribute resources and responsibilities for public spending during the realisation of the community’s vision and mission.
- **Implementation** – In this phase all process components are activated. Depending on the quality of work in earlier phases, implementation should be efficient (lowest expenses) and effective (with as good results as possible). This ought to result in high level services, increased performance and excellent financial results.
- **Evaluation** – Self-evaluation is the final phase in the strategic planning process. Therewith a completely new process is started to be carried out in the following year. It serves to compare the strategic plan with the performance of local authorities. Here levels of success, possible set-backs and difficulties are identified as well. In line with the evaluation results, corrective measures are proposed aiming at improvement of the overall performance of strategic planning for the next year.

## Conclusion

The Republic of Serbia has recently passed the Law on Local Self-Government, which gives larger autonomy to local authorities and exacts organisational restructuring of the whole system of local authorities in Serbia; the Law on Budget System, which calls for the adoption of a new functional system for classification and schedule of accounts, as well as the Law on Turnover and Income Tax which provides resources to the local authorities. It is of great importance that these local self-government reform accelerators are accompanied with a law on restitution of centralised property to local self-governments, thus ensuring the substantial grounds for local development.

If so supported, strategic planning process can be a backbone of the local reform, thus opening the door to new possibilities. Therefore the above described model illustrates how the local authorities can restructure/reformulate their practices and procedures so as to make a positive impact on a far-reaching future of local communities in Serbia.

Efficient restructuring of the municipal organisation, application of strategic planning and development of a long-term strategic management plan based on the local community's vision and mission should be conducted simultaneously despite the fact that each of them will have varied success. However, the advantages originating from the realisation of such a concept related to the reform of local authorities should result in tangible and measurable results with direct impact on the everyday life of the citizens of Serbia and their aspiration to achieve a high standard of living.

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