Elaboration of Regional Development Strategies

Methodological Guidelines

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Methodological Guidelines
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FOREWORD ........................................................................................................................................5
A. THE BACKGROUND: STREAMLINING POLICY IMPLEMENTATION AT REGIONAL LEVEL .......... 6
B. SOME METHODOLOGICAL REMARKS ...................................................................................... 8
C. ELABORATING A REGIONAL DEVELOPMENT STRATEGY - STEPS AND PHASES ............ 10

1. Strategic Planning .................................................................................................................... 10
   1.1. Introduction ...................................................................................................................... 10
   1.2. Principles ......................................................................................................................... 12
   1.3. The Methodological Approach ....................................................................................... 13
   1.4. Steering Committee ....................................................................................................... 14
   1.5. Regional Development Agency (RDA) .......................................................................... 14
   1.6. Working Group ................................................................................................................ 16
   1.7. Focus Groups .................................................................................................................. 16
   1.8. Methodology and Process .............................................................................................. 16
      Phase 0: Kick-off Meeting .................................................................................................. 17
      Outputs of Phase 0 .............................................................................................................. 17
      Phase 1: Socio-Economic Audit and Regional Profile ...................................................... 18
      Outputs of Phase 1 .............................................................................................................. 19
      Phase 2: SWOT Analysis ................................................................................................... 19
      Outputs of Phase 2 .............................................................................................................. 24
      Phase 3: Vision .................................................................................................................... 24
      Outputs of Phase 3 .............................................................................................................. 24
      Phase 4: Comparative Advantages and Strategic Orientations ........................................ 24
      Phase 5: Objective Tree ...................................................................................................... 25
      Outcomes of Phase 5 ........................................................................................................... 27
      Phase 6: Measures .............................................................................................................. 27
      Outcomes of Phase 6 ........................................................................................................... 27
   1.9. Structure and Content of Strategy Document ................................................................. 30
      Chapter 0: Summary .......................................................................................................... 30
      Chapter 1: Introduction ...................................................................................................... 30
Chapter II: Background and Development Inventory ................................................................. 30
Chapter III: Vision ...................................................................................................................... 31
Chapter IV: Strategy ..................................................................................................................... 31
Chapter V: Potential and Allocated Financial Resources ............................................................. 31
Chapter VI: Institutional Framework for Implementation ........................................................... 31
Chapter VII: Monitoring System and Monitoring Procedures ................................................... 31
Chapter VIII: Conditionality, Risk Assessment, Assumptions .................................................... 32

2. Implementation (Operational) ................................................................................................. 32

2.1. Programming and Delivery ................................................................................................. 32
   2.1.1. Delivery Mechanisms ........................................................................................................ 32
   2.1.2. Facilitation of the Process .................................................................................................. 33
   2.1.3. Actors of the Programming Exercise .................................................................................. 33

2.2. Operational Plan - Elaboration of a Programming Document ........................................ 34
   2.2.1. Project Identification and Selection .................................................................................... 34
      Step 0. Inventory .................................................................................................................... 34
      Step 1. Project Mobilisation .................................................................................................. 34
      Step 2. Project Selection ........................................................................................................ 35
   2.2.2. Selection Methods and Tools ............................................................................................ 35
      a. Paired Comparison analysis ............................................................................................... 35
      b. Grid Analysis ....................................................................................................................... 35

2.3. Programming ...................................................................................................................... 36
   Programming Step 1: Grouping Projects .................................................................................... 37
   Programming Step 2: Defining of Project and Program Values, Implementation Schedule, Implementing Organization .......................................................... 37
   Programming Step 3: Preparation of the Operational Part of the Programming Document ........ 38

D. UPDATING A REGIONAL DEVELOPMENT STRATEGY - STEPS AND PHASES .....................
   Step 1: Review of the SWOT Analysis ....................................................................................... 39
   Step 2: Re-assessment of Strategic Priorities and Adaptation of the Operational Program ........ 40
The aim of this Manual is to provide some basic guidelines for the preparation and drafting of a Regional Development Strategy (RDS). An RDS essentially defines the direction(s), objectives, priorities, instruments and initiatives as the applications of State regional development policy in supporting the regional developmental need. Related to the specific territory of the individually region(s) the RDS and its Implementation Plan comprise projects that are relevant to the region(s) and their potentials, needs and challenges. In this respect the aim of this Manual is to provide some practical guidance to those people, teams and working groups to be involved in the elaboration of RDSs.

These guidelines aim thus at providing support, creating synergy and to give a consistency of both “content” and “process” during the preparation of development strategies at the regional level. They also help to ensure that the strategies and planned interventions are in line with the European Union good practices and regulations and are also compatible with national laws and regulations.

Although the guidelines are targeted at process and content of the RDS, the main part of the text, advices and examples can be applied to any level and subject of planning (e.g. sector planning, local/municipal planning, even in some respect also for company planning).

Knowing that even the best strategy with excellent targeted objectives is not effective, if the financial resources and implementation capacities are not available, we strongly advice to consider those two conditions throughout all strategy building process. The same, we know that with natural resources the richest region will not develop as expected if it is not planned for what, how and when to deploy resources. The complex interaction between decision on where to go, with what resources (natural, human, social and financial) and in what time frame is the main quality and added value to the development idea of the region.
A. The Background: Streamlining Policy Implementation at Regional Level

Key element of an efficient economic development policy in regions is a strategic and targeted programming of development efforts, which presupposes an appropriate institutional structure on one hand, and an approach based on the principles of participation and partnership as well as significant bottom up elements on the other.

The following picture outlines an ideal-typical model for an institutional structure conducive to regional development, which emphasizes horizontal and vertical features of inter-institutional relations and considers the principle of subsidiarity.

Accordingly, the outlined methodology strongly emphasizes the important role of the local/regional self-governments in the framework of the strategy building processes and strives to involve selected experts from the municipal administrations in the operations.

As previously outlined and elaborated below, this approach requires significant management effort to provide a stable framework for inter-municipal co-operation. An appropriate tool to do so is the creation or re-organisation of Inter-Municipal Associations at regional level, which could act as a forum for communication and exchange between local decision makers and key staff from local administrations.
As practical experience in many countries have shown, such an inter-institutional structure favourable to sustainable development, which provides the framework for strategic policy making of self governments at all levels, is crucial for economic competitiveness of regions.

Consequently it makes sense to apply a comprehensive reform approach, which combines the adaptation of the national regional development framework and capacity and institution building measures (institutional reform and revision of inter-institutional relations, training of staff) with substantial technical assistance to elaborate regional development plans in the regions and – at the same time - to safeguard participation of local self governments in this process.
Sustainability of all development efforts requires a profound reorientation both of the analytical basis of the development concepts (Regional Development Strategies) as well as the practical implementation procedures and strategic targeting of regional development programs.

In particular the transforming states have to cope with the problem of strongly limited financial, material and human resources available for the achievement of qualitative and quantitative objectives in the framework of regional policy.

Thus, strategy building and implementation processes are designed to provide tools for targeted (strategic) use of resources and funds along with a strict assessment of the cost-benefit-ratio of every single component of the program according to a clearly defined set of criteria. Consequently the degree of efficiency of interventions is strongly determining the sustainable success of regional development strategies.

The impact of regional strategies is - next to an optimal allocation of resources - determined by the degree of (strategic) concentration of measures on so called intra-regional (endogenous) potentials, which are expected to produce additional "spill over"- or "spin off"-effects and thus promote regional growth processes in a significant and sustainable way.

Innovative regional strategies nowadays cover a wide range of issues affecting the economic performance of regions. Consequently successful regional strategies are realized through comprehensive integrated development programs that focus particularly on the efficient use of synergetic and complementary effects between single measures and projects in different policy fields.

Furthermore efficient local and regional development presupposes decentralized planning approaches. Consequently national governments competences must remain restricted both to the definition of general macro-economic guidelines and the basic political framework – and at the same time allow local and regional initiatives to express themselves in an adequate manner.

Thus, regional strategies should increasingly combine "bottom up" and "top down" initiatives and approaches. Not only in terms of subsidiarity, but also on account of the higher planning competence and expertise of regional/local authorities, that should be made available for the development process.

The increasing complexity of modern regional planning processes also implies a clear increase in management and coordination efforts. In practise it requires new procedures regarding design and implementation of regional development concepts in accordance with the basic principles of cooperation, participation and partnership.

Decentralized procedures, strengthening participative elements in regional decision making and a strict attention of the principle of subsidiarity are essential preconditions determining regions (and its local and institutional actors) ability to cope with the functional expansion of tasks, the demand for sustainability and the requirements of adapting to accelerating changes in socio-economic conditions by applying dynamic planning tools.
The strategy building process should highlight the regional components of the development processes and - by doing so - identify issues of common local interest. It should stimulate synergetic and complementary effects, which can only be made available for the municipalities benefit by focussing local strengths in selected fields of activity.

Furthermore, the distribution of competences (including the flow of funding) between local, regional and national level must be reconsidered and – if required and possible – even be re-defined in order to ensure a more targeted and efficient assignment and fulfilment of tasks on each of the levels concerned (subsidiarity).

In principle all activities in the regions should be designed in a manner, which encourages and ensures participation of selected decision makers, stakeholders, experts, representatives of local/regional institutions/organizations etc. right from the outset. The intention of this procedure is on the one hand to make regional expertise available for the benefit of the planning process, and on the other to ensure a broad social consensus as well as a clear political support for project results at a very early stage (democracy).
C Elaborating a Regional Development Strategy - Steps and Phases

1. Strategic Planning

1.1. Introduction

The first and obvious question to ask is: “Why do we need a strategy?”

The principal reason for elaborating a strategy is to develop a coherent response to development needs and counter the prevailing economic and social crises. Strategy provides the basis for a series of action plans or interventions (programmes and projects), which determine what will be done, how and where over what time, what resources will be needed to be made available to meet such aims and which actors will assume the relevant responsibility for implementation. The strategy must also establish indicative criteria (objectively verifiable indicators of achievement, OVI), which will identify whether or not (and/or how well) the planned actions are working. Such monitoring and evaluation processes will ensure that the strategy is flexible enough and also responsive to change and success and/or failure. Indicators will provide the guidance necessary for adapting the strategy, improve poor performance and transfer experiential learning or ‘good practice’.

The experience of many European countries (and elsewhere in the world) in the sphere of regional policy would suggest that without a strategic approach central and/or regional authorities’ actions risk being piecemeal and uncoordinated and as result will largely be ineffectual. Furthermore, in localities and regions experiencing acute economic decline, resources are likely to be scarce. All the available resources, human, financial and infrastructural, have to be used to their maximum effect. Acting without a strategy often results only in the waste and inappropriate use of these resources.

The second question then is: “What is a regional development strategy?”

In truth, an RDS can take several forms but is depending upon the specific nature of the problem or issue to be addressed. But in its baseline it is a tool to systematically foster the use of regional potentials and to remove major obstacles to economic development.
For example, the strategy might concern a particular sector (e.g., agriculture), a particular community (e.g., a part of a larger urban agglomeration or a village), or a particular geographical area (e.g., a region). The current strategies to be developed are likely to be area-based strategies. Nevertheless, irrespective of the actual type of strategy involved, the methodology for preparation of the strategy and its structure are essentially the same. A strategy is necessary to define the key priorities and specific objectives, elaborate a series of coordinated interventions (Programmes and Projects) for tackling the problems, to identify the necessary financial resources required and their possible sources of financing, to establish and introduce mechanisms for active monitoring and evaluation. Put it simply, an RDS is a framework for action. It takes into account area’s problems, opportunities, abilities and resources (the Socio-Economic Audit or Baseline Study) and gives structure, co-ordination and meaning to a range of potentially diverse activities in support of socio-economic development. In this context the RDS provides the essential framework for the regeneration of a particular geographical area. It also follows from the above that the strategic plan must be reviewed (i.e., monitored and evaluated) on regular basis in order to remain both flexible and responsive to change.

The process making effective decisions on allocating resources to pursue a strategy, including its capital and people, is the basis of strategy development. In the development of effective strategies, various techniques have been used in the process including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats ), PEST analysis (Political, Economic, Social, and Technological analysis), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors), Delphi method, Porter’s five forces and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal).

Traditionally, SWOT has been the most common technique used within Europe and globally in developing strategies in the field of regional development.
While the basic concept of a strategy in the context of regional development is simple, basically determining where a region is directing over the next years and how it’s going to get there, strategy development is a complicated process. This is mostly due to the fact that a strategy approaches consider a broad perspective and from an integrated and multi-annual view. Balancing the need to harmonise many different stakeholder perspectives, where it is common for the views and perspectives of stakeholders to diverge, is normally difficult. This document is designed to simplify the process and to practically assist organisations in this process.

Fundamentally all strategic development issues deals with following three key questions:

1. **Analysis**: Where are we?

2. **Vision and Objective**: Where do we want to be respectively head for?

3. **Strategy and Program**: How do we get there, with what resources and in what time?

Traditionally, sustainable regional development in transitional economies has been constrained by a lack of effective and coordinated strategic development plans and limited financial, material and human resources for the implementation of important plans, programmes and projects. Impact assessments of development interventions (projects) have shown that indiscriminate financing of individual projects, sectors or geographical areas without a proper resource planning system and strategic framework results is waste of resources. Strategic planning, the planned strategic allocation and expenditure of funds and the degree of efficacy of interventions are central criteria for determining the success of development plans in an economic environment.

Strategic tools, which safeguard the targeted (strategic) use of available resources, have increasingly gained importance in strategic policy making at all levels. Long-term development programmes and the use of synergy and complementary effects of individual measures and actions are major aspects of strategic plans today. This has implied a profound reorientation of both the analytical basis of the development concepts as well as of the practical implementation and strategic direction of efforts in development policy.

Development plans work effectively only where there are properly conceived ideas that take into account the real economic priorities of the country and match these to the available finances. This process is referred to as strategic planning.

In simple terms **a strategic plan is a long-term plan for success.**

### 1.2. Principles

The closely interlinked and mutually conditional factors of geography, administration, economic and social factors are all relevant to the strategic planning process regardless of whether the plan is for local, regional or state level. In addition to these factors, a number of basic principles combine and apply regardless of what body is making the strategic plan. These principles include:

- **Partnership**

  Partnership in the strategy building process *and its implementation are* essential for sustainability and necessary in changing development environment. A strategy building process seeks to gain consensus on community expectations and to present these findings to local authorities. Accordingly, all relevant stakeholders, such as representatives of regional and local governments, institutions and institutes, business associations, chambers of commerce, enterprises, non-governmental organizations (NGOs), civil society, etc. are invited to participate in the process.
• **Ownership and participation**

The aim of the process is to encourage the involvement of decision makers, stakeholders, experts, representatives of NGOs, donors, etc. and to provide “common ownership” of results by representatives of both the public and the private sectors. This approach promotes the development of broad social consensus and clear public support for strategies and programs. All activities should be designed in a manner which allows all stakeholders with interest in economic development to exert an influence on the process.

• **Transparency of the process**

Decisions in all stages of the process should involve public discussion and wide dissemination of results.

• **Strategy building as a continuous process**

A strategy - as a combination of vision, long-term strategic goals, specific objectives and measures to be undertaken to achieve the objectives - should be seen as living document. The developed strategy document is continuously monitored, analysed and updated. Every project implemented and every economic improvement changes the environment for future strategic planning.

• **Duality paradox**

On one hand, a strategy is a dynamic document liable to change although, on the other hand, it must be respected and implemented. Therefore, while the implementation of the strategy is obligatory and all actors should be responsible for its success, at the same time the document, being a dynamic document, requires a set of steps and actions to achieve the strategic objectives, which requires a process of continuous review and upgrading.

• **Internal consistency among all elements in the strategy**

The measures should reflect chosen actions to achieve strategic objectives, priorities (specific objectives) and the approach to the defined vision. In the other words, strategy should present:

a. Where we are (situation, resources, comparative advantages)

b. Where we want to be

c. Direction and path to be undertaken to come where we want to be

d. The resources to be used

e. Time needed to achieve the goal.

1.3. The Methodological Approach

• **Step by step**

• The strategy building process contains a set of phases and steps, which are interrelated in the way that the outcomes of one step are used as inputs for the next step.

• **Strict coordination of all phases of process and groups**

The methodology defined for the strategy building process must include methods and tools for coordinating phases to avoid an overlap of activities. Enough time has to be set aside in each phase to analyze outputs and to prepare for inclusion into the next phase. The activities and especially the outputs of stakeholders in the process must be coordinated and cross analyzed.
Consultation and Feedback

The partnership and participation principle requires a regular feedback and agreement from the regional stakeholders involved in the process. Accordingly a formalized consultation process, e.g. by means of regular Regional Conferences, should be established and maintained.

Successful strategies are characterized by:

- A partnership and participative approach comprising representatives from main public, public-private and non-governmental institutions, organisations and associations with a possible impact on the development of the region;
- A high level of public consensus, efficiency and a business manner;
- Involvement of a large number of stakeholders from all fields of community life;
- Awareness of the fact that the quality of one completed phase influences the success of the next phase;
- Overall coordination of the process.

1.4. Steering Committee

Steering Board is a body designated for managing the strategic planning process. It involves higher level decision makers and is therefore able to endorse partial decisions needed for smooth and continuous work of Working Group. In principle, it may include representatives of the regional Government or administration, representative of the Regional Council (if applicable), mayors, heads of towns and villages, representatives from NGOs, trade unions and/or professional employer and employees associations, representatives from business and/or the private sector, scientific and educational establishments.

1.5. Regional Development Agency (RDA)

The Regional Development Agency and other development institutions are a focal point of the strategy building process.
The Regional Development Agency is:

- a nucleus of public-private partnership;
- a main coordinator of the process and partnership groups;
- a supervisor of the quality of outcomes from each group or expert;
- an implementation and fund raising actor;
- an institution for monitoring, analyzing and updating of the Strategy Document.

In addition and ideally the RDA should - not only with regard to strategy building and programming - be (or become) the focal point and key driver of inter-institutional cooperation, for instance like outlined in the following picture.
1.6. Working Group

The Working Group is a team consisting of representatives of local governments (Municipalities), civil society (NGOs), field institutions and institutes and experts delegated to participate in the process. The Working Group is a core operational body of the strategy building process in each of the target areas.

1.7. Focus Groups

Focus Groups are formed from members of the Working Group’s field experts. With respect to the quality of the operational part of the Strategy Document, Focus Groups provide creative input into the scenarios and instruments for the implementation of the Strategy. When necessary, Focus Groups recruit experts and specialists to provide useful input to clarify specific strategic objectives and orientations for the implementation of strategic objectives.

In order to avoid horizontal and vertical overlap of development measures and to safeguard consistency and sustainability of strategic and operational elements, an Interdisciplinary Focus Group may be set up, comprised of the chairmen from each Focus Group.

1.8. Methodology and Process

The strategy building process should be seen as a step-by-step approach, which - in fact - repeats itself due to the permanent changing framework conditions, which - again - require regular updating and adaptation of the strategy and program.
Furthermore the strategy building process consists of a combination of training workshops on methodologies and tools, and technical assistance to the groups involved in the process on the performance of practical activities during the entire strategic building process. Methodological training measures may be complemented by presentations on best practices from selected European regions as well as additional workshops focusing on special regional development topics like innovation development, SMEs, Training/Qualification etc. During regular experts’ workshops, groups have the opportunity to discuss the progress, the quality of outcomes and the next steps.

Defined milestones in the process are concluded with Conferences (Forums, Government meetings etc). The purpose is to report on the status, to discuss outcomes and to approve the elements of the Strategy elaborated at the particular time.

The strategy building process involves a set of defined phases which combine to provide a consistent and effective overall process. These include:

**Phase 0: Kick-off Meeting**

The Strategic planning process commences with a kick-off meeting, which is specifically designed to get all relevant actors involved in the planning process and to form the Steering Board and Working Group(s).

The start-up-phase of the process must primarily aim at creating a broad consensus on procedures and objectives, achieving the commitment of as many local actors as possible to participate in (and support) activities and set up the operational structure necessary to perform the strategy building exercise.

**Outputs of Phase 0:**

- Stakeholders invited to participate in the process and operational groups for Strategy Building formed;
- Methodology and activity plan agreed.
Phase 1: Socio-Economic Audit and Regional Profile

This phase focuses on conducting a survey of the existing socio-economic and structural data available at the national, regional, local or any other institutional level. At the same time, a common framework for data collection and processing is developed as a mandatory guideline for all empirical work performed during the strategy building process. The latter activity is a key task for the Working Group and experts in order to map the region based on a territorial typology and build proper analytical foundations for the SWOT analysis and to help identify development potentials.

All data, indicators and information related to the status of the region represent the foundation for further analytical work in the Socio-economic audit as the resource SWOT analysis and for justification of development choices.

Geography and Topography: Description of the area – position, size, fields, mountains, rivers, lakes, altitude, special opportunities for development and obstacles, connections;

Spatial Character: Type of the region (agricultural, industrial, rural, urban), natural resources, centers and settlement structure, development poles;

Population and Demography: Number of inhabitants, density of population, age structure, gender structure, ethnic composition, migration trends (also daily migration/agglomeration from periphery to the growth centers, if available);

Infrastructure and Communications: Traffic, logistics, infrastructure network and knots, transport and accessibility to public services, environmental infrastructure, energy supply, industrial infrastructure, communication infrastructure, educational infrastructure, social infrastructure and leisure infrastructure;

Business and Economy: macro-economic indicators, structure of gross revenues and total expenditures, sectoral structure and performance, indicators by sectors, export and import (regional spillover, if available), number and size of economic operators, market, foreign investments, financial institutions, business service infrastructure, technical/technological institutions;

Labour market and Human Resources: Age structure of active population, labour force, qualification profiles, income structure;

Areas with the development problems: Mountain areas, areas with limited opportunities for development (limited resources), areas with secondary effect of developments in surrounding areas or structural problems. For easier data collection and processing a practical table should be designed for each subject of analysis.

Socio-economic data should be examined in intraregional comparison, comparison with other regions, with country as a whole and possible internationally as well. This helps to understand what obtained data say about development in an examined region.

The Socio-economic Audit (SEA) is therefore not a database. It must indicate development resources, analytical outcomes of data correlation and potential effects of the environment on regional opportunities and the inter-relationships to the regions and the country as a whole.

This is why a purposeful collection and processing of regional data (quantitative, qualitative, descriptive) as a basis for the SEA is precondition for the elaboration of Regional Profiles, which reflect reality. Data Identifications Sheets, which list the most important datasets, possible resources and processing options, are a proven tool to facilitate the analysis process.

The Regional Profile is a functional description of the region considering different aspects: spatial
zoning, economic activities, settlement structure (size of towns and villages) and natural and environmental conditions. The matrix of different aspects should provide the developer (or Working Group) with a good picture of the existing regional situation, development conditions and any trends while defining the directions to be considered for proposing the vision, goals, measures and even programs and projects. The Regional Profile practically provides the direction on where to go in defining the strategy and also where development action would be most effective.

**Outputs of Phase 1:**

- Socio-economic Audit (SEA);
- Profile of the region (preferably like regional geographical map with indicated characteristics of different areas (territories));
- Functional Matrix of the Region.

**Phase 2: SWOT Analysis**

The SWOT analysis is a key tool for the identification of the comparative advantages of the area as well as supplying the main inputs to build/create/identify an inventory of projects and programmes for development. The process has many methodologies, although it is most effectively done through a brainstorming session(s) (within the Working Group). The SWOT analysis reflects Socio-economic evidence for the strategic path aimed at achieving selected objectives. In this sense, it is a bridge between the present situation (“where we are”) to the future status (“where we want to be after a defined time and using available resources”). Therefore, the SWOT Analysis should be considered as a very important step in the strategy building process. Being realistic in identifying and appraising the SWOT elements is a precondition for a targeted and well-tailored orientation of the strategy.

The following key features characterize a regional SWOT analysis:

- The regional analysis represents the **basis for strategic decisions** about the orientation and focus of future regional development measures > **Basis of the RDS**.

- The regional analysis should focus on **identifying regional strengths**, which can be used to foster economic performance of/in the region.

- The "value" of regional potentials should be assessed from a **comparative** point of view > **Benchmarking**!
• Main goal: to strengthen the region's position in comparison with its direct competitors > increase competitiveness!

Socio-economic Framework

- **Economical Factors**
  - Global economic trends
  - Taxes and interest rates
  - GNP
  - Structure of incomes
  - Labour market
  - Qualification profile
  - Sectorial structure
  - etc.

- **Socio-cultural Issues**
  - Values and attitudes
  - Population structure
  - Language and religion
  - Educational/educational system
  - etc.

- **Technology and Innovation**
  - Technological trends
  - Products and markets
  - Qualification required
  - Transfer
  - Industrial structure
  - Management potentials
  - Information + communication
  - etc.

- **Political System**
  - Legislation
  - Decentralisation
  - Decision making potential
  - Attitude of actors
  - Distribution structures
  - Subsidy
  - International integration
  - etc.

• Basic idea: **concentration** and **optimal allocation** of the limited means available to implement economic development measures > **cost-benefit-ratio**!

• **Synergies** and **complementary effects** increase the "value" of endogenous potentials and the impact of development actions > **impact analysis**!

Selectivity of Approach

- Focus on **endogenous potentials / comparative advantages** of the region.
- **Concentration** of financial and human resources on measures with significant development impacts (spin off's, spill over's, sustainability etc.).
- Optimal **allocation** of resources available.
- Identification of **synergetic** and **complementary effects**.
- **Regional Development Strategy and ROP** as **tools** for this purpose.

• Stimulating regional potential requires the **removal of restraints / bottlenecks** hampering their optimal use.
The Regional strategy and the operational plan / action plan are technical tools to ensure a strategic allocation of the means (funds, human resources) available.

Against this background the SWOT analysis provides different strategic alternatives, which should be carefully considered and determine the programming process.

**SWOT Analysis - how to do it?**

- **Strengths** are assets/factors that give the community or region its competitive advantages and make the area an attractive place to live and do business. (An aid to identify strengths would be the question: “For what purpose would this strength be useful?” i.e. for FDI, start-up, new jobs opportunity, etc)

- **Weaknesses** represent the factors or trends that represent obstacles or constraints to economic development. These can be social, physical, financial, regulatory, political, ethnic, traditional etc.

  Possible questions: - Where are we weak or what do we do badly? - What could we improve? - What should we avoid?

- **Opportunities** are conditions that make it easier or possible to develop competitive advantages. The main issue in identifying opportunities is identification of trend.

  Possible questions: What trends could be useful for development? What strengths could result as opportunities? What positive changes in the region are foreseen?

- **Threats** are unfavorable trends that lead to a loss or decline in competitiveness or in economic development in general.

  Threats and opportunities also refer to the future state, while weaknesses and strengths relate to current situation of a region.
Possible questions: What obstacles do we face? What trends are causing decline or obstacles in development (negative trends)? Are there changes outside the area affecting the development?

Strength and weaknesses are under our direct influence, those are the aspects of the region’s reality which we can change if an appropriate strategy is implemented. On the other hand, opportunities and threats are external factors – those are beyond our control and we cannot influence that these factors will have an impact on our socio-economic reality by any means.

Therefore we have to employ different strategies: when tackling the strengths and weaknesses we need strategies that reinforce strengths and eliminate (solve) or at least marginalize weaknesses – we need a strategy of change. Opportunities and threats are beyond our reach, we must prepare for them and adapt our strategy accordingly (we must count with their impact) – we need a strategy of adaptation. A good strategy is a combination of those two.

Some tips:

- The SWOT must identify the **comparative advantages** of the area, so one must be very careful that it does not become a «shopping list» of local stakeholders.

- The SWOT must be clear and honest/realistic.

- The SWOT must be short and targeted.

- Each of the four (4) factors of SWOT may have approximately 10 - 15 subjects.

- All four (4) factors of the SWOT must be cross analyzed (matrix).

- Brainstormed outcomes on the SWOT must be backed up by the evidence, presented in Socio-economic Audit and strategy database.

- Brainstormed outcomes of the SWOT must be carefully analyzed.

- Identification of reasons (the root causes) of the Weaknesses in order to identify the possibilities to remove the reasons (root causes) for the weakness through strategic choices and not just confronting the weakness itself (removing the weakness without removing the cause might be only temporary solution - therefore not a strategic approach).

**SWOT Matrix**

The purpose of the SWOT Matrix is to analyse the potential effect of the elements of the SWOT relative to each other, providing the basic information for choosing the most applicable strategy. The evaluation of the potential complementarities and synergies between factors in the SWOT elements play an important role not only in helping to choose the adequate strategy but also in identifying the potential risks and provides important information on possible solutions to development challenges.
### Strategic Purpose: Stimulating strengths

#### SWOT-Matrix

<table>
<thead>
<tr>
<th>SWOT-Matrix</th>
<th>STRENGTHS (S)</th>
<th>WEAKNESSES (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPPORTUNITIES (O)</td>
<td>SO STRATEGIES</td>
<td>WO STRATEGIES</td>
</tr>
<tr>
<td>List of Opportunities</td>
<td>Use strengths to take advantage of opportunities</td>
<td>Overcome weaknesses by taking advantage of opportunities</td>
</tr>
<tr>
<td>THREATS (T)</td>
<td>ST STRATEGIES</td>
<td>WT STRATEGIES</td>
</tr>
<tr>
<td>List of Threats</td>
<td>Use strengths to avoid threats</td>
<td>Minimize weaknesses and avoid threats</td>
</tr>
</tbody>
</table>

Following indications from the SWOT Matrix helps feeling much more comfortable in the process of selecting the objectives and measures and prioritizing the actions.

How to do it? Each factor of a single SWOT element is faced by each factor of other SWOT elements and the mutual effect should therefore be traced and evaluated (influence to each other).

Doing these exercises the outcomes define:

a. Regional comparative advantages on which the future developments should be based (opportunities that are based on regional strengths) as outcome of SWOT Matrix “Opportunities: Strengths” (Use internal strengths to take advantage of external opportunities).

b. Development challenges as the consideration of issues that need to be solved (weaknesses that could be overcome through opportunities) as outcome of SWOT Matrix “Weaknesses: Opportunities” (weaknesses by taking advantage of external opportunities).

c. Possible risks to be avoided or their impact minimized by choosing adequate strategic decisions as result of SWOT Matrix “Threats Weaknesses: Opportunities” (reduce the impact of threats that are complemented by weaknesses).

Methodologically the SWOT analysis should be done in a four-step approach, which will significantly facilitate the work process:

a. **Step 1**: separate SWOT analyses in every above mentioned horizontal areas.

b. **Step 2**: separate SWOT analyses in every above mentioned key sectors.

c. **Step 3**: definition of a set of selection criteria to prioritize the strengths and weaknesses identified in the above mentioned separate analyses.
d. **Step 4**: elaboration of an integrated regional SWOT analysis covering all sectors and horizontal action fields.

**Outputs of Phase 2:**

- SWOT Analysis including sectoral sub-analyses;
- SWOT Matrix
- Report on outcomes from SWOT Analysis and Matrix (comparative advantages, development challenges, risks)

**Phase 3: Vision**

The Vision is an optimistic picture on goals people have about the realistic development of their community or area. The definition of Vision is based on development potential and gives an idea of strategic orientations. The Vision should be defined for a long-term period of some 20 years but should contain all relevant values that the community agree as comparative advantages and capabilities used on the way to the achievement of its Vision.

The elements of Vision should be analyzed in order to identify what is required or expected as an achievement in the implementation time frame of future strategy (Values of the Vision).

The general indication on how to achieve the Vision (Mission) is mainly extracted from the SWOT Matrix.

**Outputs of Phase 3:**

- Vision Statement;
- Values of Vision and Mission

**Phase 4: Comparative Advantages and Strategic Orientations**

**Step 1.** Identification of Comparative Advantages from Strengths-Opportunities (SO) Matrix

The SWOT Matrix analysis of the Strengths-Opportunities Strategy (maxi-maxi strategy) provides in-
Indicators for the identification of Comparative Advantages. In fact, these are the strongest resources and potentials for focused development. Every Opportunity arising out of the SWOT Analysis that is covered by Strength(s) should be considered as a foundation for the identification of Comparative Advantages and as an input into Strategic Orientations.

**Step 2. Analysing the Vision and its values**

It is necessary to answer the following questions:

- Where are we now? (present situation)
- Where do we want to be? (goal)
- How do we get to where we want to be? (general scenario)
- When can we get there? (time frame)
- What is needed for that? (resources)

Generally, the text of Vision is analysed in accordance with the questions above. In this exercise the level of reality of achieving the goals is tested (is it feasible that the goal in the Vision is achieved in due time with resources and potentials available and based on present situation).

**Step 3. Setting Strategic Orientations from SWOT matrix, Vision and Comparative Advantages (modified with push-pull analysis).**

Strategic Orientations are the first steps from analytical bases for the strategy towards strategic decisions.

**Step 4. Analysing the sustainability of identified Strategic Orientations with Push-pull Analysis**

Push-pull Analysis is generally used as a tool in market research to identify the influence of product characteristics to target group of clients. Using this tool in planning process means identifying the possible retarding factors as well as supporting factors of a single decision influencing potential success of another decision. Taking this scope of Push-pull Analysis the potential risks of successful implementation of mutually related strategic decisions could be identified in time to be able to redirect the decision or to mitigate the negative influence with adequate intervention.

Analysis of mutual interference of strategic decisions could be performed with:

- Identifying pull factors (possible negative influences from environment or potential risks) for each of comparative advantage and Strategic Orientation.
- Checking the potential influence of identified risk from the SWOT Matrix (Threats-Opportunities or TO Matrix) on comparative advantages and Strategic Orientation.

**Outputs of Phase 4:**

- Inventory of competitive advantages and potential analysis;
- Outline of strategic orientations.

**Phase 5: Objective Tree**

An Objective tree is the result of conclusions drawn from the long-, mid- and short-term objectives of the future development efforts. The shape of the Objective tree gives a clear picture of all elements of the development strategy, their interrelationships and hierarchy.

Strategic Goals are very global long-term objectives. In fact, they answer a following question: Where
should we go (strategic orientations and Vision) considering our resources (SWOT, matrix, Comparative Advantages)? A set of two to five Strategic Goals is the result of all the previous phases.

The process is very technical and might be read as: The socio-economic analysis is feeding the SWOT analysis and mapping of region (typology, characteristics of the region). These analysis, together with SWOT matrix, result in comparative advantages (Opportunities that are back-up by Strengths), Challenges (Weaknesses that could be solved or partly solved by deployment of Opportunities) and risks (beside identified risks the complimentary of Weaknesses to the observed threats could be addressed as risks). The chosen strategy (maxi-maxi based on comparative advantages, mini-maxi taking the challenges and problems as a strategy focus and mini-mini focusing on mitigation or solving the causes for potential risks) is benchmarked with the vision, vision values and strategy mission. In this brainstorming the technically correct options for the directions to be taken while defining the strategic objectives are identified.

Or, having done all the previous steps, we can include their outcomes in the inter-related and harmonized decision. If in this process the other interests and proposals are spelled out, they have to be analysed within the context of previous steps with high level of responsibility of all actors involved in the process. It might need independent professional opinion.

Again, the interrelationship of Strategic goals might be controlled by the Push-Pull method. This is important for a synergetic approach to the development and identification of a scenario that overcomes potential negative influences.

**Specific Objectives**

Specific objectives are realistic and measurable goals that, with available resources and time frame, lead to achievement of the Strategic Goals and bring development closer to the Vision. In underdeveloped countries or in areas where development is a priority, it is the most difficult and complex task. It requires the consensus of all actors in the strategic planning process. Before selecting the pri-
priority objectives, criteria must be based on whether strategic value or high efficiency is more important for the community/region. Evaluation of what is more important may be based on:

- Longer time for implementation and with it higher and more sustainable impact (e.g. infrastructure related objective)
  or
- Easier and faster implementation with quick impact (e.g. soft objective related to institutional structure).

On this level of strategic objective tree the question of terminology used has also to be considered. The “priority” as a term for second level of objective leads to general understanding that this objective has to be implemented prior the other interventions in the region (e.g. the roads- infrastructure related objective has to be implemented prior to state intervention in the field of building industrial park because empowered agglomeration requires transport facilities). On the other side, the sustainable long term objective might be the choice and in this case the criteria for defining the objectives have to be adapted to this character of aims to achieved with the implementation of strategy (e.g. environmental, human capital and social oriented objectives)

Decision on such important issues as future objective of development must involve strong consensus building approach.

**Outcomes of Phase 5:**

- The Objective Tree designed;
- The Strategic Goals and Specific Objectives (Priority Objectives) identified;
- Regional Conference, Forum or Governmental Meeting on Strategic Goals and Priority Objectives organized and implemented.

**Phase 6: Measures**

Measures are mid-term pathways to achieve Specific Objectives within a time frame. They are instruments for employing resources to achieve a specific aim. Measures are products of expertise (knowledge of specific areas-community and field experience). Technically, measures are a kind of sub-programs and the bridge between the strategic and operational parts of the Strategy Document. Also, measures may present synergies and inter-linkages between two or more Specific Objectives and Strategic Goals (e.g. “Pro-active employment measures”).

**Outcomes of Phase 6:**

- Set of measures or sub-programs combining relevant strategic projects and interventions.

There is always a risk that the strategy may become a “shopping list” and will include anything and everything. It is better to focus then upon a limited number of priorities rather than diffuse energy and effort in pursuit of a large number of goals. The selection of the priorities for the region should be accompanied by an explanation of how these priorities fit with those contained within in the State Strategy for RD or other relevant socio-economic policy documents. This is important, because in circumstances where resources are limited as in developing countries, it is imperative that all available resources are concentrated upon the achievement of the same goals. This creates what is known as “critical mass” and is far more likely to have an impact upon the socio-economic performance at both micro (regional) and macro (national levels).
Phase 7: Monitoring and Evaluation

Well planned systems of continuous monitoring and regular evaluation are essential if a strategy is to remain relevant and thus applicable for the whole period of its implementation. At the beginning of the implementation phase a strategy is always a theory – on the basis of profound analysis of the current socio-economic reality it projects a way how to get to the desired reality (= vision). Therefore we the way that the strategy envisages is often called a “theory of change” – the strategy theorizes the causal chain between “now” and “vision” and states what actions and what resources are necessary.

Therefore it is necessary to continuously cross-check whether the implementation is on the right track and whether the projected causal chain is actually occurs in the reality. For - besides negligent implementation – at least three things can go wrong in the life cycle of the strategy:

1. Some of the observations realized at the beginning within the analytical phase may be faulty. It is almost impossible to capture and understand the reality as whole and it is almost inevitable that some more or less important factors of socio-economic trends are missing or not understood well.

2. The causal chain we formulate – the way from actual reality to the desired one (vision) may not be 100% right – it still is a theory (i.e. “A” does not really cause “B” in the reality even though we really thought it would in the beginning)

3. Even if our understanding of actual socio-economic reality is perfect and our theory of change flawless, the socio-economic reality may change during the lifetime of the strategy – some parts of it may therefore cease to be relevant.

Unless there are systems in place that continuously gather data on the implementation of the strategy (= monitoring) and regularly “stop and look back” (= evaluation), the implementation of the strategy will almost certainly miss the desired future (vision) due to the three facts mentioned above.

Monitoring and evaluation are two processes which are interlinked, however, there are several major differences:

- Monitoring is an on-going, more or less automatized system of gathering critical data (we keep track of what is happening) whereas evaluation is performed at given moments in time and goes few steps further;
- Monitoring is neutral, just data, evaluation requires to take a position;
- Good monitoring is instrumental for sound evaluation as evaluation requires valid data from monitoring, evaluation on the other hand helps to better target monitoring;
- Monitoring gives just quantitative information, evaluation = quantitative data + qualitative information + interpretation + recommendations;
- Monitoring has no direct influence on the strategy, at best it just provides warning signals whereas it is the very purpose of an evaluation to provide feedback and suggest adaptations in the strategy.

Step 1: Find indicators.

Monitoring is a formalized system of collection data on pre-defined monitoring indicators. Step one of setting-up the monitoring and evaluation system is to operationalize all levels of the strategy into monitoring indicators. It is essential that we follow the programme hierarchy and identify indicators for each of the levels, not only at the level of outputs:
It is a common mistake in many strategies that just the level of outputs is being monitored (thus they resign on monitoring outcomes). This is, however, a fatal mistake: such monitoring will only provide information on the success in implementation, NOT in reaching the goals of the strategy. Hence, it can provide false signals that everything works well even when the strategy actually is already off-track to reaching its vision!

Monitoring indicators should be “SMART”: Specific, Measurable, Achievable, Relevant and Time-dependent.

**Step 2: Find-tune the indicators**

In the next step we need to add the following qualities to the indicators:

- Precise definition (what do we actually measure).
- Methodology and data source: Identify precisely the methodology how the monitoring indicator is being calculated and where the data is being gathered. We either collect data ourselves or we use secondary databases. Typically we collect output indicators ourselves (usually from direct beneficiaries of support) and rely on external databases when it comes to outcomes. However, indicators of immediate outcomes are often mixed – some data are being collected by ourselves e.g. by the means of surveys.
- Baseline value of the indicator – where are we NOW, in the moment of our actual socio-economic reality.
- Target value – what should be the value of the indicator by the end of the strategy’s lifecycle

**Step 3: Set up a system of collection of data**

In the third step set up the system how data to monitoring indicators should be collected. Basically there are two types of collection: either you collect data on an on-going basis, i.e. in the moment when it actually origins or data is being collected periodically (e.g. once a year, once a quarter, etc.). A good indicator system is a combination of the two – project data (usually output indicators) are being collected on a real-time basis whereas data for outcomes (secondary databases, surveys, etc.) are collected periodically. Also an automated IT solution needs to be implemented (database software, excel sheets for less complex strategies, tailor-made IT solution, etc.).

**Step 4: Formulate evaluation plan.**

Evaluation plan should be formulated as early as possible. Like this you can interlink evaluation needs with monitoring and implementation systems. Preliminary evaluation questions (“types of questions”) should be formulated at this stage.

Basically there are three types of evaluations each strategy should undergo:

- Ex-ante evaluation realized together with development of the programme as an independent appraisal of the strategy and an external test of its relevance. Typical questions are: Is the Strategy focused on the most relevant issues? Does the strategy provide appropriate solutions to those issues? Are those solutions realistic and achievable?
• Mid-term (or on-going) evaluation realized when the first outcomes of the strategy are starting to show up with the purpose to test the theory of strategy against first available data and provide feedback as to where we actually stand vs. where we should stand. Typical questions: Is the realization of the strategy successful – does it aim in the right direction? What does work and what does not? What should be changed?

• Ex-post evaluation is realized after the implementation period of the strategy (at the end of its life cycle) and it is the key test of actual reality (where we are) against formulated vision (where we should have been according to the strategy). It cannot influence the strategy any more but it is essential for its successor. Key questions: What are the real outcomes achieved by the implementation of the strategy? Was the realization effective and efficient? What should be done differently / better the next time?

Besides the evaluations above it is also reasonable to implement ad-hoc thematic evaluations directed on specific issues of the implementation of the strategy or its parts.

1.9. Structure and Content of Strategy Document

The structure of the Strategy Document should be clear and easily read. Its main “body” consists of the strategic part (strategic goals, specific priority objectives and measures) and the operational part – the Programming Document with programmes and projects.

Chapter 0: Summary

The Executive Summary should be brief (i.e., 3-5 pages maximum). It should summarize the main conclusions of the Socio-Economic Audit with respect to comparative advantages, development challenges and potential implementation risks or threats to the region. It is important to remember that the Executive Summary provides both intellectual and informational base that underpins a selection of priorities and a definition of objectives of a RDS. Therefore, while it should be brief, it must also be comprehensive and analytically well-argued.

Chapter I: Introduction

This chapter is devoted to technical and procedural issues e.g. methodology, participants, procedural principles and their implementation throughout the strategy building process. The chapter should also present in a structured way the evolution of compliance of set objective tree with the objectives of higher level planning document in force (e.g. State Strategy for RD). Therefore the topics of the Chapter could be:

• Mission and principles
• External (with the planning document on the higher level) and internal (objectives and measures related to each other) consistency
• Actors in the process
• Methodology and process
• Visibility.

Chapter II: Background and Development Inventory

This chapter wraps up all the outcomes and statements that were identified, argued and stated in the analytical part of the process (Phase 1 and 2):

• Summary of Socio-economic Audit (analysis of relevant data), Territorial Typology
• SWOT, Matrix
• Comparative Advantages and Strategic Orientations
• Social and economic conditions for Development Strategy (problem tree, development inventory, development institutions)

Chapter III: Vision

Text of the vision and analysed values of the vision are the content of this Chapter.

Chapter IV: Strategy

The core text of the Strategy is compiled from objectives and measures in a way that presents clear picture what region intends to achieve. Therefore an objective is a desired and quantifiable end state, expected result of RDS. It is not a description of a proposed activity. The objective should be expressed in measurable terms and with quantifiable indicators of achievement. The data in the Socio-Economic Audit should be used as a “benchmark”: for example, if the goal is to increase sustainable employment in the region, the indicator of achievement might be expressed as a % increase in the economically active population or a % reduction in the numbers of persons unemployed and measured against the data contained in the Socio-Economic Audit. On the other hand, if the objective is to promote private sector development, the indicators might include the number of new businesses established and surviving after one year, the nominal contribution of the private sector to regional gross domestic product or a % increase in the numbers of persons employed in the private sector. These measures are essential for monitoring and evaluating the success of the strategy.

• Strategic Goals
• Specific Objectives (Priority Objectives)
• Measures

All three levels of strategy objective tree should be described in a way that the justification for choosing the objective or measure is harmonized with the situation analysed and identified in analytical part of the strategy. The expected result has to be quantified by the indicator.

Chapter V: Potential and allocated financial resources

Every Strategy is developed to be implemented. Therefore, the resources have to be analysed and realistically evaluated. One of the most important resources is a financial resource. It could be combined financing from State, regional, local level, donor contributions and public-private initiatives. The resources have to be well planned and coordinated with relation to dynamic of implementation plan (part of the Regional Operational Plan). This advice is targeted also to:

Chapter VI: Institutional Framework for Implementation

The chapter involves an analysis of regional capacities for implementation (also civil society and non governmental public institutions) and defining the responsibilities for achieving expected results and set targets (indicators).

Chapter VII: Monitoring System and Monitoring Procedures

If the monitoring system is not defined by adequate legal act, it must be described in this chapter. In this case the responsibilities and procedures for monitoring, evaluation, benchmarking and reporting must be defined in details.
Chapter VIII: Conditionality, Risk Assessment, Assumptions

This chapter is meant as wrapping up text of analysed conditions for successful implementation of RDS with summary of assumptions and possible risks in implementation of each measure and objective (as the case might be).

2. IMPLEMENTATION (OPERATIONAL)

2.1. Programming and Delivery

Implementation can mean many things. In the context of this chapter it relates to the modality of delivery of the action plan to implement a strategy. Sometimes the Implementation Plan is just a part of strategy. In other cases, the Implementation Plan (Action Plan or Operational Plan) can be separate due to the different time horizons of both documents: strategy is for a longer period while the Operational Plan is normally connected to financial resource planning and therefore usually has a shorter cycle. For example, if mid-term budget planning (financial resources) has a time horizon of three years, then the Operation Plan would also have a three years implementation horizon.

The elaboration of Operational Plan has an advantage of being extremely practical which forces its authors to consider the costs of the actions which are identified and/or propose, whereas a strategy normally does not have this requirement for financial reconciliation/identification or it is pretty general. Another advantage is that the elaboration of an operational plan stimulates the formation of partnerships, as project identification and elaboration requires tangible implementation mechanisms and functional dialogue. A weakness of the elaboration of an operational plan is that long and unrealistic ‘wish lists’ of projects may be created if the project selection methodology doesn’t provide sufficiently tough filters or if the capacity of the key players and the overall efficiency of the framework is not sufficient to understand that financial resources are expectably limited (requiring effective selection) and absorption capacities of regions must be matched to scope of projects. In addition it is crucial that implementation programmes are realistic and do not raise false hopes amongst stakeholders.

Implementation depends, amongst other things, on a number of key factors including:

- The institutional and legal framework;
- Available financial resources;
- Institutional and stakeholder capacities to deliver and manage;
- The available delivery mechanisms; and,
- Dedicated other resources (e.g. land). The Operational Plan should analyse these factors and the programming process should continuously coordinate both the sequence and timeframe of implementation. It is also important to ensure that the implementation approach adopted is appropriate to the institutional reality bearing in mind any constraints imposed by the institutional and legal framework.

2.1.1. Delivery mechanisms

Arriving at a shared vision between stakeholders is an important aspect of regional development and one of the most important delivery mechanisms available for the implementation of the RDS. This is particularly important given the normal diversity of multi-disciplinary stakeholders involved in the process and the reliance on multiple budget sources for the implementation of a RDS. In this case,
co-operation and consensus are critical. In countries with a National development plan, the plan provides directed sector development and mutual coordination and the National Strategy for Regional Development complement the National Development Plan (if the country has one). In these cases the implementation of the Regional Development Strategy is much more ensured than in countries where the State does not provide the main directions, resources and mechanisms for development of its territories (through a National Development Plan). In such countries, it is important that there is high-level co-operation and discussion during the preparation and implementation processes to ensure that the various parts of government are ’signed up’ to the implementation process. Without this agreement successful implementation of a cross-sector RDS will be impossible.

2.1.2. Facilitation of the process

The process of programming and elaboration of effective Regional Operational Plan (Plan of Implementation of RDS) is one of most creative and therefore demanding activities in whole process of development planning. It involves focused and comprehensive building of implementation schemes (programmes) which shows a kind of dilemma that the process facilitator and working group can overcome only with high level of creativity and understanding regional priorities. In addition, it is necessary to safeguard the fact that complementarities (often inter-sectoral) of projects within the comprehensive programmes ensure synergy and expected effect of implementation. Unfortunately, it is not enough to just theoretically embrace even excellent projects into the programmes; it is needed to do this within tree-dimensional analysis: time, implementation capacities and financial resources available. This means that in given time the availability of implementation capacities and financial resources are limited. Limitations in resources (capacities, financial and material) are dictating the dynamic of implementation and dispersion of implementation activities accordingly to the availability of resources.

Because of the above-mentioned multidimensional brainstorming of programming actors, the quality of facilitation of this process is very important and demanding job. There is no formula of how to do it; it depends on performance of programming actors, quality of strategy (that is the base for prioritising the targets to be achieved in operational planning time term), quality of analysis of available resources (capacities, financial and material resources) and their dynamics and, the most important, the quality and applicability of mobilised project ideas.

2.1.3. Actors of the programming exercise

Who are the actors in the process of programming and elaboration of Regional Operational Plan (Plan of Implementation of RDS) depends very much on the priority (specific) Objectives and Measures of RDS. It also depends on preparedness of the region to identify and mobilise quality project ideas that are valid for the implementation cycle for which the programming takes place. The ideal composition of the programming working group would be:

- Regional development experts;
- Active developers from the region (e.g. from NGO sector, successful municipalities, regional administration, education and institutes);
- Core promoters of project ideas;
• Financial/budget departments of the region.

The composition of programming WG should be flexible and contribution of actors should be adjusted related to the daily programme of activity. It is very important that the sources for additional information are available by phone or by mail as the work of programming WG is concentrated and should not take too much time. Very often it appears that simple and quick given information enables continuation of the work of WG (e.g. if water or electricity supply is available in the area where is proposed establishment of industrial zone). The Steering Board, established for the RDS elaboration process continue to be active till both, RDS and Operational Plan (Plan of Implementation of RDS) are completed and approved by Regional Council.

2.2. Operational Plan - Elaboration of a Programming Document

The purpose of the programming document is to prepare effective sequencing of implementation in terms of human, technical and financial inputs/resources. The preparation of the programming document involves two phases.

2.2.1. Project identification and Selection

Programmes and Projects are focused tools of specific measures with finite timeframes. A Project has only one purpose: its immediate objective; while programmes have a number of objectives, normally related to a number of projects, as a programme comprises a number of projects. The process of project identification and selection has a number of steps, including:

**Step 0. Inventory**

• Elaborating a ‘Menu of Opportunities’ (listing from SWOT) and Challenges (solutions of problems and their causes), which provides a clear picture of the intended orientation of the RDS.
• Brainstorming on potential projects within a set of measures, as defined by Regional Development Strategy;
• Creating an inventory of already identified projects, other sector programmes and donors activities in the region.
• Output: set of projects and maybe even programmes that are applicable to the Measures form RDS.

**Step 1. Project Mobilisation**

• Defining the criteria for the call for project ideas;
• Drafting the template for the project idea fiche;
• Elaboration of the text for the call for project ideas and selection of media tools; defining the time schedule for public mobilization of projects (minimum 3 weeks)
• Receiving the project idea fiches and joining them with already created list of projects from step 1;
• Control (check) on project eligibility (technical control and benchmarking of each project idea with the target of Measure from RDS);
• Recording the project idea fiches;
• Decided on the criteria for the call for project ideas by Steering Board.

_Step 2. Project Selection_

• Elaborating a list of project ideas (table with project idea title, indicative value and contacts of promoter);
• Setting the selection criteria (factors for selection);
• Deciding on methods and tools for selection;
• Selecting the projects for the Programming Document;
• Selection criteria (factors for selection) approved by Steering Board (the approval might be organized together with approval from Step 1).

_2.2.2. Selection Methods and Tools_

In the context of selection of projects, many techniques exist to assist in the process. The following two techniques or tools may provide effective guidance to the process.

_a. Paired Comparison analysis_

The Paired Comparison analysis works out the relative importance of different options. This tool is particularly useful where there is no objective data to base a decision on. It illuminates strengths and weakness of the projects under evaluation and it makes it easier to select the solution that will provide the greatest advantage. Paired Comparison Analysis helps to set priorities, where there are conflicting demands on resources but having clear selection factors. It results with highlighted difference of importance between the factors. In a case where there are many factors influencing the selection, Paired Comparison Analysis is initially used to evaluate the factors.

**How to use this tool:**

Using a grid, each selection factor is compared to the others, one-by-one and the comparison is evaluated (e.g. form 1-3). This means that comparing one factor to another the weight of importance has to be evaluated. So it goes on till each factor is compared to each other factor and the weight of prevailing factor evaluated. The sum of scores (evaluated weight of prevailing factor) arranges the factors in order showing the importance of the selection factor.

_b. Grid Analysis_

Grid Analysis (also known as Decision Matrix Analysis) is a useful technique to use for making a decision. It is a tool for making a choice where many factors must be balanced. It is most effective where you have a number of good alternatives and many factors to take into account. This makes it a great technique to use in almost any important decision where there isn't a clear and obvious preferred option.

The technique works by getting you to list of projects as rows on a table, and the selection factors (Factors that were defined at the beginning of Step 2 and were used also in the Pair Comparison technique) are set as columns. When the table is set begins scoring of each project/factor combination, weight the applicability of the project to the selection factor and score (e.g. from 1 to 3), and calculate the sums of these scores to get an overall score for the project.

While this sounds complex, in reality the technique is quite easy to use. Here's a step-by-step guide with an example.
How to use this tool:

Start by drawing the table with so many columns as selection factors approved by Steering Board and used in Pair Comparison (nominated as A,B,C,D...) and so many rows as number of projects to be selected. Then work through these steps:

- The first step is to list all of your projects as the row labels on the table, and list the factors that you need to consider as the column headings.

- The next step is to benchmark each project with each selection factor evaluated the applicability of project to factor (e.g. industrial zone against job creation factor-score 3 very good). Scores could be e.g. from 0 (poor) to 3 (very good).

- Now copy the table from previous step and add last column “Total” and one row with final scores of selection factors from Pair Comparison in the related columns (scores must carefully fitting with the name of factor). Multiply each of scores in the table (from step 2) by the values of scored selection factors from Pair Comparison. Multiplying Pair Comparison scores of selection factors with the applicability of the projects to the selection factors gives the weighted scores for each project to factor combination.

- Finally, add up these weighted scores for each of project at the end of each row. The project that scores the highest, is very important (or the most important) project.

2.3. Programming

The purpose of the programming is to prepare adequate sequence of implementation of the strategy, in terms of human, technical and financial inputs/resources for projects implementation.

The Programming Approach (Model)

A development program combines projects and measures from different priority fields of action / policy fields, which are mutually conditional and create synergic and complementary effects.

In addition, a program structure, which reflects the horizontal or vertical character of the planned interventions will make it much easier to identify and make use of synergies and complementary effects.
In principle the programming exercise consists of three main steps, which are outline in the following paragraphs.

**Programming Step 1: Grouping Projects**

Grouping of selected top projects (selected in the process described above) into strongly interlinked programmes and sub-programmes. The grouping is based on the three main principles:

a) **Conditionality**, which means that one project is a precondition for the implementation of the other project(s) or that it creates base/framework/system/structure for the implementation of the other project(s);

b) **Complementarities** means that two or more projects jointly contribute to the achievement of strategy objectives, while implementation of only one project from the group would hardly lead to the achievement of related goal;

c) **Synergy** means that two or more projects when implemented jointly will bring additional effects than if these projects were implemented separately.

Grouped Projects form programmes and sub-programmes. Synergetic relations mostly compile projects into programmes while conditionality (pre-conditions) and complementary effects create stronger relations between projects and are normally grouped in sub-programmes within the programme. This situation does consistently appear, and it is possible for programme to be implemented without sub-programmes. To build comprehensive programmes and sub-programmes additional projects can be identified when projects are grouped. Why? During the grouping and programme consistency analysis the gap could be identified, meaning that some actions are missing to build a comprehensive programme (e.g. the group of projects are targeted at multi-sector development of rural tourism, but missing e.g. road to the resort or promotion activities and investments for the newly build tourist opportunity).

**Programming Step 2: Defining of Project and Program Values, Implementation Schedule, Implementing Organization**

Activities under this step are considered a technical approach and involve experts knowledge, practice analysis and analysis of existing organizations eligible for implementation of projects (defined by
legal framework, e.g. Law on procurement and Call for Proposals Notice). The outputs of this exercise should be registered in the simple table.

**Programming Step 3: Preparation of the Operational Part of the Programming Document**

This part of the process is especially important in the cases when the region is included in the grant scheme from the state financial support (or other resources e.g. donor grant contracts). The activities listed below are enabling the correct planning of implementation. Doing it well, it is possible to avoid implementation problems like: financial resources are available but eligible implementing organizations are lacking the capacities/experts being busy with implementation of projects that were contracted earlier. Or, implementation of environmental conditions for rural tourism (cleaning the lake) without consideration that road to the resort has to be built first.

To avoid overlapping of implementation activities and allowing the gaps that slow down the efficiency, the following tasks must be performed:

- Analysis of potential financial resources and the dispersion of financial inputs for project implementation within the time frame, as well as potential implementers.
- Putting the projects in the right sequence (time frame) under one program or sub-program and in dependence on available resources to determine a precise implementation schedule.
- Preparation of short descriptions of programmes/sub-programs and projects.

This exercise is the most difficult part of implementation planning, requiring good knowledge, experience and creativity of participants. It also requires good facilitation as the process often repeats the steps (going back, repeating and correcting the implementation time table). Due to the need of good knowledge of the situation in the region, some analytical inputs are important.

The main inputs for this step:

- Professional absorption capacity for implementation (experts available);
- Technical possibilities (premises, land, equipment...);
- Indicative financial resources available;
- Conditionality and logic sequence of implementation.

When the brainstorming on matrix of resources and implementation sequencing in the time frame is completed, the outputs are ease to be put in the comprehensive planning table, which is the main part of Operational Plan (Plan of Implementation of RDS).
D. Updating a Regional Development Strategy - Steps and Phases

As outlined above, strategic development is a continuous process, which requires - due to permanently changing framework conditions - a regular re-assessment of a strategy orientation and - if required - an adaptation of strategy and program to new realities.

It has to be emphasized that reviewing the strategy and a programme should be fixed as a bi-annual task of the managing authority (RDA), but can also be triggered, when the inbuilt monitoring system indicated significant deviations from the initial strategic orientation of the defined implementation plan.

It speaks for itself, that all principles and methodological guidelines as previously outlined remain valid and in force, while a Regional Development Agency (RDA) or a similar institution should have been developed into a key driver, facilitator and manager of this on-going regional planning process.

**Step 1: Review of the SWOT Analysis**

Given the fact that the regional analysis - and more particular the results gained in this process - represents the **basis for strategic decisions** about the orientation and focus of future regional development measures, it is the re-assessment of empirical and informational basis of the strategy - namely of SEA and SWOT - which is the key task during a revision and/or updating exercise of regional strategies.
As the empirical data may have changed and/or the data basis available may have been improved since the initial elaboration of the strategy, the "value" of all previously identified regional potentials should be re-assessed from a comparative point of view (Benchmarking). Strengthen the region’s position in comparison with its direct competitors - in other words increasing its competitiveness - remains the overall strategic goal.

The focus on identifying endogenous potentials of the region, strong points or advantages, the development of which is most promising to encourage economic activities in the area, remains the Basic Action Principle.

The external framework conditions ("opportunities" and "threats") as outlined in the current version of the strategy should also be re-assessed and - if necessary - completed and/or re-interpreted.

The revised SWOT analysis should consider:

a. **Functional/horizontal areas**: Location and natural resources of the region; traffic and services infrastructure; human resources and skills; environment and living conditions.

b. **The main regional sectors**: agriculture and food processing; industry and manufacturing; tourism, logistics - services - trade.

**Step 2: Re-assessment of Strategic Priorities and Adaptation of the Operational Program**

As well done re-assessment of the regional analysis is very likely to demonstrate to what extent the framework conditions, which determine the region’s competitiveness, have significantly changed over time.

It is obvious, that such changes require an adaptation of the strategic orientation of the strategy, at least if an optimal allocation of means and sustainability of impacts remain guiding principles.

Accordingly the RDAs strategy building team along with all working and focus groups will have to run through all previously describe phases of the process again and adapt - where required - the objective tree and the structure of the ROP.