

ECONOMIC DEVELOPMENT: TAKING ACTION TO CREATE JOBS

Lessons of the Pazardjik, Bulgaria–West Bend,
Wisconsin, CityLinks Partnership

CASE STUDY NO. 2

WORKING THROUGH THE CITYLINKS PROGRAM, Pazardjik, Bulgaria, has been successful in developing an industrial park that will create over 400 new jobs, and result in more than \$5,000,000 of private investment. The city's new, proactive economic development strategy has been instrumental in decreasing the rate of unemployment from 24 percent to 12 percent in the past four years.

Introduction

In 2000, Pazardjik, Bulgaria, was wracked by an unemployment rate of 24 percent, not only creating economic distress, but also limiting the city's ability to provide services to citizens because it lacked sufficient tax revenues. Like so many cities that had previously relied on a centrally planned and controlled economy, Pazardjik found itself ill prepared for the transition to a new, market-driven environment. For a decade, city officials hoped for the national government to take the lead in rebuilding the city's fractured economy. By 2000, it had become clear to the city's elected leaders that answers would not be forthcoming from the national government. The city had two options: to act or to continue its economic slide.

Mayor Kolchakov and the city council decided to act and applied to take part in ICMA's *CityLinks* Program sponsored and funded by USAID Bulgaria. An initial diagnostic

study of Pazardjik clearly showed that the city had significant assets that could be used to rebuild its economy: a skilled and literate workforce; large tracts of land; proximity to Bulgaria's two largest cities (Sofia is just over an hour away; Plovdiv is just 30 minutes away); and access to an international highway linking Turkey to Western Europe. Mayor Kolchakov knew these assets could be leveraged, but he wasn't sure about the best way of doing so.

The *CityLinks* staff selected West Bend, Wisconsin, to partner with Pazardjik, because in many ways, West Bend's location and assets mirrored Pazardjik's. West Bend is a small city just 30 minutes from Milwaukee. It, too, has a skilled workforce and access to an interstate highway. West Bend also faced significant economic pressures, mostly due to the overall decline in the manufacturing sector in the United States. In northern U.S. cities, businesses were constantly



PAZARDJIK FACTS

Location: Southern Bulgaria, approximately 120 miles from Sofia

Population: 127,900

CityLinks Partner: West Bend, Wisconsin

Funding Dates: May 2000–August 2002

Partnership Status: Ongoing

THE CITYLINKS MODEL

The *Citylinks* methodology was developed by the International City/County Management Association (ICMA) and the United States Agency for International Development (USAID) to promote and foster local government. In the Pazardjik–West Bend partnership, meetings were held between practitioners of both cities, alternating the meeting place between each city. Meeting first in Pazardjik exposed West Bend practitioners to the issues so that they could begin to prepare an initial response to the challenges. Meetings in West Bend allowed Pazardjik practitioners to begin to understand what was possible, see firsthand some of West Bend’s aggressive economic development strategies, and work side-by-side with their West Bend partners in developing their projects.

Throughout the exchanges, West Bend assisted Pazardjik officials with issues regarding lot layout, the land sale formula, infrastructure design, and cost estimates. The West Bend/Pazardjik team also met with local business leaders, banks, the Chamber of Commerce, and interested investors to develop a business development plan that would meet the needs of Pazardjik’s business community.

The inclusion of a local partner NGO can significantly contribute to the sustainability of the program efforts. In Pazardjik, the Foundation for Local Government Reform played a significant role and brought its understanding of local government development needs in Bulgaria.



downsizing or outsourcing work, requiring West Bend to have an aggressive business-recruiting program as well as a proactive business retention effort. ICMA believed that Pazardjik could learn from West Bend’s success in implementing an aggressive economic development strategy highlighting light manufacturing and service delivery and capitalizing on its location near Milwaukee.

Analysis of the development needs of Pazardjik proved that West Bend’s experience was extremely relevant. Indeed, over the past four years, the two partners have begun to rebuild Pazardjik’s economy. Key to the strategy was the creation of a new industrial park. Ninety-eight percent of the land in the park has been sold, with nine businesses planning to invest \$5.5 million, creating 420 jobs. The city’s pro-economic development outlook has improved the business environment, combining with an improving Bulgarian economy to bring the unemployment rate down from 24 percent to 12 percent.

The Strategy

The West Bend team worked very effectively with their partners in Pazardjik to adapt the lessons learned and tools they developed in promoting local economic development in West Bend to the case of Pazardjik. Thanks in part to the assistance of West Bend, Pazardjik has begun to build its economy over the past four years. The city’s actions have included:

- Creating a business development plan
- Identifying and training two staff members as economic development professionals, charged with attracting employers to the city
- Creating an industrial park/economic development zone
- Financing and extending infrastructure to the industrial park.

Creating a Business Development Plan

West Bend knew that before action could be taken, the Pazardjik community would have to develop a business development plan. The plan needed to be responsive to the needs of the business community, so the first step was to understand better what these needs were. The team visited local companies and met with representatives of the Pazardjik business community. This research revealed two critical factors: (1) Business people wanted to purchase rather than to lease land; and (2) The city should provide infrastructure (water, electricity, and communications) before the sale of the lots.

The parameters of the business development plan soon came into focus, in large measure because West Bend had already been down this path. The team agreed the plan would aim to retain and expand existing businesses as well as to attract outside investment to support the development of an industrial park and its marketing and financing, and West Bend's business plan became a model for the Pazardjik plan.

Because local involvement was critical, the Pazardjik staff and council members also received hands-on training on the development and implementation of a business plan.

Identifying and Training Staff Members as Economic Development Professionals

Too often, the mayor serves as a locality's lead economic development contact. Yet, most mayors lack the technical expertise necessary to discuss utilities, topography, and infrastructure. Mayors can "close the deal," but they have no experience in structuring a deal that meets the needs of a prospective business. This message was communicated directly to Pazardjik's mayor from a very credible source: West Bend's mayor.

West Bend recommended that Pazardjik hire an economic development specialist and consider setting up an office that would specialize in business retention and recruitment. West Bend offered to help formulate the office's responsibilities and train staff. This recommendation resonated with Mayor Kolchakov, and the city assigned two staff members to become Pazardjik's first economic development team. The new staffers received technical training from West Bend and became integral members of the partnership, interacting with West Bend's Chamber of Commerce, Economic Development Corporation, and Moraine Park Technical College.

"We weren't consultants, and we weren't there to tell them what to do. Instead, we were partners, with a common goal, and Pazardjik grew to trust us. That trust allowed them to accept new ideas, such as establishing an economic development department with professional staff and surveying the local business community."

— John Capelle, Director of Community Development, West Bend, Wisconsin

Creating an Industrial Park/Economic Development Zone

Rezoning the land was just the first of several critical actions needed to make the industrial park a reality.

Once the two partner cities drafted an initial business development plan to guide them and identified staff for the new economic development professionals, they decided to work together to develop an industrial park. The industrial park would meet the needs of existing Pazardjik businesses that required additional land and facilities (and that might leave the city if land was not available), while also allowing the city to recruit new businesses and expand its jobs base.

The partners toured potential sites for the new industrial park and identified a 40-acre parcel of undeveloped land wholly owned by the city. To expedite action, West Bend took the lead in developing a business plan just for the park. The plan would be used to guide the development process. That plan—combined with a review of site location, parcel size,

and the process for lot sales—drove the partners to nearly double the total size of the industrial park.

The land selected for the industrial park was zoned for agriculture. Pazardjik initiated the process of rezoning the land for industrial use. In Bulgaria, unlike the United States, the central government is responsible for zoning decisions. Pazardjik officials had to apply to the state to reclassify the area. Not only did this process require substantial persistence on the part of local leaders, it also cost the local government an estimated \$100,000 in fees.

Rezoning the land was just the first of several critical actions needed to make the industrial park a reality. Pazardjik also worked with West Bend to identify potential investors, market the park to prospective businesses, and sell the land.

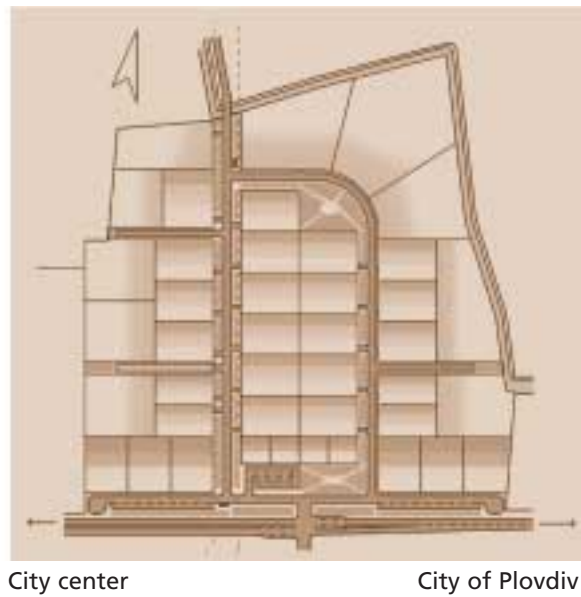
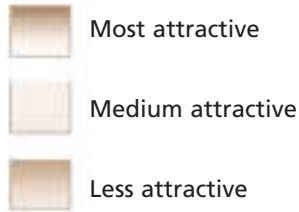
Identifying potential investors.

With no previous experience in marketing land, Pazardjik had to rely greatly on the expertise of West Bend. To West Bend practitioners, the strategy was clear: Marketing efforts had to be directed to the needs of investors, and the best way to determine those needs was simply to ask businesses what they wanted. The partners worked together to design a survey of existing businesses and analyze its results. With the survey, Pazardjik identified Small and Medium Enterprises (SMEs) that wanted to expand, potential investors (such as banks and entrepreneurs), and the needs of both groups. The research highlighted SMEs that could provide jobs and generate revenue for the city.



SCHEME OF PARCELS IN THE INDUSTRIAL ZONE

Type of parcels:



Marketing the industrial park to businesses. After reviewing the results of the survey, the Pazardjik team wrote a vision statement for the industrial park and initiated a promotional campaign. A marketing brochure was prepared to help attract local entrepreneurs, banks, and other potential investors to the zone. The team crafted an outline, using similar brochures from West Bend as a model. An architect and graphic designer then helped to develop and design the brochure, which was produced in Bulgarian and English. (The brochure included maps illustrating the location of the industrial park and a drawing of the park with a sample division in parcels, rendered by the architect.) Pazardjik distributed 1,000 brochures to businesses, banks, and business development organizations that might have an interest in the park.

Selling the lots. To sell the land, the partners developed an open and transparent process that recognized

that different parcels had varying values, depending primarily on their location within the industrial park. The team decided on a three-pronged approach: The most attractive parcels would be sold through a bid; the parcels in the middle zone would be sold at an auction; and the least attractive parcels would be sold through direct negotiations. (See the scheme of parcels on the next page.) While increasing municipal revenue remained a critical goal, the partners agreed that this was less important than attracting investors and new jobs. To this end, all parcels were sold below market value; the team calculated that the long-term benefits of this approach would outweigh the forgone revenues from the sale of land at higher rates. Revenues from the sale totaled \$234,000 for the municipality, and the new businesses are creating 400 new jobs, which ultimately will result in economic growth and new tax revenues in the city.

To sell the land, the partners developed an open and transparent process that recognized that different parcels had varying values, depending primarily on their location within the industrial park.

“West Bend and Pazardjik have many things in common, but our shared commitment to service delivery and high quality of life for our citizens makes this partnership particularly valuable. We look forward to using this partnership to build upon economic development activities in Pazardjik. As a City of West Bend employee, the experience has taught me to be more creative with the resources I am provided at home.”

— John Capelle, Director of Community Development, West Bend, Wisconsin

Financing and Extending the Infrastructure to the Industrial Park

Ideally, Pazardjik would have financed the industrial park infrastructure prior to the sale, but the city lacked sufficient resources for this option. Thus, concurrent with the lot sales, the city started only limited infrastructure improvements. The Pazardjik team was interested in issuing a municipal bond and believed that the project would be attractive to bond investors, but municipal bond financing is not yet a reality for small cities in Bulgaria. As an alternative, the city applied for a bank loan to extend basic infrastructure (water, electricity, communications, and sanitation) to the edge of the zone and required businesses to extend the lines to their facilities.

City officials again had to overcome major obstacles in carrying out their plan. The regional government declared that the bank loan to the city was illegal, delaying for several months the start of construction on the park. Some city leaders surmised that the main reason for the regional government’s opposition was political, as the regional governor and Pazardjik’s mayor represented different political parties. The issue was resolved after the election of a new mayor in the fall of 2003, and Pazardjik is expecting to receive a loan of over \$900,000 for completion of infrastructure services to the park.

Results and Sustainability

Pazardjik’s economic development efforts have continued to grow stronger. The new mayor, Ivan Evstatiev (elected in 2003), has reaffirmed the city’s commitment to economic development, including completion of infrastructure for the industrial park.

The city of Pazardjik has committed to surveying and visiting local businesses, and plans are in place for a local Community Economic Advisory Council with wide representation from business, government, labor, business-oriented NGOs, and educational institutions. The city is also a founding member of Invest.BG, a new consortium of local communities undertaking economic development in Bulgaria. Under this program, Pazardjik completed a community profile, updated its marketing brochure, participated in the consortium’s new website (www.invest.bg), and served as one of the consortium representatives at the Hannover Trade Show in Germany in April 2004.

Pazardjik’s new industrial park has created favorable conditions for development of the SME sector. Its success will give potential future investors confidence in the city’s ability to carry out economic development plans and will encourage private investors from neighboring regions to relocate their businesses to the municipality. Eventually, the industrial park will provide the city greater revenues from local taxes and fees, and will create new jobs that will generate

both sales and tax revenues. In addition, the city's success in boosting the economy will result in greater public support for other municipal projects that solve acute social problems.

An unintended benefit of the program has been the donation of a wide range of items to Pazardjik. As the result of a charity drive, West Bend so far has delivered three containers of materials, including 100 computers, books for Pazardjik's elementary schools and library, and clothing.

Lessons Learned and Shared

Pazardjik has become a model for other communities in Bulgaria struggling to bolster their economy. Five municipalities—Silistra, Stara Zagora, Montana, Panagjuriste, and Karlovo—are developing industrial parks, building on Pazardjik's experience. These cities are also participating in the local economic development consortium supported by ICMA and FLGR.

If local efforts to develop industrial parks are to flourish, however, other levels of government must create an environment that are conducive to

problem solving and must find ways to put aside political differences in achieving common goals. Solutions to cumbersome zoning processes and land-use changes are needed in Bulgaria, including the decentralization of these and related revenue-generating activities at higher levels. Similarly, a concerted effort must be made to initiate municipal bond financing for urban infrastructure in Bulgaria and other countries.

Conclusion

Locally elected officials often blame others for their problems or wait for a national policy to find a solution. "I can't affect the economy—it is out of my control," is a typical response. But cities like Pazardjik, Bulgaria, when exposed to new ideas and partnered with local government practitioners working with them to make those ideas a reality, can—and do—change their communities.

Pazardjik has become a model for other communities in Bulgaria struggling to bolster their economy.



RESULTS TO DATE AND SUSTAINABILITY

- Pazardjik has sold 98 percent of the land in the industrial park, leading to over 400 new jobs and contributing to a decrease in the unemployment rate from 24 percent to 12 percent. In addition to creating new jobs, the industrial park has demonstrated the city's ability to carry out an economic development strategy and enhanced investor confidence and public support. In the long run, the industrial park will yield greater revenues for the city in taxes and fees.
- Pazardjik's new leadership has reaffirmed the city's commitment to economic development and to the completion of the infrastructure for the industrial park. Plans are in place to survey local businesses and to visit with business leaders to learn more about their needs.
- A local Community Economic Advisory Council will provide an ongoing opportunity for business, government, labor, NGOs, and educational institutions to work with the city on economic development.
- Pazardjik is a founding member of Invest.BG, a consortium on local communities committed to economic development in Bulgaria. Pazardjik has completed a community profile, updated its marketing brochure, and participated in the consortium's website (www.invest.bg).
- As an unanticipated consequence of the partnership, a charity drive in West Bend resulted in the donation of computers, books, clothing, and other items to Pazardjik's businesses, schools, and library.

For more information please contact: CityLinks@icma.org