Context, capabilities and trajectories of development of municipalities greatly vary. These differences contest supply-driven promotion of blueprint processes and thoughtless replication of models that, perhaps, "once worked, somewhere." For effective utilization of donor resources, better adjustment of need and supply is needed. I argue for a more humility and flexibility on behalf of donors and for strengthening capacity and independence of municipalities in choosing adequate process and interventions to support their own development path.

Do Local Economic Development Strategies Work for Social Justice?

Dilemmas in South East Europe

By Katalin Pallai

In keeping with the theme that local governments must ensure the integration of justice into local economic development (LED) planning, this article looks at actual practices of donor-driven LED projects in South East Europe (SEE), and discusses whether resulting processes can secure balanced participation and improve opportunities for all segments of the population.

Overview: Donor-driven LED projects

In most cases, when a donor decides to launch an LED strategy drafting program, designers start by developing a methodology that provides adequate detail about what kind of process will be sponsored, and that allows for creating a specific list of activities, timeline, and tangible results. Usually, the municipalities in which the methodology will be applied are only selected afterwards. This supply-driven process looks perfectly logical from the perspective of project management. It identifies what can be offered, and recruits "willing local partners" on the basis of this offer. However, is this process equally logical if viewed from the perspective of the participating municipalities?

The problem of blueprints

The trajectories of municipalities' development can differ even within the same country or region — for instance, regarding the sequence of phases of reforms and their time lags. Different sequences necessitate different foci and schedules of assistance. Instead of demand-driven assistance that is adjusted to the needs of each recipient, donors tend to launch large programs on local strategy support that are based on one specific methodology. The restricted number of donors active in the field limits the content of assistance made available.

Most donor programs assisting participatory LED strategy process are based on blueprints, which fix an intervention process and select a methodology before the specific challenges facing a municipality are identified. Nothing secures that the fixed steps – their sequence and timing – can be implemented, or that they create the best course of activities. In most cases, local strategic groups realize bottlenecks or a need to alter process steps or timing. However, such predetermined methodologies allow little flexibility or room for adjustment.

Limited time and unbalanced participation

Predetermined methodology is only one problematic component of the project design process. Most project designers think conceptually about a logical process to arrive at a strategy. It is easy to see such a clear process when one is not confronted with the complex web of constraints, interests, and relations of a specific location. However, as long as a designer does not know what barriers to communication, agreement, and cooperation must be dismantled in order to launch a strategic process, what kind of learning can lead to strategic thinking, and what stakeholders bring to the negotiating table that can block agreement and cooperation, it is unrealistic to plan the duration of a process.

More time planned for each phase could accommodate varying time lags. However, longer project duration makes securing project approval difficult. Experience shows that 18 months, or two years in the case of particularly complex projects, is the maximum possible duration. From this, rarely one year remains for implementing the complex process of participatory planning. This is surely not enough to establish balanced participation in SEE, where civil society is weak and unorganized, government capture[1] is widespread, and there is little or no tradition of inclusive strategic planning. Instead of a pro-active effort to ensure the involvement and representation of all groups, local leadership is given a short time to identify actors directly relevant to the process and to solicit their participation. The few invited actors are then supposed to represent all. This practice can hardly be termed participatory; rather, it resembles more corporatist planning (discussed below).

Limited time for strategy inception

Time frame is also problematic as changes have a natural incubation time. In most cases, the imported method of planning and the cooperative process contrasts with earlier working practices. Time is needed for new practices to settle and new working relations to stabilize.

Experts often make rather unsupported analysis based on the limited data they are able to collect. In a good scenario, even such an analysis and the approaches encouraged by the imported experts bring distinctively new ideas about the future. Nevertheless, time is needed for the accommodation of new ideas on the political agenda and for building agreement about new goals. The inception of a strategy regarding what exactly could be targeted and how in the direction of goals could come only as a next step. Typically, however, a project schedule is prioritized: at a predetermined time a document must be produced that can be reported to sponsors. As a result a document is produced and the project is closed.

In most cases, the document includes some broad goals and is essentially a long list of potential projects that could be implemented in an ideal context, relying on a vision of resources incongruous with what is readily available.[2] Such a document is a wish list; it can hardly be termed as a local strategy. A major problem is that the screening of ideas cannot

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[1] Capture of government is a form of corruption when firms or interest groups collude with high level administrators or politicians for their mutual benefit. The result is that impact on strategic choice decisions are manipulated for private or group interests. State and local government capture is unfortunately very typical in most SEE countries.

[2] The wrong dimension of financial resource need is the most obvious, but most plans are also unrealistic when compared to actual organizational, management or legislative capacities.

happen in the absence of a strategy. A long list of projects creates unrealistic expectations on behalf of stakeholders. When promises are not kept, accountability, and trust suffer alongside lost opportunities in terms of management reform and coordinated planning. Moreover, without a strategy that can guide choices, a long list effectively legitimizes all projects that are included. This facilitates biased project selection by incumbent power groups, decreasing the need for further argumentation. This can easily contribute to the perpetuation or even increase of injustice.

Dilemmas about the LED strategic process and results

After this review of key weaknesses of donor driven interventions in LED strategy processes, the following sections raise some dilemmas regarding the resulting strategic process and its outcomes.

Can the absence of spatial analysis and approaches carry risks?

Most donor-driven strategic projects confront the problem of lack of relevant data and the lack of time to collect new data. Moreover, most available data sets are either national or municipal aggregates. Analysis focused on macro-level data neglects the spatial clustering of groups, activities, resources, and services. Aggregate figures hide many dimensions of inequalities and deprivations. For micro-enterprises and vulnerable groups especially, accessibility is seriously limited in space. In order to integrate social justice in LED planning, comparing the spatial clustering of activities and social groups within municipalities and the spatial distribution of public services that impact their life chances is necessary.

In this light, it is startling that the overwhelming majority of local development and local economic development strategies have been elaborated without any serious spatial analysis. There are no maps or space schemes in the majority of local strategy documents produced during the last years in SEE. This is especially true for donor-driven LED strategy projects that in most cases operate on short deadlines. The lack of information on the distribution of groups, activities, services, and planned interventions defies transparency, as it does not allow for open discussion of the implications of planned interventions on social justice. Lack of spatial analysis in strategic planning means that many aspects of injustices remain hidden, un-realized by the wider public and excluded from public learning and debate.

Balanced representation or misused corporatist planning?

LED strategies in principle do not focus on just distribution, but rather on potential local growth engines. However, all donors involved in the SEE region claim to be united behind the case of poverty reduction and the Millennium Development Goals. This claim should generate a focus on just distribution of opportunities. All donor-driven LED strategy projects promise to implement participatory processes. In view of the declared orientation of poverty reduction, this should imply balanced participation. Do donor-driven projects really fulfill this promise?

During the last decade, we witnessed many experiments at the local level that introduced various techniques encouraging direct participation in decision making. The most common forms have involved various representative groups in the process. For example, local strategy projects invite local business and civil society organizations, or LED projects involve various business associations. This is logical, as it is much easier to work with already-established

groups. Moreover, the limited timeframe of most donor-supported projects does not allow for in-depth research or for identifying diverse needs and interests. The result is a perverse form of a "corporatist planning scheme."

The corporatist planning and governance model supposes the existence of organized interest representation. It builds policy deliberation on the results of the bargaining process of these groups. It is typical in small countries of Western Europe that are characterized by a strong etatist tradition, a high degree of political involvement, and strong voluntary associations. Even in these countries, corporatist planning is primarily applied in distributive sectors.[3]

There are important concerns about the applicability of this corporatist logic in SEE. First, political and social conditions in SEE differ significantly from those in countries that now successfully apply the corporatist planning scheme. This complicates whether this model is applicable at all in absence of a sophisticated web of institutions, representative organizations, and strong civil society.

Second, corporatist models carry indigenous weaknesses. Compromise among represented interests tends to steer toward distributive and compensatory policies, instead of pro-growth policies. The results often work against fiscal discipline. Moreover, involvement seriously declines when available resources decrease. In particularly negative instances, "interests of constituencies and social groups that are not involved tend to be neglected." This generates "inequalities between members of favored organized interests on the one hand and other social groups on the other hand" (Prierre 1999: 382-383). The result is quite similar to a view of government capture that actually fosters more inequality – a problem so ubiquitous in SEE.

Finally, most issues that LED strategies must solve in SEE lay beyond the capacity of the local community. Consequently, in order to implement corporatist logic, regional and central governments, donors, and other potential supporters should all be sitting at the "negotiating table." In short, in the absence of a mature web of institutions and civil society organizations, the corporatist planning model is not applicable. The solution may bring the risk of unbalanced representation, the strengthening of government capture, biased results, and perpetuating injustices.

Is LED strategy what is needed?

Thus far, this article has accepted the basic intention of LED strategy projects to establish participatory strategic planning processes in order to strengthen local democracy and economic capacity. The thoughts above have reviewed different aspects of the established processes and results from the angle of this general intention. As a last dilemma, I go a step further and raise concerns about the goal itself. With reference to some of the weaknesses and the dilemmas raised above, is a participatory strategic LED process is needed for localities in SEE? Rather, do localities require a city strategy that has balanced and integrated economic, environmental, social components? And, in the field of LED, do cities need more assistance to develop key objectives and targeted support to implement specific economic objectives?

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[3] Prierre, J., 1999: Models of Urban Governance: The Institutional Dimension of Urban Politics. Urban Affairs Review (January 1999). pp. 372-396

Likely, few would deny that various local strategies should be coordinated to avoid overlap and possibly incompatibilities. Goals and implementation tools of environmental, city development, LED, and other strategies should be in harmony. When various donors lead strategic initiatives on various fields in the same locality with no or little coordination, the process rarely results in such coordination. When participatory planning is used parallel to all these processes stakeholders, can become quite confused.

Stakeholders can be meaningfully involved only in one participatory process that attempts to reveal their values and preferences and forge agreement on common goals. Participation can result in complex and general goals that are basic and pertinent to future of the community. The city strategy must be based on these revealed preferences, and agreed objectives and all other strategies should support the implementation of the goals set.

There are obvious overlaps in LED and city strategies. Economic targets can only be evaluated in the context of social, political, environmental, and financial targets. Still, the relation of city strategies and LED strategies are rarely discussed in LED strategy projects.

To reiterate, the underlying premise of this issue of LGB is that local governments need to ensure that justice is integrated into LED planning. What are the components of a city strategy that are not part of this concept? In fact, I do not find any. Then, why do we need a separate participatory strategy process for LED – in order to review all aspects from a different angle, by different concepts or goals? This is dangerous. As "scientific" objectivity is impossible in complex planning challenges like city or LED strategies, the underlying concepts and goals significantly impact planning outcomes. We surely wish to avoid conflicting planning outcomes. As economic, social, environmental, and development goals are not independent, the outcome of an integrated approach appears most relevant.

Closing Remarks: The Need for Interface

There is obviously a need for local communities to become "strategic," in the comprehensive, integrative sense suggested here. Within the limits dictated by the context, communities must consider their future. Commitment to cooperation and agreement on common goals that can set directions for further choices is vital. For agreed-upon goals, an implementation strategy should be also be drafted and the process of implementation should be managed. Progress towards such process is contextual.

Thus, the first conclusion of this paper is that the supply-driven nature and the formalized process of donor interventions work against adjustments to given situations. Second, and most obvious, local strategies should not be drafted without spatial analysis. Third, in case a participatory process is used for strategy drafting, only balanced participation of stakeholders can assure equitable outcomes. These three statements seem self-evident. Yet, they have been raised and discussed because of the alarming and widespread practice of strategy drafting without these conditions.

None of the concerns about donor programs raised above would imply that donor interventions cannot lead to positive outcomes. There are fortunate places where a well-scheduled donor project gave enough impetus to launch a strategic process. In other cases, a small project that successfully established cooperation among various stakeholders and achieved some visible results provided the spark to raze distrust and apathy, and to open the

way to involvement. In other cases, some reforms improved government and its services and gave credibility for the leadership to launch a city strategic process.

These variations in context and trajectories do not speak against donor-driven interventions. Instead, they contest supply-driven promotion of blueprint processes and thoughtless replication of models that, perhaps, "once worked, somewhere." For effective utilization of donor resources, a much safer and sophisticated adjustment of need and supply is needed. I argue for a bit more humility on behalf of donors to conduct field analyses and surveys on needs and demands, and more capacity and independence from the side of municipalities in choosing adequate process and interventions support.

Most municipalities in SEE are beyond initial capacity building on strategy and LED, but still far from the professionalism and knowledge needed to find the best trajectory for institutional and local development. As an alternative to criticized supply-driven donor practices, this paper promotes support for organic, local development processes. As I have proposed elsewhere,[4] the supply-driven components of donor programs should be completed with localized advice from highly professional support teams who could serve as an interface between donor program supply and local demand for support. Such an interface could strongly increase the effectiveness of donor programs and assist localities to integrate the transfer of knowledge in their own conceptual and professional development.

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[4] E.g. Pallai-Driscoll (2005) mentioned above.