

Successfulness of Urban Development and Management: Applicability of Governance Indicators

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ABSTRACT

Planning urban development can be viewed as a cycle including phases of identification of a current situation, formulation of a future (vision), elaboration of financial framework for development projects, implementation phase, monitoring phase and evaluation of successful implementation. How successful the implementation is, will be the main focus of this paper and this question will be answered using governance indicators as a tool for measuring successful urban development and management in the local self-government units. Attempts to develop governance indicators to improve decision-making are long-standing in areas such as economic development, social progress, quality of life, environment and natural resources, healthy communities and sustainability (Hodge, 1997 and Seasons, 2003).

In the last 10 years, elaboration of strategic documents at the local and regional level has taken place in Croatia, introducing participative approach in planning development practice. Evaluation of implementation of such programmes is still lacking and the system of governance indicators should be introduced. Given the data availability, it is necessary to define governance indicators at the local and county level that will measure successfulness of implementation of strategic documents.

For the purpose of this research, three different towns (Samobor, Benkovac, Virovitica) and belonging counties (Zagreb County, Zadar County and Virovitica-Podravina County) will be a subject of analysis and afterwards compared. As cities are vital to the future of our societies and engines of local, regional and national development, duly evaluated development policy helps to secure urban vitality in a long-term and improve future urban development and management of the local self-government units. Therefore, it is necessary to assess implementation of local programmes within county ones and their correlation in reality.

As a result of a research, the paper gives policy recommendations for decision-makers and enhances their capacities in urban development and management in the local self-government units.

Key Words: governance indicators, urban development and management, Croatia

1. Urban development planning – theory

1.1. Definition

Urban, city, or town planning is the discipline of land use planning which explores several aspects of the built and social environments of municipalities and communities and this discipline is concerned with the ordering and design of settlements, from the smallest towns to the world's largest cities¹.

Sustainable development has become important aspect in the planning industry, with the recognition that present ways of consumption and living have led to problems like the overuse of natural resources, ecosystem destruction, pollution, growing inequality in cities, the degradation of human living conditions and human-induced climate change. Planners have, as a result, taken to advocating for the development of sustainable cities.

However, the notion of sustainable development means a development that improves the long-term social and ecological health of cities and towns. Suggestions for a framework that might help all to better understand what a 'sustainable' city might look like include compact, efficient land use; less automobile use yet with better access; efficient resource use, less pollution and waste; the restoration of natural systems; good housing and living environments; a healthy social ecology; sustainable economics; community participation and involvement; and preservation of local culture and wisdom.

1.2. Approaches in the planning process

The traditional urban planning process focused on “top-down” processes where the town planner created the plans.

The following briefly summarizes the characteristics of the traditional or classical theories of planning process and development at local level:

- traditional theories stress the core/periphery polarization in which capital flows from the core to the periphery and resources flow back to the core (eg. investments in oil fields flow from the city to a region);
- assume that development (spontaneous or induced) starts in a few dynamic sectors and geographical areas and spreads to other sectors and areas;
- the emphasis is on urban and industrial, capital-intensive development, the highest available technology and maximum use of external and scale economies;
- development usually involves large scale investment projects, efforts at increasing functional and territorial integration, increasing scale of the private and public organizations required to transmit development through these integrated units, large

¹ Based on Wikipedia. Available on Internet page: http://en.wikipedia.org/wiki/Urban_planning.

redistribution mechanisms and the reduction of economic, social, cultural and institutional barriers which hinder transmission effects with and between these units.

Changes to the planning process over past decades have transformed the role of the urban planner in the planning process. The new approach to planning process asks for more democratic planning processes as well as for huge role in allowing the public to make important decisions as part of the planning process.

Many authors suggest that an alternate approach is needed to describe development patterns and provide a basis for national, regional and local government policy.

The new approach or model of planning process, the "bottom-up" approach, has involved a dual emphasis: (1) important social, economic, environmental, and fiscal trends affecting especially larger cities; critical policy issues confronting central city decision-makers; and major programmatic responses to these issues and (2) how planning is and might be structured and carried out to deal with the issues and problems of urban settlements.

“Bottom-up approach” holds that decisions and power should be as close to the bottom as possible with coming from a local area rather than being imposed from outside. Self-directed and self-generated economic growth and development will occur with greater success than a potentially risky project imposed from above.

The major characteristics of this approach can be summarized in the following:

- the structural composition of the economy of each region plays a role in its development (however, location shifts occur within all sectors)
- whether a region gains or loses depends largely on the local conditions, such as political institutions, regional policy assistance, infrastructure, supply of skilled labour, social qualifications, factor prices and population density

We can conclude that his theory fits the pattern of emerging society more appropriately than do classical development theories. Planning of urban development can be viewed as a cycle including phases of identification of a current situation, formulation of a future (vision), elaboration of financial framework for development projects, implementation phase, monitoring phase and evaluation of successful implementation. How successful the implementation is, will be the main focus of this paper and this question will be answered using governance indicators as a tool for measuring successful urban development and management in the local self-government units. Attempts to develop governance indicators to improve decision-making are long-standing in areas such as economic development, social progress, quality of life, environment and natural resources, healthy communities and sustainability (Hodge, 1997; Seasons, 2003).

1.3. New planning process in several steps

In most of countries local economic development is one of the most important functions of local self-governments. Last several decades local economic development is result of a new planning process. This new planning process is characterized by preparation of strategic development programmes using participative methodology for local self-governments².

Box 1 Steps in preparation of a local development document using participative methodology

Preparation of a local development document using participative methodology takes the following steps:

1. Estimation of readiness of potential beneficiaries,
2. Kick-off seminar,
3. Establishment of the Development Board and working teams,
4. Situation analysis or SWOT analysis,
5. Workshop,
6. Harmonisation of measures,
7. Harmonisation with political programmes, current programmes and plans and the budget,
8. Public hearing,
9. Action plan,
10. Adoption (by the Development council, City Board, City/Municipal Council),
11. Monitor and evaluation (by local self-government), and
12. Further consulting (by experts).

Situation analysis or SWOT analysis (an acronym from S – Strengths, W – Weaknesses, O – Opportunities, T – Threats) is the best analytical tool to provide help in local development practice. Because of a lot positive sides, high utility and readability of the outcomes, this method has been spreading as appropriate method in projects where wide public is included

Preparation of the first draft - The results of the SWOT analysis have to be discussed on workshops. Workshops demonstrate to be adequate means for scooping problems and arriving to common development goals. The primary purpose of workshops is giving an equal possibility to various interest groups and individuals, who directly and indirectly belong to some of the analysed sectors. One of the most important parts of the SWOT analysis is to identify the key problems, although most often there were more problems that can be effectively discussed. Specific voting system, in which the number of votes given to the problem is always one less then the number of problems, impeded the chance that one or few persons dominate the identification of the key problems and to push their own views. After voting was finished, and the problems shrunk to optimal number to be discussed, they were transformed from passive statements to the objectives. Contrary to the problem stands the solution itself, and this is articulated through objective, where objective stands as a condition in which problem does not exist any more.

Two types of objectives can be defined in preparation of a development document: dynamic and static objectives. Dynamic objectives by their “continuous” nature appear as processes, results of which last after the measure has been completely implemented. Static objectives have a “fixed” nature meaning that once the static objective has been achieved, there is no need to keep on with the measure any more. The other characteristic of the objective is that it should be expressed in the present, although it is meant to be achieved in the future. This way of expressing better describes feasibility of something. Expressing in the future, could assume some imaginary actions to be taken and kind of figment of the imagination in the very beginning. Objectives also have their level of importance and level of interdependence with other objectives. Relations between objectives have to be carefully estimated to maximise positive impacts of one objective on a maximum possible number of other objectives. In this way, a multiplication effect of activities can be achieved.

Based on the identified objectives, measures and projects result in the objectives with the highest level of importance and those with the highest level of impacts on others. The next step follows by determination of measures and projects for each objective. In the end each measure contained following information: responsible institution, degree

² For more details see Jurlina Alibegović, Budak, Starc and Šišinački (2003).

of priority, implementation period, expected expenditures during the implementation period (disaggregated financial sources if possible) and remarks.

The extract that derives from the long-term strategic programme is an operational plan or action-plan. *The Action Plan* has to be designed in a detailed way to allow the identification of necessary and feasible steps. It provides a list of necessary and adequate measures for a period of four to five years. This serves as a guide for public expenditures, for searching co-finances for investment projects, and – not least – as a possibility for the public to challenge the political and administrative competence, capability and commitment.

Public hearing - As the process of elaboration advances, more and more individuals and interest groups should get involved. The culmination of involvement of wide public, i.e. the highest degree of participation is expected through the public hearing. If the participative methodology has been accepted as the basic idea in the elaboration process, then involvement of the public is probably one of the crucial steps in the process.

Adoption of the document - After the public hearing ended, and final draft produced, the programmes were presented to the local bodies for the adoption. The adoption of the document should not be the last step in complete process of development planning. Its implementation appears far more important. Further external consulting should be continued. The mission of the development planning is to build capacity of the local administration (local community) where local administration is an initiator and promoter of future development.

2. Governance indicators – theory

2.1. What and why?

The main role of urban development and management is to provide urban services by establishing system of urban management that will provide adequate living conditions and well-being to all urban citizens. In many countries shift from government to governance is observed, and it is accompanied by shift and change in the form of organization in providing public services. The term *good governance* and *new public management* contain many of these changes.

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society³.

New public management is a field of discussion largely about policy interventions within executive government. The characteristic instruments of such policy interventions are institutional rules and organizational routines affecting expenditure planning and financial management, civil service and labor relations, procurement, organization and methods, and audit and evaluation. These instruments exercise pervasive influence over many kinds of decisions made within government. While they do not determine the scope or programmatic content of governmental activity, these government-wide institutional rules and organizational routines affect how government agencies are managed, operated, and overseen: they structure that part of the governmental process usefully described as public management. In recent years, political

³ See mor on Internet page: <http://www.unescap.org>

executives, central agency leaders, and legislators in numerous settings have demonstrated a sustained interest in policies affecting public management, the best-known cases of which are the United Kingdom, New Zealand, and Australia.

New public management is concerned with the systematic analysis and management of public management policy. This policy domain relates to all government-wide, centrally managed institutional rules and routines affecting the public management process. For this reason, the domain encompasses multiple organizations within state, regional and local level of government, including central agencies responsible for budgeting, accounting, civil service and labor relations, efficiency and quality, auditing, and evaluation. Systematic analysis involves clear argumentation about the relationship between context, goals, policy instruments, and choices. Systematic management is a process of decision making that is both informed by analysis and well adapted to the political and organizational forces that shape decisions and their downstream effects.

New public management reflects a change in attitude. It is a term that refers to reforms that curred in the public sector. The idea was to make the public system function like the private sector⁴.

To achieve major goal, adequate living conditions to all urban citizens, local self-government needs successful strategies for planning effectiveness at local level. In theory attention is to many different theoretical models have been proposed to achieve greater planning effectiveness, strategies that public planning agencies follow to achieve greater influence in the development decision-making process, and the implications of what trying to achieve greater effectiveness means for planning education, values, ethics, and techniques. In practice diverse experienced planners are able to discuss the approaches they have used in their respective settings to increase effectiveness at local level.

Predominantly in the theory but unfortunately not too much in the practice, governance indicators can be seen as integral parts of the planning process. Elaboration and evaluation of implementation of planning programmes or strategic documents at the local and regional level is strongly correlated with the introduction of system of governance indicators. Governance indicators at the local and regional level measure successfulness of implementation of strategic documents.

In the following paragraphs we would like to argue what is an indicator and what is a governance indicator⁵. Indicators are representatives for complex information that cannot be directly measured. There are many definitions of the indicator and here we prefer the definition, which states, “each indicator is actually a kind of small model in its own right, implying elements of cause and effect of social norms that constitute progress, and of policy actions and outcomes”⁶. A proper indicator should be comprehensive, clearly defined, reproducible, unambiguous, understandable and practical, i.e. meaningful for decision makers, but based on theoretical insights.⁷ Formulating a good set of indicator is a difficult task. There is a general agreement that we cannot define a

⁴ See mor on the Internet page <http://en.wikipedia.org>.

⁵ This part of the paper is based on Jurlina Alibegovic and Kordej-De Villa (2006).

⁶ The phrase is from de Villa, Westfall (2001).

⁷For references see Kuik and Gilbert (1999).

single indicator of development, which will incorporate all dimensions⁸. Furthermore, it is widely accepted that indicators are influential if they measure something highly valued and that their main influence is in the process of formulation. There is also intense debate regarding the process of indicator development. Basically, there are two different approaches to this issue. There is large body of literature⁹ recognizing cooperation and broad participation in the process of formulating indicators as precondition for building meaningful set of indicators. Participation of broad stakeholders provides credibility to the whole process and guarantees consensus about problems and priorities. Another stream of literature emphasizes¹⁰ that process of formulation of indicators has a profound scientific dimension, and therefore involving citizens in the whole process raises many concerns regarding their insufficient knowledge about technological, ecological, sociological, economic and other issues. Some authors argue that such participation process could lead to recommendations that are not scientifically based.¹¹

Governance indicators have major role as management tool by policymakers, citizens, researchers, private sector and international agencies. Because of that governance indicators should be explicitly related to policy, helpful to urban managers and other developers and have to measure policy performance. Furthermore, they should deal with urban strategic goals and in their developing, participation process should be applied.

In the following paragraphs basic features of governance and management indicators (or performance indicators) are explained.

2.2. Characteristics of governance and management indicators

Major strategy for urban governance and management indicators is connected to incorporate in city activities the four principles of good governance: accountability, predictability, transparency, and participation. Important strategy of governance and management indicators is associated to increase predictability in the application of legal and administrative procedures, enlarge transparency in public-private activities, increase community participation, including demand management to improve service delivery. There are several governance and management indicators but the most useful are those indicators that major goals relate to promotion of decentralization as an instrument for achieving more effective service delivery and strengthen local authorities. Most of the indicators, which have been developed thus far for local government, focus on financial management and promote financial independence of local government. Essential strategy is to define clear roles for public and private sectors in strategic planning, financing, and delivery of services.

To achieve that major goal several sub-goals should be accomplished:

⁸Based on Huenting and Reijnders (2004).

⁹Common formulation of indicators with participation of key actors provides development of collective learning and feedback to decision-making. Cooperation implies presence of adequate institutions (proper allocation of responsibility with horizontal and vertical coordination, etc). See in Hezri (2004).

¹⁰Based on Becker (1997).

¹¹For details refer to Wong (2003).

- set benchmark indicators for delivery of services by city and contracted out to the private sector,
- set standards and regulations in different areas (e.g. for land transfer),
- to encourage and support participation and civic engagement,
- to ensure transparent, accountable and efficient governance of towns, cities and metropolitan areas,
- establish decentralization of key public functions, including private sector participation in some sectors,
- increase share of city revenues from property taxes, as well as user charges,
- increase assess potential for new sources of funds, including private capital, as well as city's long-term access to capital market,
- increase use of market-based pricing of public services in designated service sector such as water supply,
- assign roles for a service to one level of government, to the community or to the private sector.

Governance indicators can be divided in two groups of indicators: *qualitative data* and *quantitative indicators*.

Key quantitative indicator for realization of the first sub-goal is *local government revenue (and expenditure)*, which means how much of local government budget come from independent local revenue sources.

Rationale for that key indicator comes from the fact that sustainability of local municipality can be achieved through the effective decentralization of responsibilities, policy management, decision-making authority and sufficient resources. According Habitat Agenda, the amount of local government revenues¹² is an important indicator, which determines the level of effectiveness of local authorities. The level of revenue and the structure of revenue are important information, which indicates the level of income which municipalities are able to rise from their residents, the business and industries and from higher levels of government. In some cities, the high level of revenue and investment is because local governments are responsible for wide range of local service.

The amount of local government expenditure is important information on the degree of responsiveness of local government to the infrastructure needs of local residents, industries and services. The level of capital expenditure varies across cities and regions. A low level of capital expenditure correlates with a low level of access to services (for example, poor water treatment and waste collection). A low level of capital expenditure can also indicate that many local services have been privatised. In some cities, the high level of recurrent and capital revenue is due to the fact that local governments are responsible for virtually the whole range of local services.

¹²Local government revenue is the total local government sources of funds in national currency annually, both recurrent and capital, divided by population. Capital expenditures should be a three year average because infrastructure investment may be spread over time in an unequal manner.

To give the answer to this question regarding the level of decentralization process in any country it is important to know that decentralization is part of the general goal of institutional development. Sustainable local municipality will increasingly depend on the capacity of all levels of government to reflect the priorities of municipality, to encourage, guide local development, and promote partnerships. To determine the level of decentralization and independence of action of local government it is important to know how the local government can set local tax level, user charges for services, borrow funds independently or with permission of higher level of government. It is considered particularly important that local governments should know the level of funding they will receive from higher levels of government, either as formula-driven transfers or as long-term allocation.

There are essential governance and management indicators or performance indicators that are interrelated budgeting procedures. The reason for that is because several characteristics of governance indicators and particularly because of their emphasis on the functional importance of expenditures. In the focus of this relationship is *the role of budgeting as a critical tool of urban management and development*. There are several types of operating budgets - line-item, program and performance budget.

The line-item budget is a financial document that lists how much the local and regional government will spend on every item that it uses.

The program budget is generally related to goals and differs from the traditional line-item approach to preparing, reviewing and presenting the budget. A program budget allocates money to major program areas, focusing on the expected results of services and activities to be carried out. The emphasis on program projects is on the attainment of long-term local community goals. The primary goal of program budgeting is that it allows municipal leaders to plan a budget in a manner that allows for improved decision making regarding the organization's goals. In a program budget, revenues and expenditures are linked to multi-year community goals and objectives¹³. A program budget identifies the anticipated results and outputs of these investments.

The most profound benefits of using program budgeting as primary operating budget tool are the following: financial data are presented in a transparent format; it encourages a more coordinated and efficient government administration and is more focused on the communities' priorities and financial capabilities.

The performance budget allocates money to various programs within an organization or local/regional government unit but also details the service level on which the budget is predicted. The service level is identified by the use of performance measures. In addition to controlling costs, the primary orientation of the performance budget is that of improving the internal management of the program. The performance budget has measurable service objectives in terms of unit costs.

The program and performance budget use indicators to measure financial and operational performance, but they have a different focus. A performance budget emphasizes management

¹³For details see Crain and O'Roark (2004).

efficiency, whereas a program budget emphasizes the benefits that the local community gains from municipal expenditures¹⁴.

Budget performance information and performance measurement is a key point for strategic planning at the local and regional level. Modernizing municipal budgeting practices implies a shift away from control orientation and budgeting inputs to focus on outcomes (results) and accomplishments. Local and regional budgeting is such a complex process that the budgets are usually a combination of line-item, program and performance budgets. The primary objective is to make the budget process more efficient and effective. One of the tools used to achieve this is *the management plan*¹⁵.

From all above mentioned we can concluded that the major governance indicator is *local government revenue and expenditure* aiming to ensure transparent, accountable and efficient governance of towns, cities and counties.

Table 1 **Governance and Management Indictors**

Outcome indicators	Output indicators	Input indicators
Promotion of decentralization and strengthening of local and regional authorities.	Tax collection rates (or tax effort relative to revenue base). Structure of local and regional government revenue.	Clear frameworks for intergovernmental assignment of responsibilities. Extent of devolution of functions and corresponding authority to local government.
Encouragement and support participation and civic engagement.	Citizens' participation (voters' participation and civic associations). Extent of regular public consultation in local government's budgeting and investment selection process. Extent of strategic intent or vision developed in partnership with stakeholders which guide local government activities.	Extent of citizen participation or representation in local government (direct election of mayor and council active involvement of community organizations in planning functions). Clear institutional framework for private sector participation in local public services.
Efficiency and competency of local government in fulfilling essential responsibilities.	Percentage of local government services that are subjected to competition with the private sector to assure efficient and effective service delivery. Percentage of local government staff with professional qualification.	Training of local government staff. Manuals of procedures for major administrative functions that follow good practice.
Extent of trust and satisfaction with local government performance expressed by citizens and other stakeholders in representative surveys.	Public access to information about local government decisions (e.g. policy and regulatory, contract awards, procurement service delivery and budgetary performance etc.).	Independent and objective framework for reporting on local government integrity and performance.

Source: Authors' systematisation based on de Villa and Westfall (2001) and UNHSP (2004).

¹⁴Based on Schaffer (2000).

¹⁵The management planning includes the formulation of long-term objectives and short-term goals, priority settings, elaboration of plans, and control and supervision of budget execution from a qualitative as well as quantitative perspective. The local or regional management plan should include mission statement, description, accomplishment and achievements, goals, objectives and performance indicators.

Theoretical literature gives numerous different systematisations of governance and management indicators, positive and negative aspects in establishment of indicators¹⁶. Table 1 contains three different types of governance and management indicators.

3. Urban development planning in Croatia

In the last 10 years, elaboration of strategic documents at the local and regional level has taken place in Croatia, introducing participative approach in planning development practice¹⁷.

In this paragraph the major purpose is to analyse and describe a way in preparing strategic development programmes for local self-governments in Croatia. This section of the paper additionally aimed to explain successfulness of the development programmes at local and regional level¹⁸.

The Croatian local and regional policy started its transition and that rich history of socialist planning has left some useful experience, secured certain level of planning culture. Last ten years laws and by-laws dealing with local and regional development management have been gradually abandoning direct fiscal incentives and introducing regional development programming on all government levels. This new legislation has called for programming in social and economic environment, literary stuffed with development documents labelled “strategic programmes”, “strategies”, or “long term plans”. In the last ten years, they have been prepared on all levels, starting from the national to the local level of government. Common characteristic of these documents is that they do not get implemented or monitored and evaluated, as well as all decisions are still made in non-transparent way.

Since development programming has been called both by national legislation and the EU documents, current practice of programming requires a bit of analysis. Preparation of a municipal development programme starts with recognition that usual day to day decision making is no more acceptable and that the development of the municipality should be managed. This is usually recognised by the mayor or a couple of members of the town/municipal board, who in an attempt to solve the problem, usually deduce that they need a strategy. In search for a competent person or an institution that might do that for them, the mayor looks around, finds no one in the municipality and ends up in one of the regional centres or most probably in Zagreb. Since an institution that would provide relevant guidance does not exist the mayor uses personal connections and/or randomly gathered information and eventually finds someone who is willing to prepare a strategic document. This may be a consultant or an informal team of consultants, but also a scientific institute, one of the five country's economic faculties or a consultancy firm. In the course of negotiations that follow, the mayor and his/her board members express their development views and proposals, whereas the consultants rarely expose the methodology that

¹⁶For detail see Arnd and Oman (2006).

¹⁷Old Croatian practice is familiar with the procedure of public hearing in the process of adoption spatial (physical) plans. Pilot projects show that the practice of public hearing for development documents has been introduced for the first time. The results of public hearing were evaluated. Comments, suggestions amendments and critics were discussed and those well-argued were included in the final draft.

¹⁸This part of the paper is based on Jurlina Alibegović, Budak, Starc, and Šišinački (2003).

they are going to use and simply state that the programme can and will be prepared. After the contract is signed the consultants visit the municipality, gather data, have further talks with the mayor, and visit municipal administrators and directors of important local firms and retreat to the capital. After a while (6 months usually) the strategy is completed and delivered to the municipality - not always followed by a presentation.

A sample of these documents reveals an almost standard structure. "Standard" development document starts with an exhaustive and informative exposition of the current situation beginning with natural characteristics of the area and ending with a description of the municipal economy and social services. Data are often insufficient for a thorough analysis, but this part is nevertheless far better than the rest of the document. However, development objectives are taken as self understood and stated with not much explanation, so that most of them could stand for almost any municipality in the country. As a consequence, no action plans that would state "who does what, in what time, and for how much", are stated. Development recommendations are general and addressed to a municipal administration or to some vague higher government level without specification. Recommendations are often stated in passive form (awkward in Croatian). Good wishes like "supportive infrastructure should be improved", "conditions for faster growth of SME should be secured" and similar are to be found in the last, usually very short chapter of the programme.

One of the side effects of the legacy is the lack of institutional analysis. Another side effect refers to the municipal budget. It is rarely analysed and almost never brought in connection with the development programme. Even if the programme has stated "how much money is needed for its implementation", there is no counterpart in the municipal budget and it remains unclear where the finances will come from.

The mayor and his Board are thus left with a document that is of little use. Left with same knowledge about what to do as he/she had before the strategy was prepared, the mayor soon turns back to his/her urgent daily problems and continues doing what previously was the reason for search of the strategy. The document stays on the desk for a while and soon ends up in "a drawer" as it is commonly put.

The reasons that this more or less useless activity has been going on are to be found on both sides. Municipal mayors, county prefects and Board/Assembly members are rarely properly educated. There is no experience and the administration is not skilled enough and, as a rule, not motivated. Besides, the economic environment in which the municipality is supposed to be managed is turmoil and highly unpredictable, so that it seems that only day to day decision making remains as a tool. On the other hand, consultants responsible for the programmes and strategies are not around, when it comes to implementation.

In the past several years, several international development agencies have provided support to the Croatian government and pilot projects on elaboration of regional and local development strategies were accomplished. These agencies in co-operation with local experts and government institutions have independently tested proposed methodologies for strategic development plans in various regions and localities. In this way, domestic practices are coupled with attempts to introduce more advanced and socially justifiable ways of managing regional development.

4. Governance indicators at local and regional level in Croatia

Given the data availability, it is necessary to define governance indicators at the local and county level that will measure successfulness of implementation of strategic documents. Evaluation of implementation of such programmes is still lacking and the system of governance indicators should be introduced.

There are several constraints on local scale for establishment of governance indicator system in Croatia.

Inappropriate data availability is one of the main constraints for organization of governance indicator system at local and regional level. We primarily think about data on urban economy and urban environment, while financial data are usually available and they are of good quality.

If we consider only period from 1991 onwards, it can be concluded that because of constant changes in administrative-territorial set-up of local and regional levels in Croatia, it was quite difficult to establish statistical database. Constant changes in applied methodologies, changes of the base period or accounting units, short time series are further obstacles in forming of a local and regional statistical database. Additional problem is that data were and still are not collected neither published at a single place.

Weaknesses of statistical system are also huge constraints for establishment of governance indicator system. These weaknesses include absence of statistical business register; high turnover of staff employed in the Central Bureau of Statistics, and insufficient IT infrastructure.

Weak co-operation between different institutions that is responsible for organisation of data collection, data procession and data publishing. Majority of these institutions are the Central Bureau of Statistics as the central body, state administration offices within the counties and the administrative body of the City of Zagreb authorised to perform official statistics tasks, the Croatian National Bank and other authorised bodies of official statistics determined by the Programme of Statistical Research.

The goal of this section of the paper is to present the framework to include governance indicators in urban development and management successfully in Croatia. Selected framework should be easily replicated and applied by city managers. Today it is commonly agreed that it should be combination of *policy based* and *index-driven* approaches and *performance measurement indicators*. Policy-based approach guarantees that indicators will accompany urban strategies. In addition, it enables consultation with different stakeholders. Index-driven approach is helpful while cities always tend to compare themselves with other cities in terms of economic development, environmental quality, etc. Finally, performance measurement indicators are useful while they report about efficiency of public services. In addition to this, it is expected to design several governance indicators frameworks. Each of them should be suited for specific requirements regarding national, county or city level. One broad, general and flexible framework should be proposed for national level, while more specific will be for county level and very

detailed for city level. Activities related to formulation and application of governance indicators framework are still lagging behind the legislation and declared goals, creating gap between policy measures and their implementation, as well as between regulation and enforcement.

Until now, the main activity regarding governance indicators in Croatia is associated with UN-Habitat Agenda¹⁹. Within the context of implementation of the Habitat Agenda and collection of indicators in line with Habitat methodology, in 2002 four pilot projects were designed and educational program was prepared for city management.

The main objective of the project was taking into consideration diverse types of urban areas and impacts of these diversities on the selection of indicators (not only governance indicators). In this regard, these pilot projects included the City of Zagreb, the Primorsko-Goranska County, coastal town of Rovinj and continental town of Slavonski Brod²⁰. The pilot projects pointed to the conclusion that it would be useful if collection of data for indicator will become a permanent activity of CBS. The first goal therefore is to standardize collection systems and exchange of information used by different institutions.

Diverse types of urban areas should be also reflected in the types of indicators selected. This choice should reflect the strategic development goals of specific city/county. It should be recognized that selection of indicators should help in building capacity of city management, develop approaches and methodologies for monitoring and evaluation of city government, monitor and assess efficiency in providing public services and quality of these services, as well as identify proper investments and development urban strategy. The indicators should be selected based on their relevance for preliminary assessment, taking into account information constraints. Therefore, it is suggested to begin with smaller set of indicators where data are of reasonably good quality and gradually expand this set with other indicators. Good starting point for selection of indicators is set of 20 key urban indicators from Habitat Agenda. As previously mentioned to be efficient and credible, the whole process of formulating indicators should be participatory including all stakeholders in specific area. This requires coordination among different sectors, different levels of government and different institutions. Institutional shortcomings in this field are more severe than technical problems related to collection, processing and dissemination of data.

In the following Table 2, we present potential governance indicators suitable for Croatian case, aiming to divide governance indicators regarding achieving different general goals as well as goals defined in local development strategies.

¹⁹ In 2000 Croatian Government establish the National Committee for Habitat.

²⁰ Pilot projects included 20 key urban indicators grouped in six areas: housing, social development and poverty reduction, environmental management, economic development, governance and international cooperation. For details refer to Habitat bulletin (2003) on www.mzopu.hr.

Table 2 **Governance indicators**

Goal	Qualitative data	Quantitative indicator
Promote f decentralization and strengthen local authorities	Level of decentralization	Percentage of local government participation in GDP and in consolidated general government.
Encourage and support participation and civic engagement	Citizens' involvement in major planning decisions Harmonization of major development goals defined in local and county development strategies	Performance indicators for major development goals defined in local development strategies.
Ensure transparent, accountable and efficient governance of towns, cities and counties	Transparency and accountability	Percentage of local government revenue and expenditure in total local government revenue and expenditure. Percentage of recurrent local government revenue and expenditure in total local government revenue and expenditure. Percentage of capital local government revenue and expenditure in total local government revenue and expenditure. Performance indicators of local budget spending by major development goals defined in local development strategies.

Source: Authors' systematisation based on de Villa and Matthew (2001) and UNHSP (2004).

Experience shows that the development of governance indicators used to measure progress in that direction are most effective when they are "owned" by community stakeholders. Accordingly, we propose that our framework should be based on partnerships (it should define organisational structure for planning by all relevant stakeholders), community-based issue analysis (it should incorporate assessment of priority problems), action planning (provide a methodology for scenario planning and reaching agreement on action goals, setting targets and triggers, and for the creation of strategies and commitments to achieve these target; that will be set out in such a way as to facilitate their incorporation into the city's action plan), implementation monitoring (identify and organise the partnership structures needed for implementation and the internal management systems required for municipal compliance) and evaluation and feedback (periodic performance evaluations using target-based indicators). The proposed framework should be very practical and focused on development planning.

5. Case studies – 3 cities and 3 counties – comprehensive analysis

5.1. Local development strategies

In the frame of overall project “Consulting in regional planning in Croatia” the German agency GTZ joined with the Institute of Economics Zagreb and initiated projects of preparation of development strategies for the local self-government. In the years of 2001 and 2002 several programmes were prepared and locally adopted: strategic programmes for the cities of Virovitica and Samobor and some others. They have quite well shown the capacity of the local self-government to manage its own development.

In the following paragraphs of the paper three different towns (Samobor, Benkovac, Virovitica) and belonging counties (Zagreb County, Zadar County and Virovitica-Podravina County) will be a subject of analysis and comparison. As cities are vital to the future of our societies and engines of local, regional and national development, duly evaluated development policy helps to secure urban vitality in a long-term and improve future urban development and management of the local self-government units. Therefore, it is necessary to assess implementation of local programmes within county ones and their correlation in reality.

First attempt of using participative methodology in preparation of development programme and its' later implementation, relates to the City of Virovitica where this approach resulted in successful preparation and adoption of the strategic development document, but failed in the implementation phase. In the other hand, the strategic development programme for the north Croatian city of Samobor appears as quite suitable pilot projects of introducing participative goal oriented development programme methodology in Croatia. Both programmes deal with overall development of the municipalities in question, promote participation and have been monitored from the very beginning of their implementation.

The Development Council of the City of Samobor expressed positive attitude towards SWOT analysis. In the City of Virovitica teams were also established to undertake the analysis. Besides economy sector, social sector, environment and spatial planning, for the first time in Croatian practice the institutions responsible for development management has been examined. The administration of the City of Samobor engaged to do the institutional analysis is to be stressed here. Realizing their own inadequacies, they felt free enough to cope with new way of thinking and observing. They gave an introspective view of own „health condition“ and confessed own dirty laundry - a pretty tough and unpleasant task for those who have to analyse the sector that they are employed in.

In autumn 2005 the City of Benkovac asked the Institute of Economics, Zagreb to provide expert help in the preparation of the strategic development program for the city. The preparation was led by the experts from the Institute and involved various stakeholders as well as several members of the City administration. The City Council adopted the Program in autumn 2006. The experts offered further assistance during the implementation phase.

All three cases are characterized with the lack of monitoring and evaluation by the local self-government, however. Indicators of successful implementation do not exist, criteria for (non-) executions of tasks are not determined and evaluation is missing.

All three local development programs were prepared in a modern participatory manner according to the methodology generally prescribed by EU. On the other hand, they were initiated by different agents and followed different formal procedures. The development consequences range from no implementation to a fairly successful development management. The programs and their implementation reveal all the obstacles to development policy formation and implementation and point out the importance of the good governance in development management on the local level.

The implementation of the three programs should be monitored. The adoption procedures should be analyzed. The success/failure factors should be distinguished so that the role of good governance can be determined. The analysis should be performed so that clear policy recommendations could be arrived at both on local and national level.

Despite of the fact that in each case the same methodology has been applied, the cases differ. Each case has own particularities which are to be exposed and commented.

Three analysed Croatian cases show us positive and negative side of development planning process in Croatia. It is too early to evaluate the experiences based on one pilot which has been adopted by the Croatian Government only recently. Since this is the first example of a broadly co-ordinated development strategy, general inexperience of all (ministries, local governments as well as consultants) is the main reason for such a long time lag between local government adoption and adoption on the central government level. However, there are some preliminary observations on the general methodological approach.

Good sides of the tested methodology are: clear structure of necessary steps, flexible approach to elaboration process, fruitful and well accepted participation, tolerance and democratic discussion enhanced through appropriate guidance, creation of a coherent local government management tool, and involvement of local experts providing better insight into current circumstances and problems.

There are several important mistakes and bad sides of the tested methodology but they could not be identified precisely. The first implementation of the methodology caused standard problems related to testing issues and piloting. Therefore, most of the bad sides are mainly a result of beginners' mistakes and could be summarised in four important conclusions. First, a long process of consideration by the local community. Second, local government officials and professionals lack know-how for assessing real and financial needs and therefore, the necessary communication and networking skills, which reflected many miscalculations in the operational plan. Third, the strategic plan was initially not synchronised with local government budget and the first yearly implementation plan was not synchronised with strategic plan. Fourth, top down (external) initiation of local development strategies cause difficulties in acquiring ownership of the strategy.

One of the lessons learned is that time and resources (especially financial ones) are not obstacles to elaboration of a strategic document. Real obstacles could be insufficient and not enough educated personnel and rejection of idea (unwillingness) towards preparation of development

document. Nevertheless, the three programmes clearly marked the *new approach to local development programming in Croatia*.

5.2. Implementation and correlation of local and county development strategies

Cities are vital to promote local, regional and national development, as well as improve future urban development and management of the local self-government units. Therefore, it is necessary to assess implementation of local programmes within county ones and their correlation in reality.

Table 3 **Case studies comparison**

Development strategies in		
the City of Samobor and the Zagreb County	the City of Virovitica and the Virovitica-Podravina County	the City of Benkovac and the Zadar County
Selection of major defined goals in		
the City of Samobor	the City of Virovitica	the City of Benkovac
<ol style="list-style-type: none"> 1. Business zones development; tourism and agricultural development. 2. Social infrastructure development. 3. Effectiveness of local self-government in providing local public services. 4. Waste management development. 	<ol style="list-style-type: none"> 1. SMEs development. 2. Social infrastructure development. 3. Environmental protection development. 4. Public sector development. 	<ol style="list-style-type: none"> 1. Real estate market development. 2. Business zones development; tourism and agricultural development. 3. Basic infrastructure development. 4. Education of local self-government for local development management.
the Zagreb County	the Virovitica-Podravina County	the Zadar County
<ol style="list-style-type: none"> 1. Partnership development and decentralization. 2. Encouragement and equalisation of local development. 3. Increase of number of jobs. 4. Agricultural development in rural areas. 5. Infrastructural development. 	<ol style="list-style-type: none"> 1. Economic development based on agriculture, SME, industry and tourism. 2. Human resource development. 3. Environmental protection, protection of historic and cultural heritage. 	<ol style="list-style-type: none"> 4. Sustainable economic development based on tourism, agriculture, fishing, clean industry and services. 5. Infrastructure development. 6. Human resources management.

Source: Authors' systematisation.

Table 4 **Governance indicators - case studies comparison**

Goal	Qualitative data			Quantitative indicator		
	the City of Samobor	the City of Virovitica	the City of Benkovac	the City of Samobor	the City of Virovitica	the City of Benkovac
Promote f decentralization and strengthen local authorities	Level of decentralization			Percentage of local government participation in total local budget revenues in Croatia; in county budget.		
				0,65% 11,3%	0,34% 25,7%	0,14% 4%
Encourage and support participation and civic engagement	Citizens' involvement in major planning decisions			Performance indicators for major development goals defined in local development strategies.		
	Harmonization of major development goals defined in local and county development strategies					
	Yes	Yes	Yes	Do not exist	Do not exist	Do not exist
	Partly.	Partly.	Fully.			
Ensure transparent, accountable and efficient governance of towns, cities and counties	Transparency and accountability			Percentage of local government revenue and expenditure in total local government revenue and expenditure.		
				Percentage of recurrent local government revenue and expenditure in total local government revenue and expenditure.		
				Percentage of capital local government revenue and expenditure in total local government revenue and expenditure.		
				Performance indicators of local budget spending by major development goals defined in local development strategies.		
				0,65% 0,54%	0,34% 0,32%	0,14% 0,15%
				0,58% 0,74%	0,31% 0,25%	0,06% 0,06%
				1,81% 0,47%	0,74% 0,47%	0,01% 0,02%
				Do not exist	Do not exist	Do not exist

Source: Authors' calculation.

In the next section we try to analyse and compare local and belonging county development strategies – which mean the City of Samobor development strategy within the Zagreb County development strategy; the City of Virovitica development strategy within the Virovitica-Podravina County, and the City of Benkovac development strategy within the Zadar County. The most important goal is to find correlation between local and county development strategies in preparation and during implementation phase. Establishment of good *indicators of successful implementation of both consistent strategies as well as criteria for (non-) executions of planned development tasks in both consistent strategies* is of great importance.

Table 3 and 4 contains major results of our research. As cities are vital to the future of our societies and engines of local, regional and national development, duly evaluated development policy helps to secure urban vitality in a long-term and improve future urban development and management of the local self-government units. Therefore, it is necessary to assess implementation of local programmes within county ones and their correlation in reality.

6. Policy recommendations – for improvement of future urban development and management

As a result of a research, the paper gives policy recommendations for decision-makers and enhances their capacities in urban development and management in the local self-government units.

Previous chapters briefly examine definition and approaches of urban development planning and governance indicators in theory and in Croatian practice. Special attention is given to comprehensive analysis of three cities and three counties case studies regarding development and management. One of the possible solutions for that is through creation of governance indicator system. Despite all of their imperfections, indicators can be a useful tool for evaluating the progress towards sustainable urban settlements. To do this indicators have to be policy relevant and linked to targets and formulated in a participative manner with the input from different stakeholders.

In Croatia, governance indicators can help in many important areas such as decentralization²¹, governance²², decentralized cooperation and many others, so future researches in this area will be critical.

²¹ Decentralization is issue, which arises from the growth of the economic, political and administrative autonomy of cities. Urban indicators could be very insightful in finding solutions in terms of institutional and legal arrangement, which will allow local authorities to assume increased administrative, economic, fiscal and environmental responsibilities. In addition, urban indicators can answer how the financial and legal questions surrounding intergovernmental relations can be addressed.

²² The development of modern approaches to governance has already begun, but it will be possible to establish mature and sophisticated forms of participatory governance only in the medium and long term. There are numerous factors, which hinder improvement of city governance. Just to name the most important bureaucratic inertia, lack of strategic vision and political will to govern in transparent way, inability to plan and manage the urban region, scarcity of instruments to monitor and evaluate public and private service providers, and the lack of capacity of social organizations to take active roles in the management of public affairs.

There are several important recommendations regarding usefulness of governance indicators. First, all stakeholders in Croatia need to be informed regarding major constraints and possible improvements to establishment of internationally comparable database and governance indicators. Second, establishment of a statistical background and governance indicators for policy-oriented research, which should enable research focused on challenges in the legal, institutional, administrative and financial systems of Croatia that are important for future local economic development.

In Croatia, policy-related approach to framework development is recommended and in order to guarantee that local priorities and values are represented, the whole process should be participatory. Implementation of governance indicators as management tool is still at the beginning. Although indicators gained growing importance, their effectiveness in influencing policy in Croatia is limited. We can identify three major groups of reasons for that – institutional, methodological and technical. Integrating indicators in policy process would ensure its effectiveness and relevance. As city and county governments within Croatia concern themselves not just with what they do, but also how well they do it policy-based governance indicators will become commonplace.

At the end we have to emphasize that introduction of indicator framework will also provoke new researches in central-local authority patterns, government reaction, local-community reaction, and in forms of social networking.

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