



Organisation for Economic  
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## **BUILDING LOCAL PARTNERSHIPS IN CROATIA: Organisational Challenges and Strategic Orientations for Partnership Action**

**Draft Summary**

**Prepared by the OECD LEED Trento Centre for Local Development and USAID  
Croatia**

**THIS DOCUMENT IS A CONSOLIDATION OF VARIOUS EXPERT REPORTS  
BASED ON THE 23-27 APRIL STUDY VISIT TO VUKOVAR AND VARAZDIN  
AREAS. IT SERVES TO INITIATE DEBATE AND PROVIDE GUIDELINES FOR  
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## AUTHORS' NOTE

Local partnerships in the OECD countries are increasingly viewed as local responses to the concerns of its citizens, businesses and government to promote sustainable development. Governments actively seek a broad partnership with civil society organizations. It is widely agreed that innovative solutions to the key challenges facing our societies can be found through an open public debate. Yet, it is at local and regional levels, closer to the issues and the individuals, that partnerships are most often formed to address issues of collective implications. Such arrangements normally tackle issues of economic development, employment, social cohesion and the quality of life. This innovative role of partnerships plays an important part within the regional/local policy framework and shows that the key contribution of partnerships is in improving local governance.

The report is based on information gathered by an international review team during 23-27 April 2007 visit and subsequent comparisons with international experiences and good practices.

This summary identifies key strengths and weaknesses of the local partnership initiatives and provides draft policy recommendations.

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This document will form the basis of workshop discussions. Comments made during the workshop together with written feedback forwarded to the OECD and the USAID will be reviewed for the final discussion paper.

Written comments are welcome and should be sent to:

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## TABLE OF CONTENTS

AUTHORS' NOTE.....	3
ORGANISATIONAL CHALLENGES IN BUILDING LOCAL PARTNERSHIPS .....	5
General Observations.....	5
Strengths and Weaknesses .....	5
Policy Implications and Recommendations.....	6
Implications for Local Government – Partnership Capacity Building.....	7
Implications for National Government .....	7
Local Partnerships in Vukovar .....	8
Strengths .....	8
Recommendations.....	9
Local Partnerships in Varazdin.....	9
Strengths .....	9
Recommendations.....	9
IMPROVING EMPLOYABILITY AND EMPLOYMENT OPPORTUNITIES .....	10
General Observations.....	10
Strengths and Weaknesses .....	10
Recommendations.....	10
Initiatives in Vukovar .....	11
Strengths and Weaknesses .....	11
Recommendations.....	12
Initiatives in Varazdin.....	12
Strengths and Weaknesses .....	12
Recommendations.....	13

## ORGANISATIONAL CHALLENGES IN BUILDING LOCAL PARTNERSHIPS

### General Observations

#### *Strengths and Weaknesses*

1. Partnerships have been developed around the ROPs/County Strategies in both Varazdin and Vukovar. Although the current arrangements differ in the two localities there is a broad recognition of the need for partnership development at the local level to aid the process of reconstruction in Vukovar and meet the EU accession challenges and maximize EU funding opportunities in both localities.
2. There is a similar identification of key goals, such as tackling unemployment and promotion of local investments.
3. In both Varazdin and Vukovar, practical collaboration and often informal partnerships exist at project level and around specific sectoral issues. The Local Employment Partnership in Vukovar and the E-Vukovar project are good examples.
4. In Varazdin, political collaboration and entrepreneurial local leadership provide the foundations for partnership formation. This is apparent, for example, in the establishment of the Development Agency North (DAN) by the City of Varazdin with three other towns and a County administration.
5. The existence of several partnerships (the ROP partnership, Local Employment Partnership, County Economic and Social Council) reflects the rather *ad hoc* way in which partnerships have formed around a number of policy issues. However, there remains a need to review such partnerships in the context of broader local development needs and environments.
6. Much of the recent partnership work has been limited to specific themes (e.g. local labor market and employment issues) or linked to a specific task or funding source (such as the preparation of ROPs). There is a growing acknowledged need to move on from these experiences to structure local partnership organization more broadly to sustain local initiatives in the long run.
7. Scarcity of resources to sustain partnerships have long been recognized. This applies to the many aspects of partnership work (for example, the small number of staff DAN and AZRA), but especially the monitoring, evaluation and performance management which requires specialized resources.
8. Partnership work can be affected by political tensions both within and between government institutions. Healthy competition between local governments can be a positive stimulus for economic development but the existence of two local development agencies in the Varazdin area does create challenges. For example, how are socio-economic disparities between urban and rural areas addressed and coordinated through the existing agencies. Similarly, in Vukovar local political tensions have been identified as factors affecting partnership building.
9. Local actors require national level support. Local development requires prompt, proactive and joined-up support for local initiative by central government ministries and improved partnership work

'vertically' between central government and local agencies as well as 'horizontal' partnership among the local actors.

### **Policy Implications and Recommendations**

10. ***A strategic and sustained approach to local partnership for local development.*** If partnerships for local development are to become firmly embedded as a key element in local governance institutions and processes policy framework must be established.

11. ***There should be one 'umbrella' local strategic partnership, with one joined up local development strategy.*** A common and integrated approach will make the most of funding streams and secure better linkages between strategy and projects. Building on the recent experience such as the ROPs and local employment partnerships, this should involve all key actors, and provide the context within which the institutional strategies of partners relate positively to one another. Thematic partnerships (on issues such as employment) should be nested under this umbrella. Civil society institutions should enjoy equal status with government institutions and businesses within the partnership structure.

12. ***Partnerships should be both strategic and local.*** A commonly encountered problem in OECD countries is whether a partnership should be located at the county or municipal level. The primary guiding principle is that partnerships should be both strategic (operating at a level appropriate to influence key actors and strategic development issues) and local (in touch with local society and grassroots issues). If the solution is seen to require such partnerships at both county and municipality levels, protocols for effective collaboration and clear definition of respective remits are essential.

13. ***Broaden and deepen partnership work towards proactive and sustained partnerships with locally-driven agendas with 'distributed leadership style'.*** There is a need to broaden and deepen partnership work, through a shift from primarily reactive partnership driven by top down requirements and external consultants to proactive and sustained partnerships with locally-driven agendas. An important factor in deepening partnership is the development of 'distributed leadership' - where several actors jointly exercise leadership, rather than leadership being seen as the responsibility of a single individual or organization. Also it is paramount that all local actors assume ownership over partnership agendas and actively contribute throughout the process.

14. ***Effective local partnerships need adequately resourced support structures.*** This calls for the capacity, skills and knowledge to perform a number of functions, ranging from high-level negotiation and strategy development to performance management and evaluation. The willingness of partners to contribute to such a support infrastructure is often a litmus test of the commitment to partnership work. A second litmus test is the willingness of partners to bring their own strategic plans to the table to ensure consistency with agreed local strategic priorities. An active process of regular public consultations and engagement ensures partnership transparency and accountability and, perhaps even more importantly, public acceptance and credibility.

15. ***A partnership framework facilitates the design and delivery of a strong local development strategy.*** If this kind of partnership framework is in place, it facilitates local development strategy implementation. Normally it includes:

- Clear strategic objectives shared and owned by the local partners;
- Economic, social and environmental dimensions of local development and aligns and ensures consistencies;

- Action plan with robust targets and performance indicators; and,
- Alignment with national and EU strategic priorities and programmes. It also helps to ensure implementation at the local level respecting local needs and opportunities.

16. **Monitoring and evaluation skills development help the partnership deliver programs.** Effective arrangements for performance management, monitoring and evaluation are essential for local partnerships to assess the progress of local development strategies and make appropriate adaptations. The preparation of the ROPs/County Strategies has highlighted the importance of monitoring and evaluation – in Varazdin County the intention is to create an evaluation committee selected by the Partnership Committee and development agency AZRA. The implementation of effective arrangements requires participation of both local partners and national government authorities.

### ***Implications for Local Government – Partnership Capacity Building***

17. **Building local government capacity.** Counties and towns/municipalities are already leading local partnerships, but effective partnerships assumes active participation and contribution by all its members. Perhaps the government authorities would benefit from identifying competencies to manage functioning partnership. Capacity building programs may benefit from work done by various international and bilateral donors like USAID, GTZ, UNDP and others). In any case the following should be considered:

18. **Support for leadership within partnerships.** Leadership in partnerships may come from local politicians, senior officials or civil society organizations. But leadership in a partnership context poses specific challenges compared to traditional autocratic type leadership. Former emphasizes consensus building over exercise of authority. OECD experiences demonstrate that support programs for local leaders may be important in the dynamic environment of the partnership.

19. **Technical support for partnerships.** Local councils and governments (along with other partners) will need to ensure that partnerships have access to a range of skills and knowledge.

20. **Assist in the improvement of performance management, monitoring and evaluation.** Enhanced capability and capacity for performance management, monitoring and evaluation is a need usually met by the counties and towns/municipalities. Local partnerships should have appropriate local structure and capacity, and performance management, evaluation and learning are key priorities recognized by all partners. Local performance management arrangements should provide management information on both the progress of the local development strategy, and on the effectiveness of partnership arrangements, and ensure action plans are fully implemented. Performance management will depend on robust monitoring and information systems, backed by objective evaluation. The capacity to perform these functions may be located within a partner support team or contracted out.

21. **Organizational and cultural change.** Partnership work challenges leaders, officials and businesses, but perhaps especially those accustomed to the traditional government hierarchies. Partnership requires both leaders/managers and front-line staff to collaborate with both partner agencies and citizens. Specialized training on organizational change and management may be warranted to fulfill this requirement.

### ***Implications for National Government***

22. **Coordination between different policy areas.** Local partnership assumes joint work between local actors, and therefore in turn requires a coordinated, flexible approach in the implementation of policies

and programs. Local actors need to contribute to and shape local priorities and partake in meeting national targets.

**23. *Provision of clear guidance and support from central government for local partnership work.*** Local partnerships will look to central government for clear guidance and support. This may include, establishment of skills training and development programs, and institutional capacity building.

**24. *Facilitation of good practice exchange and inter-partnership learning.*** Central government also has an important role to play in facilitating the exchange and dissemination of good practice by local partnerships. An example may be through peer review exercises.

**25. *The role of an intermediary agency.*** In some OECD countries, the role of coordination and support is provided by an intermediary agency with specific responsibility for managing and supporting local partnerships. It should be noted that the agency needs to have sufficient status within Government hierarchy to be able to negotiate with relevant ministries.

**26. *Establish guidelines for performance management, monitoring and evaluation.*** Central government should establish guidelines for local partnerships on performance management, monitoring and evaluation; provide support and training for local actors; monitor and manage local performance; and, identify and disseminate good practices.

## **Local Partnerships in Vukovar**

### ***Strengths and Weaknesses***

27. There is a general recognition of and agreement on the key local development priorities for the county/city among local development organizations. These include: (i) stimulating economic growth through infrastructure development, entrepreneurial activities and the attraction of investments; and (ii) reduction of unemployment through a better labor market match between supply and demand and through upgrading of lower skilled labor force.

28. There is a broad understanding and recognition of the need to cooperate in local problem-solving and improve resource management. This recognition has been partly addressed through active 'partnering' through projects and which take the form of project based partnerships. This demonstrates that most of the local actors are already engaged in cooperative efforts, recognize the advantages of co-operation in the achievement of specific objectives and the delivery of local programs.

29. The overall structure of the current Croatian partnerships is based around project-based objectives and goals. There is less of an appreciation for the development of overarching strategic goals shared by the development partners. The partners need to develop and promote shared values and goals which of course would not compromise their own organizational direction or vision. The rather novel concepts of synergy and integrated approaches to problem solving require different cultural values and approaches supported by the partnership leaders and managers.

30. There are multiple sources of financial support available through national, county and city programs.

31. E-Vukovar was identified as a good example of networking and communications among the partners.

32. Regular and effective communications among partners and between the two established partnerships needs to be institutionalized.

33. Credibility and political support of partnerships also needs to be bolstered.

34. Clearer definition and assignment of roles and responsibilities among the partners. The current partnership structures must develop ownership among its members. Leadership, team support and empowerment must be evident in the new work arrangement.

### ***Recommendations***

35. ***Integrating the two partnerships.*** Several interviewees highlighted the need to integrate the Local Partnership for Employment and the County Partnership into a single entity functioning at county level. Thematic working groups and detailed action plans would evolve in due course.

36. ***Establishing organizational structure of the partnership.*** The structure should consider a management/co-ordination unit that maintains communication and enables partners to easily interact. The co-ordination unit should be able to provide professional support to facilitate partner contributions.

37. ***Make use of international technical experience.*** Experienced technical assistance is encouraged to facilitate the development of fully functional partnerships. This would serve to further partner networking and anchor various initiatives with the local development plans and to facilitate capacity building and technical exchange of good practices and models.

### **Local Partnerships in Varazdin**

#### ***Strengths and Weaknesses***

38. The City and the County of Varazdin have strong leaderships.

39. Varazdin's political configuration creates a context conducive to local development activities through continuous strategic planning and implementation. Although the partnership enjoys political support it may be somewhat weakened by the relatively reduced role of non-government partners..

40. Both the City of Varazdin and the Varazdin County administration have identified priorities and initiatives. In regard to the county development strategy (envisioned by the ROP) further consultation is recommended to identify a common platform. Another possible route would be for the development agencies to establish a tacit agreement to divide roles and responsibilities along the current lines – City focusing on urban programs and the County on rural, less developed localities.

41. Development agencies play a crucial coordinating role. The County partnership, in charge of ROP process, has established a structure of permanent technical assistance. The DAN development agency integrates efforts for common goals and objectives. Although communication and exchange occurs between the two agencies any overlap may lead to duplicative efforts.

### ***Recommendations***

42. ***Establish a framework that allows for integration and coordination of local partnerships.*** The creation of a common framework, incorporating both the conceptual understanding of a region and a supportive structure that facilitates the joining of different partnerships, should be addressed. Such a framework does not imply having the same development priorities for the city and the county, but it sets the ground for a common platform intended to align locally tailored strategies within a wider regional context. It further creates opportunities for synergies and mutual benefits. This can be achieved through intensified cooperation between the two regional development agencies, perhaps initially through visible public events with the express aim of forging common identity and values.

43. *Consider the establishment of thematic working groups at county level.* The County Partnership should devote more effort in the development of permanent thematic working groups. One such issue-area may be labour skills development. Here participation of various actors, including the Croatian Employment Service, educational/training organizations, business community and NGOs, would further secure locally suitable approaches.

## IMPROVING EMPLOYABILITY AND EMPLOYMENT OPPORTUNITIES

### General Observations

#### *Strengths and Weaknesses*

44. In both Counties, similarities are evident in terms of target groups entering the labour market (e.g. older workers, women, and persons under 29) and in terms of orientation towards traditional, manufacturing industries (i.e., construction). The national strategy appears to leave limited scope for special bottom-up regional and/or local economic and employment development initiatives. Perhaps not surprisingly, Counties respond with similar strategies and approaches: limited number of training programs, small number (20 to 60 places) of publicly subsidized employment schemes and in general limited adaptability in job creation schemes.

45. The transfer of resources from the national level to the county and city levels is reportedly time-consuming and communications is reportedly sporadic and ineffective. However, many interviewees highlighted that funding is not an issue and that in fact funds are relatively easy to access. The more challenging issues are human resource development and the political/bureaucratic attitudes (mindsets) which are not aligned with the modern, market-oriented and knowledge-based democratic and participative principles and goals. Other issues raised were the slow recovery from the war damages, the socio-economic consequences of the 1990s privatization and the dynamic market economy environment.

46. In terms of partnerships a two-fold approach is clearly visible. At county level, the County Partnerships have been established through the ROP exercise. It has ambitious objectives and inclusive participation process (businesses, government/politicians, civil society). On the other hand there are employment-oriented (e.g. in Vukovar) or economic-development focused (Economic Council Varazdin) partnerships that may need to be better folded into the ROP-defined partnerships. In addition, both strategies link to different development agencies. It appears that both areas are ripe for the strategic partnership ("umbrella partnership") which encompasses both local and county levels.

#### *Recommendations*

47. *From a project-based to a sustainable strategic partnership.* In Vukovar-Srmiium and Varazdin Counties the various partnership structures may need to be reviewed. There exist ROP-driven county partnerships, focusing on investments and economic development, and employment and social inclusion-oriented partnerships on the other. Moreover, partnerships are largely project-oriented and tend to dissolve after project completion. Although project-based partnerships are necessary for project sake the legacies require lasting governance through strategic partnerships. These latter types of partnerships include county and city level stakeholders across the many fields (economic development, employment, etc.). This partnership should assuage any organizational or policy

tensions between the different levels of government and the different areas of activity. Regular bi-monthly (once every two months) meetings are recommended. An effective organizational structure through a formal agreement between the partners is highly recommended. The partnership may be founded as a legal entity (association or limited liability company) with a board, an executive secretariat, a decision-making steering committee, and broad participation of stakeholders.

**48. Use a performing public administration or an external intermediary body/agency as a leading force.** For a well-functioning partnership a professional support structure must provide assistance with project application procedures, organization and facilitation of partner meetings, and with financial management. In short, such a body would assume administrative tasks allowing partners to hone in on strategic matters. In OECD countries an intermediary agency is usually founded as a separate entity from the public administration primarily for the reasons of flexibility and speed. The intermediary should have the authority to act within publicly defined parameters and may be tasked to mediate, and facilitate. It is of paramount importance that it has the requisite professional and technical skills and the service focus. In most OECD countries international cooperation and networking (through professional, NGO, university and business exchanges) is widely seen as the prerequisite to successful partnership management.

**49. Organize SME and start-up support to foster job creation.** Increased involvement of businesses (especially SMEs) in the partnerships and support services for business start-ups appears to be of increasing importance. Both Vukovar and Varazdin may benefit from additional incentives for job creation and SME support has been one of the leading job-creation routes in OECD countries. OECD experiences point to the potential lead role of large businesses as sponsors of local employment organizations and business linkages between the SMEs and large firms. In addition, transparency and communication of business support services may be improved by the establishment of a single institutional identities, brands or gateways, perhaps applying the 'One-Stop-Shop' model. The issues for discussion may include whether this service should be outsourced or established in-house as a public agency, separated or integrated into existing structures.

## **Initiatives in Vukovar**

### ***Strengths and Weaknesses***

50. Initiated by the CARDS 2002 program, a successful local partnership for employment, comprising of the relevant stakeholders in the County of Vukovar-Srmiium, was formed on a formal basis. Currently the CARDS 2004 assistance will further this work and partnership development.

51. The National Action Plan for Employment, 2005–2008, and the National Annual Plan for Employment Promotion, 2006, are sound top-down strategic documents applicable to county programs and which enable a broad variety of traditional active labor-market schemes. However, there is limited scope for regionally/locally tailored employment strategies.

52. A major issue, in addition to the high unemployment rates (34% for Vukovar, 28% for Vinkovci, and 30% for the entire county) is the gap between the supply and demand on the local labor market. Paradoxically, there appears to be a shortage of certain skills and qualifications. For example, the construction industry chronically experiences shortage of labor.. According to the Croatian Employment Service this may be the most challenging issue in the near term. Other issues include illegal workers, placement of special target groups like older workers (45+), young (under 29), women, and the disabled.

53. Training programs have to be adopted for seasonal labor force demands. Most training is targeted for traditional jobs in the manufacturing sector and less for knowledge-based, market economy. There

is also a general lack of job creation programs. The number of active labor-market measures appears to be inadequate in the light of the high county unemployment rate.

## **Recommendations**

54. *Enhance and expand knowledge- and market-based training programs.* The Croatian Employment Service and the regional employment partnership provide good practice in terms of customized training. There is: (i) professional orientation for the young (e.g. Project My Choice), (ii) integration of formerly unemployed in Spacva company (wood-processing), (iii) tourism-related project providing language skills, catering training, and (iv) the ECDL – European Computer Driving License - project. Such projects, intended for specific labor market placements may be intensified and broadened, i.e., the training program measures should be targeted for current and anticipated jobs. In order to better assess the future labor demands additional business surveys and questionnaires may be warranted.. Knowledge-based training measures, like IT, language should be expanded and improved to bolster workforce qualifications and attract new businesses and investments. Here, the local partnership may provide the local baseline knowledge and information for the development of locally tailored strategies and approaches.

55. *Improve the cooperation between training institutions and businesses.* Moreover, cooperation between these sectors can help guide the education system towards meeting the market demands for professional and technical cadres. It appears that a local college could play a significant role in terms of increasing employment opportunities through skills development and upgrading. The potential of the craft industries is not fully recognized, in particular the hospitality and tourism, in wood processing and in the agricultural sector, where new labor demands are anticipated. The application of the German apprenticeship model (dual system with internships and lectures) has demonstrated encouraging results in Vukovar-Srmiium. Here, the role of the partnership would be to integrate initiatives between training institutions and the local businesses into a wider local development strategy that comprises of employment and skills development issues.

56. *Devise a regional (county) action plan for job creation.* The application of the European guidelines and the National Action Plan for Employment should be linked to the regional (county) bottom-up employment strategy with adaptations in various environments (urban, rural, underdeveloped). The cornerstones of such an action plan can be (i) preventive measures like adaptation for businesses and employees to prevent dismissals or mass redundancies, (ii) measures intended for special target groups (older workers, youth and women) including subsidized job creation schemes for the hard to employ groups, and (iv) schemes which provide support for start-ups and which promote entrepreneurial engagement and spirit in the region (for example “start-up-your-own-business award”, micro-grants and/or micro-credit schemes). A partnership framework could facilitate: (i) introduction and implementation of a strong bottom-up strategy; (ii) alignment of economic, social and environmental factors of local development; (iii) action planning with robust targets, clearly assigned tasks and responsibilities and associated performance indicators; and, (iv) linkages with national and European strategic priorities and programs to ensure continuity and sustainability.

## **Initiatives in Varazdin**

### *Strengths and Weaknesses*

57. Varazdin has one of the strongest local economies in Croatia, exhibiting increasing employment figures. County unemployment is at 12.5% while the City is around 8–9%.

58. In spite of the encouraging unemployment figures structural unemployment persists. The usual disadvantaged groups have much higher unemployment rates - persons 45 years or older (44% of

aggregate), young under 29 (32%). The situation worsens in the remote rural and border municipalities.

59. Generally, there is a large gap between the employers labor needs and the skills offered by the unemployed. According to the Croatian Employment Service the highest demand for skilled labor is in the textile and leather, food and the construction industries. However, other interviewees note the urgent demand for production managers, marketing professionals, foreign language speakers, IT specialists and, more generally, competencies in managing information and communications technologies.

60. The County craft businesses noted the general lack of skilled labor (particularly in the construction industry), lengthy delays of contractor payments and illegal workers. The economic success of Varazdin is based upon a sound transformation of formerly state-owned companies (sold to small shareholders), a stable political environment based on multi-party agreement, the strategic location (close to Austria and Slovenia, excellent transportation systems), and considerable foreign capital investments.

### ***Recommendations***

61. ***Expand on the existing good practice projects.*** In terms of economic development and employment, the Free Zone Varazdin is a success case with 1,800 employees. The Varazdin County also provides an entrepreneurial zone for craft businesses with infrastructure and facilities under the condition that the businesses employ a specific number of new employees. In terms of social inclusion, the Foundation for Solidarity of the City of Varazdin and City Department for Social Affairs projects can be viewed as good practice projects. A partnership could assume the role in evaluation of results achieved through these initiatives, actively disseminate relevant information and contribute to partnership learning..

62. ***Make better use of the regional (county) employment service.*** In Varazdin, the Regional Employment Service offers a wide range of active labour market measures. It offers problem solving strategies, employment generation know-how, and training needs assessments that could significantly contribute to the local Economic Council and the ROP driven County Partnership.

63. ***Provide investor incentives through attractive recruitment strategies and educated workforce at county level.*** Varazdin needs lifelong learning programmes and preventive active labor market measures based on successful county practice of active transfer and adaptation measures. Investors are attracted on the one hand by the free zones and tax exemptions, but also by the abundance of skilled workforce. The role of the partnership would be to integrate initiatives through the training institutions and the local businesses in a broader local development strategy that addresses employment and skills development issues.

64. ***Towards an umbrella partnership for the entire county and an appointed impartial body as driving force.*** The two partnerships: City's Economic Council and the County Partnership are lead by strong governments. The impartial body World act as mediator through the umbrella partnership. Potential members may be from training institutions, NGOs, Chambers. It is important to keep the partnership open to new members, to be responsive to local needs and revise strategic directions as the circumstances arise.