

BROWN FORUM

ECONOMIC OPPORTUNITIES AT THE MUNICIPAL LEVEL

Opatija, Croatia, April 2-3, 2012

Summary of Proceedings



Monday, April 2, 2012

1800 Welcome Remarks

Ivo Josipović, President Radimir Čačić, Principal Deputy Prime Minister and Minister of Economy James B. Foley, U.S. Ambassador to Croatia

Ambassador James B. Foley welcomed delegates to the Brown Forum and thanked President Josipović and Prime Minister Milanović for Croatia's continued commitment to the Brown Forum, the Croatian Chamber of Economy for its exceptional work coorganizing the Forum with the U.S. embassy, and the Croatian Employer's Association and Forum sponsors for their support.

The 2011 Brown Forum proved to be an outstanding platform for bringing together government and business leaders from this region and the United States to discuss economic development and the prospects for enhanced partnerships with American businesses, Ambassador Foley noted. Insights that emerged during the 2011 Forum led the Forum partners to organize this second Forum, he said. These included a recognition that Southeast Europe has enormous potential to develop economically and to attract investment, but simultaneously accepting that the region is not realizing this potential, and lags behind more competitive parts of the world.

There are specific reasons for this, said Ambassador Foley. The first has to do with the unique history of Southeast Europe and the terrible wars that engulfed the countries of the former Yugoslavia while the rest of the world was moving to embrace a free market and global economy. Secondly, that governments in the region, as in the United States and elsewhere, are too burdened by debt and deficits to be the drivers of economic growth. Ambassador Foley commented that in the region and in the U.S. jobs and prosperity are dependent on private investment.

How to attract that investment is the theme of the Brown Forum in Opatija this year, he noted. In particular, the focus is on decision makers at the local level, as mayors, zupans, and other local and regional leaders make the most important decisions on economic growth and investment, Ambassador Foley continued. Ambassador Foley encouraged participants to use the 2012 Brown Forum to explore how local entities can provide support to local business and market a municipality's resources and benefits to potential



investors – how, in short, they can be competitive in the highly competitive global economy. He expressed hope that this year's Forum would be an opportunity to share ideas, examples, case studies and best practices, and to learn from each other's failures and successes.

The first such case study would come with the remarks of United States Senator Mark Begich, the keynote speaker, who helped conceive the theme of this year's conference. Ambassador Foley thanked Senator Begich and the other distinguished American officials who traveled to Opatija to share their experiences with counterparts from the SEE region.

Ambassador Foley closed by emphasizing the importance the United States continues to attach to Southeast Europe and U.S. faith in, and commitment to, the future of the SEE region. The Brown Forum is a reflection of America's abiding stake in the region's political and economic success and its integration into wider European and Euro-Atlantic institutions, he said. In this regard, he added, the U.S. looks upon Croatia's recent completion of EU negotiations as a critical milestone that underscores to the entire region that the door is open to all, provided that the hard work of building the rule of law and fighting corruption is undertaken.

This is a perspective that could make Southeast Europe a new frontier for global investment if the countries of the region do what it takes to make themselves competitive, Ambassador Foley commented. There could be no more meaningful way to honor the memory of Ron Brown and his fallen colleagues, he concluded.

Radimir Čačić, Principal Deputy Prime Minister and Minister of Economy, agreed with Ambassador Foley's comments that the states in the SEE region have a great deal of potential that is not being realized. He noted that in developed countries economies grow regardless of what political party may be in control of the government. In countries in transition, he said, it is important that the political elite of all parties understand the economic situation of a country, its economic potential and how to optimize investment opportunities.

Turning to Croatia as an example, Deputy Prime Minister Čačić noted that Croatia has failed to recover its industrial sector. He advocated moving forward economically and in business, while being socially sensitive. Deputy Prime Minister Čačić commented that there is political consensus in Croatia about the areas to target for development, but that Croatia has been held back by a lack of action.



In the field of energy, for example, potential projects need months and years to prepare for investment and return, he said. He pointed to hydropower, noting that Croatia uses only 50 percent of its potential, unlike some of its neighbors. This has to change, Deputy Prime Minister Čačić said. Meanwhile, Croatia must confront fundamental obstacles, such as an unemployment rate that has not improved since 2003, a skyrocketing debt, and a decrease in investments.

What can be done, Deputy Prime Minister Čačić asked? Large-scale projects in the energy sector are one possible opportunity, he said. Investors from Germany, Russia and Korea are interested and the potential equals roughly 2.5 billion Euros, but many of these projects are not yet ready. The government has work to do to get projects ready. Deputy Prime Minister Čačić said that energy efficiency projects are also important for the country.

The government of Croatia wants to increase investments by over 50 percent, he concluded. It will be difficult and much work needs to be done to prepare feasible projects and prepare the business climate to encourage investment. Deputy Prime Minister Čačić said the government is seeking partnership with the private sector to work through some of the needs and create the right climate for realizing Croatia's potential.

Deputy Prime Minister Čačić then announced the winners of the 2012 Ron Brown Award from the Croatian government: Applied Ceramics and Telegra.

In a video message to attendees, **President Ivo Josipović** said how pleased he was that the Office of the President of the Republic of Croatia, the Government of the Republic of Croatia, the Embassy of the United States of America in the Republic of Croatia, the Croatian Chamber of Commerce, and the Croatian Employers Association again organized the Brown Forum to promote and deepen business bonds and relations between Southeastern Europe and the United States of America.

In keeping with the topic of this year's Brown Forum, Economic Opportunities at the Municipal Level, the Forum will focus on determining the economic opportunities and the best solutions for improving the business climate at the level of local government and self-government entities. This will create better conditions for economic growth and enhance job opportunities in the Republic of Croatia and countries in Southeastern Europe, President Josipović said.

He encouraged the representatives of local communities and their business partners to recognize the importance of this topic and, through active dialogue and the exchange of experiences, to contribute to the success of the Forum and the creation of conditions for



even closer regional and trans-Atlantic cooperation in the interest of the region's economic development and improvement in the standard of living for all citizens.

President Josipović concluded by saying that U.S. interest in Croatia is very important, and he thanked the representatives of the United States for participating in the Brown Forum and showing an interest in the SEE region.

1845 Introduction of Keynote Speaker

In introducing Senator Mark Begich, Vesna Pusić, Minister of Foreign and European Affairs, noted that although no one imagined the Brown Forum would become a tradition, all good ideas need to be nurtured and developed. The Brown Forum is important because not only does it build relationships between the U.S. and the SEE region, it also encourages dialogue at different levels of government and between government and the private sector. This forum, Minister Pusić commented, should contribute to a change of mentality in cooperation and support for entrepreneurship.

The path to European Union accession, Minister Pusić said, strengthens a country and creates conditions for better living. Croatia learned many lessons and made mistakes, but, in the end, strengthened institutions and is farther ahead than it was ten years ago. Croatia still has work to do, she added, and events such as the Brown Forum contribute to Croatia's development. She thanked all those who worked on organizing the Brown Forum.

She encouraged the participants to use this opportunity to develop new ideas, new areas for cooperation, and ways to make room for people to successfully cooperate. The new Croatian government wants to promote an investment climate and is seeking dialogue with the private sector to identify barriers to investment and ways to reduce those barriers. She said the Brown Forum is a good place to start that dialogue.

Minister Pusić then welcomed Senator Mark Begich, an Alaskan native of Croatian descent, who is in his fourth year representing Alaska in the U.S. Senate. Senator Begich was elected to the Senate in 2008 after serving as mayor of Anchorage for nearly six years. During his time as mayor, Anchorage went through the biggest building boom in a generation, attracting millions of dollars worth of public and private investment. In October 2008, both the Wall Street Journal and Business Week recognized Anchorage as



a city well positioned to weather the international economic crisis and the city's bond ratings were upgraded due to improved fiscal stability.

1850 Keynote Speech

Senator Mark Begich, former mayor of Anchorage, Alaska, opened his keynote remarks by thanking the Forum organizers for honoring the memory of Ron Brown, who was a tireless economic development leader and a great political mind for the United States.

Saying he was thrilled to be in Croatia once again, Senator Begich recounted how his grandfather, John, emigrated from Croatia to the U.S. and how his father, Nick, was elected to the U.S. House of Representatives. Senator Begich said he was honored to follow in his father's footsteps as a representative in the U.S. Congress.

He commended the people of Croatia and this entire region for the enormous progress made since the devastating wars of 20 years ago. Noting that many of the participating countries are NATO members and on their way into the European Union, Senator Begich thanked the region for its contributions on the international stage helping to provide security and stability across the globe.

He noted that since his participation in the Croatia Summit in 2011, he was taken with the enormous potential he sees for the SEE region and the enthusiasm of the region's leaders to realize change. He acknowledged the region had faced challenges making the painful transition from a government-directed economy to one that is market-based and that some of the countries represented at the Forum face unacceptably high unemployment rates, burdensome bureaucracies, dated industries and the fallout of the international economic downturn.

However, Senator Begich noted, as is said in the United States, all politics is local. He professed himself to be a firm believer in the adage that the government which is closest to the people is the most effective and most accountable. He also believes that local and regional governments are best positioned to work with public and private partners to lead their communities to prosperity. Therefore, Senator Begich said he was pleased to share some of his own experience from 20 years in local government, with the added perspective he now has as a federal official. Once a mayor, always a mayor, Senator Begich commented, and there is nothing he likes more than talking about local community needs.



As background, Senator Begich summarized the successes achieved during his tenure in Anchorage: the most robust era of growth in a generation for Alaska's largest city, a more prosperous local economy, millions of dollars worth of new public facilities and nearly 100 additional police officers, and being considered a rare oasis of financial stability by the Wall Street Journal and Business Week.

To put this in context, Senator Begich explained that Anchorage is home to about 40 percent of the state's entire population – about 275,000 people. It's one of the most culturally diverse cities in America, with over 90 different languages spoken by students in the school district, including, he noted, Albanian, Bosnian and Croatian. Anchorage is a major transportation hub, serving not only the rest of the state but as an international cargo center. Every week, about 600 international wide-body cargo jets use Anchorage International Airport to move goods between Asia, Europe and the Lower 48 United States.

When Senator Begich became mayor in 2003, he inherited one of the worst financial crises in a generation, with a \$33 million budget gap. Addressing that required painful and politically unpopular choices. But even more troubling was a lack of direction for the city. Voters had rejected initiatives to invest in the community, so the business community was reluctant to expand. Anchorage was just treading water, Senator Begich said.

Senator Begich and his team decided to focus on four broad areas, which he believes, can be applied in any community or region, including in the SEE region. They:

- identified Anchorage's strengths and weaknesses:
- capitalized on Anchorage's place in the region, state and on the international scene;
- identified partners to help grow and diversify the city; and
- kept a focus on delivering basic services cost-effectively.

Before convincing the public to dip into their own pockets to pay for investments or asking the private sector to expand, Senator Begich explained that they tried to identify what was good about Anchorage and not so good – its strengths and weaknesses. This process started even before he became mayor. In the four-month window between the election and when he took office, Senator Begich launched the most extensive transition process in city history, asking hundreds of residents to look at every single city department. The benefits were two-fold: they identified many problems which needing addressing and hundreds of citizens became invested in the city's well-being.



Once in office, he operated as if his campaign for mayor had never ended. He accepted hundreds of offers to speak to different groups, from Girl Scouts to oil company executives. He wanted to hear from average residents what was on their mind. Additionally, several times a year he made a trip with all his department heads to the far reaches of the community to take City Hall to the people. For several hours, they met with residents to answer their questions and explain initiatives. They also worked with business and civic groups to hear their concerns.

The result of this effort to identify Anchorage's strengths and weaknesses was telling. Anchorage is the headquarters for the major oil companies that operate in the state. Their employees demand a high quality of life and good schools. Each year thousands of tourists pass through the city to see Alaska's grandeur, but too often spend little time or money in Anchorage. Anchorage has a broad tax base to pay for services, but it was too heavily weighted toward individual property owners instead of businesses.

Senator Begich explained that his administration acted on each of those findings to adopt new city policies and laws to correct the shortcomings. For example, they changed tax policy by asking voters to approve a plan to make the system fairer to homeowners. The result was a balanced city budget that prompted bond-rating agencies to upgrade the city's financial health, saving taxpayers money. In the tourism industry, one of the city's biggest employers, they worked with the local convention and visitors' bureau to come up with a new brand for the city, energizing this sector of the economy.

The point, Senator Begich explained, is that they made an on-going assessment of what was working in the city and what was not, and they tried to make improvements to address the results of that assessment. He told the participants at the Forum that you have to ask tough questions, constantly keep your finger on the pulse of your residents and convey a vision about where you want to go.

The second area of focus, Senator Begich explained, was to capitalize on the city's place in the region, state and on the international scene. About 40 percent of Alaska's population lives in Anchorage, which serves as the commercial and transportation hub for the entire state. About 90 percent of all the consumer goods coming into Alaska – everything from baby formula to pickup trucks – comes through the Port of Anchorage, a city-owned and operated facility. The state of Alaska is very large – 16 times the size of Croatia, Senator Begich said, and it's home to about 200 widely dispersed small communities, most of them reachable only by small airplane, boat or snow machine. Those Alaskans travel to Anchorage for medical care, groceries and business.



Anchorage also houses two major military bases, which account for 25,000 servicemen and woman and about as many family members. And because the state of Alaska has more military veterans per person of any state in America, Anchorage's veteran population is also significant. The mayor's office embarked on initiatives to take advantage of these demographic facts.

For example, to better move traffic through the city's congested roads, they asked voters to approve local bonds – essentially a modest property tax increase. Combined with state and federal funds, they invested nearly \$300 million into road improvements, and created hundreds of jobs at the same time. They undertook the largest expansion of the Port in city history. In addition to the consumer goods that come into the port, the Army now uses it to transport equipment worldwide, including to Iraq and Afghanistan.

To make the city more inviting to locals, other Alaska residents and visitors to the state, they invested in two major projects. The first was construction of a new civic and convention center for local events and international conventions. Just two years before Senator Begich became mayor, voters had rejected paying for a new convention center. Asking them to reconsider was not something his political advisors thought was very smart for a new mayor. But he ran an aggressive campaign to demonstrate its benefits and voters said yes, by the smallest of margins. Just two years later, they completed a spectacular \$111 million new center and named it in honor of the original Native people of the region – the Dena'ina. Today the Dena'ina Center is exceeding financial projections and is wildly supported by residents and visitors alike. The second major construction project was a \$100 million expansion of the Anchorage museum. This partnership between the private sector, state and federal governments and Anchorage taxpayers now attracts visitors from across the globe.

Senator Begich made one other point about capitalizing on Anchorage's place in the world. Anchorage is truly an international crossroads and receives international visitors regularly. As mayor, Senator Begich made it a point to personally greet many of the presidents, prime ministers and ambassadors who passed through in order to deliver a positive message about Anchorage. His office also strongly recruited national and international organizations to hold their meetings in Anchorage. That's not only big business for the community, but it put Anchorage on the world map, Senator Begich said.

The third broad area of focus was the recruitment of partners to help grow and diversify the city, Senator Begich explained. In his opinion, there are two basic reasons to bring in partners. The first and most basic is that you bring new resources in. Everybody looks for efficiencies in delivering government services, Senator Begich explained, so the more cost-effectively you can do it, the better. And second, bringing in partners for



government programs and services helps build public support. He gave three examples of the many partnerships they used.

The convention center: it was not financed with city money at all. Like most American cities, Anchorage levies a tax on visitors who stay in city hotels. To help pay for the new center, voters approved a modest increase in that tax. A portion of that tax now goes to the Convention and Visitors' Bureau to help recruit additional visitors to Anchorage. By structuring the convention center financing the way they did, his administration ensured that the entire visitor industry had a stake in its success. In addition, they demanded of the private sector developers that they personally be responsible for any convention cost overruns. Fortunately for all, the new center was built early and on budget.

His next example helped improve Anchorage's public safety. The city has a fabulous trail system – several hundred miles of trails used by runners, bikers and walkers in the summer and by skiers in the winter. To keep those trails safe, the mayor's office launched a new initiative called Trail Watch. They asked trail users to volunteer to take a class on trail safety and they asked some of the oil companies headquartered in Anchorage to make a small contribution to pay for Trail Watch armbands and to help staff a headquarters building. The result is hundreds of volunteers clearly identified as Trail Watchers who patrol the trails to make them safer, Senator Begich explained.

His last example of public-private partnerships was something his wife initiated and led. His wife's father served in Vietnam and she remembers the challenges faced by families with a soldier serving in harm's way, Senator Begich explained. His wife founded an initiative to help care and provide for the city's military families. Businesses all over Anchorage contributed funds to help pay for everything from day care to knitting mittens and hats to provide a little something to these families. Her initiative was so successful it won a national award for Best Use of Community Volunteers.

When it comes to partnering with private companies for economic development, American cities and states are very competitive, Senator Begich observed. To aggressively recruit companies to locate in a community, he said, cities offer everything from tax incentives to providing factory sites already equipped with utilities. Right now in the Alaska Legislature, the governor wants to reduce taxes on the international oil companies that operate in the state so they will increase oil production and create more jobs. Senator Begich warned that local governments need to be cautious that taxpayers benefit from any deals provided to private companies.

Finally, Senator Begich addressed the most fundamental issue for any level of government - delivering basic services cost-effectively. Taxpayers want to know that the



money they pay to the city, regional or central government is being spent wisely and that they are getting good value in return, he said.

As an example, he explained that one of the big complaints they heard early on was from contractors who wanted to build new homes or commercial buildings. Every public official loves building, Senator Begich commented, as it creates jobs and provides a tax base. Anchorage builders complained it was taking too long to obtain city permits for their projects – the bureaucracy was just too burdensome. The mayor's office agreed.

To respond, they restructured the permit operation and actually increased the fees for city permits. In turn, developers were assigned a staff person to their project to guide it all the way through the permitting process – a one-stop-shop. One of the results was the biggest building boom in Anchorage since the 1980s.

Another example illustrates regional cooperation, Senator Begich said. To Anchorage's north and south are two large population centers known in Alaska as boroughs – similar to counties in most of the rest of America. They have different forms of local government than Anchorage, are more rural and were headed by elected officials from different political parties, Senator Begich explained. Recognizing they faced similar issues, the local leaders formed what they called the Tri-Borough Commission, composed of the mayors of these three regional governments. Senator Begich said they met about every three months and cooperated on issues from emergency communications to public health.

When the borough to Anchorage's north suffered from severe flooding one spring and ran low on resources to deal with the flooding, Anchorage quickly dispatched trucks loaded with equipment to the flooded areas. Even though the problems were outside Anchorage's city boundaries, they did not worry about payments or permits. They just rushed to provide relief. It was a great example of how to work successfully across political and geographic boundaries, Senator Begich said.

Senator Begich thanked the participants for their attention. "I love talking about problem-solving at the local level," he said. "There's nothing more rewarding than evaluating a problem, bringing resources to bear and seeing results quickly." He hoped some of his experiences would be useful to local leaders in the Southeast Europe region.



Tuesday, April 3, 2012

0850 Welcome

Nadan Vidošević, President, HGK, welcomed delegates back to the second day of the Brown Forum and said a few words about how important a local government can be. He noted that countries in transition often have problems with efficiency, adding that Croatia fails at this as well. There are good examples of efficiency being instituted in Croatia, but work remains to be done. He encouraged delegates to cooperate with each other to use best practices to improve efficiency.

Noting that natural cross-border synergies exist to encourage cooperation, Mr. Vidošević commented that there are also demands that put local communities in competition. He noted that some communities have come to terms with what it means to attract investors, which has directly coincided with improvements in the community as a whole. In other communities there is a lingering influence of socialism, the idea that somebody else, namely the government, has to take care of development.

In Croatia, Mr. Vidošević said there is also the problem of a lack of risk-taking. He noted that only 2.5 percent of the population is in the business of production and trading abroad. He encouraged a change in mentality to encourage all citizens to innovate and explore economic opportunities. He called on mayors and county prefects to lead in this area and to consider possible regional development strategies.

0900 Session 1: Identifying Local Advantages

Jeffrey Phillips, Minnesota Trade Office Niko Peleshi, Mayor, Korçë Vojko Obersnel, Mayor, Rijeka Lori Healey, John Buck Company

Jeffrey Phillips of the Minnesota Trade Office recounted how Minnesota recently lost roughly 100,000 jobs in the recession. However, the state maintains an unemployment rate of 5.5 percent and is home to 20 of the Fortune 500 companies, such as 3M and General Mills. To make the most of these assets, connecting to the rest of the globe became a top priority, Mr. Phillips said. Minnesota cooperated with the Brookings Institution to develop a specific, one of a kind export plan for the region, with a goal of doubling exports by 2017. Local officials began thinking of this plan after President



Obama announced his National Export Initiative, which has similar goals on a national level.

Local leaders know the economy best, Mr. Phillips said, and exports are one piece of a broader economic growth plan for the Minneapolis metropolitan region. The export strategy puts limited public and private sector dollars to targeted use and pools federal, state and local resources for the benefit of Minnesota metropolitan regions. It makes use of mayors' expert knowledge of their communities and businesses.

Mayor Niko Peleshi of Korçë (Albania) emphasized the importance of taking a strategic look at one's city, determining where its real potential strengths lie, and then working toward those ends.

He explained that in Korçë they are establishing a new system in which competitiveness is the key word. After years of failures, during which the city experienced much job loss and emigration, Mayor Peleshi said they needed to develop a new plan. They first worked hard to identify competitive advantages of the region and the city.

Among the advantages they saw was that Korçë was the most developed cultural center in Albania. It is a city of music. It houses unique historical monuments, cobblestone neighborhoods, and many beer gardens. Based on those points, they decided that tourism was a new sector for development.

They invested in rapid infrastructure regeneration, which resulted in a new water supply system, an ongoing 35 million euro sewage system renovation, a 20 million euro waste management system and a 60 million euro underground and road infrastructure system. Investment in infrastructure was key both to enhancing the city's potential and stimulating private investment. Likewise, infrastructure, Mayor Peleshi explained, was a psychological investment in the people and the future of the region.

After the infrastructure investment, the city also invested in legal and regulatory protections for cultural monuments and incentives for tourism-related businesses. They renovated the main historic zone in the city center and within two years, 5 million euro were invested by private businesses, hotels, bars, etc., in the center.

The third pillar of their work was to market the city to potential visitors. They had a limited budget, so needed to find a unique way to draw people in from the outside. They struck on being a city of events, hosting a full package of international events in the year. These include food festivals, a Christmas market, sculpture competitions, young photographers competitions and an international painters colony. Forty thousand people



visited the city for its beer festival in August. The city organized all the activities in partnership with private business, and this public/private partnership was crucial, Mayor Peleshi said, as it gave the private sector a sense of ownership over what happened.

These efforts were paired with a concerted outreach to and communication with the public to develop consensus and support for the strategy. Mayor Peleshi said they learned that building the faith of the community in their strategy was critical. If the public is invested in the strategy, the public can stimulate private investment, he noted.

As a result, Korçë has become a tourist destination, increasing tourism by 10 percent, and was awarded the first prize for tourism in Albania in 2010. In conclusion, Mayor Peleshi said the third lesson was one of the most important -- if you want to do more with less, you have to be unique and you have to be creative.

Mayor Vojko Obersnel of Rijeka (Croatia) welcomed participants to the Rijeka and Opatija region both as mayor and as head of the Association of Cities of Croatia. He acknowledged that it is often the case that local governments are to blame for investment barriers and slow growth, but he added that he does not know any mayor who would purposely slow investment. He said that mayors need to work with central governments to identify ways to improve a mayor's ability to influence economic development for his city. For example, he said, he lobbied for permit issuances to be brought down to the city level and succeeded. He said further decentralization needs to occur, however, otherwise mayors will not be able to manage requests directly. In another example, Mayor Obersnel pointed out that cities do not have direct influence over tax policies, as the state government sets them. Cities only set city tax laws, and these taxes do not get in the way of investment.

Towns can work on promoting investment, he noted, though, by examining the cost of utilities and allowing for the quick transfer of land owned by cities. Cities also should support investment by preparing utilities infrastructure, Mayor Obersnel said. In Rijeka, the mayor noted that they have partnered with a company from the Philippines to manage (on a 30-year concession) the city's port and develop the port. In addition, the city is building the necessary infrastructure to transport goods and creating two industrial zones within 15 km of Rijeka to spur growth. To achieve some of these goals, Rijeka has partnered with a number of international associations to promote development, particularly in the area of railways.

Ms. Lori Healey, formerly Chief of Staff for the Mayor of Chicago, described a wealthy city that wasted its assets and potential in the 1980s and that needed to recover from



being an "economic invalid." She said there were four key points underpinning the rebuilding of Chicago:

- 1) Focus on people. We talk a lot about business and the economy, she said, but the mayors of Chicago focused on people. Talent is what drives an economy and the successful cities need to attract the best and the brightest. It is also important to have a quality of life in a city that attracts young, talented people.
- 2) Infrastructure. Any successful city must move goods, services and information effectively and cheaply, Ms. Healey noted. Chicago invested 16 billion in the expansion of O'Hare airport. It also invested in a modern digital infrastructure.
- 3) Education. The most important step is investment in education. It is the most essential investment cities can make, Ms. Healey emphasized. Chicago has 600 schools and invests in teachers, students, schools, math and science. In addition, schools in Chicago teach foreign languages, including Arabic, and Chinese. Ms. Healey said the city is preparing students to work in a global economy.
- 4) Environmental sustainability. Ms. Healey commented that people want to live in a sustainable environment. They do not want to live in a dirty city. She said that a strong environment is an economic asset. Chicago planted new trees, put a green roof on the convention center and made investments in the city's environmental future. The city also put together a climate action plan that is the backbone of everything they do. If a company wants something from the city, they have to do something environmental for the city, Ms. Healey noted.

Ms. Healey added that Chicago's success in turning itself around also hinged on the development of an economic plan driven by the business community and developed together with local universities that integrated all four of these points.

In response to a question about how a region or city decides what its competitive advantages are, Ms. Healey suggested that cities look at their advantages at the regional level. She noted that in some cases a mayoral caucus, through which mayors could work together to form a regional alliance might prove useful. She said in Chicago the economic plan was critical; it drew in the business community, but was facilitated by the local government. Mayor Peleshi added that cities are in competition with one another, and a local government must be realistic.

Another participant asked how Chicago compensates for its tough winter weather, noting that in Croatia, the tourist season is very short and offers a small window for tourism-related business. Ms. Healey said in Chicago they planned for this. She said Chicago



hosts a festival, "Winter Wonderland," and a restaurant month in February to boost business and spending during the winter. Likewise, Chicago supports sports teams and theaters that draw people into the city all year round. Mr. Phillips commented that in Minneapolis, their biggest winter business is retail. They host the largest mall in America, which is a huge tourist attraction.

Another question asked how a city can change an economy, i.e. moving from manufacturing to knowledge-based economy and how can it attract the right kinds of new, knowledge-economy jobs? Mr. Phillips said it was important to have a balance – protect traditional manufacturing jobs, but promote professional services as well. Diversity is important.

Ambassador Foley asked the panelists to comment on how political opposition can affect plans for economic development. Mayor Peleshi noted that it is very difficult to promote economic growth if one does not have political support. In Korçë, he said several projects were cancelled just because of political opposition. He added that as politicians one key talent must be how to deal with councils and the central government, and how to facilitate decision-making. He also encouraged city leaders to look for opportunities to overcome political hurdles. He noted that in one instance he invited all parties to participate in a project inauguration to share political credit.

Ms. Healey said that in Chicago, they were helped by a lack of term limits for elected officials. This meant the city enjoyed political stability. Still, building consensus is key, she added, particularly in a city with 50 council members.

Mayor Obersnel lamented that political influence is still very important and can create obstacles to economic development. He hoped this would change in the future, and agreed with Ms. Healey that political stability is helpful. He said that one mandate is too short of a period to do big projects. The recipe to counteract this: always win in the elections.



1030 Session 2: Ease of doing business: Local Facilitation

Jordan Trojkov, Popova Kula Winery Vladimir Čupić, Hypo Alpe-Adria-Belgrade Mark Crandall, Continental Wind Partners Don Plusquellic, Mayor, Akron

Jordan Trojkov of Popova Kula Winery said that it is important for a developer to have a vision and to conduct a creative dialogue with local leaders to move things forward. He recounted how when he was setting up his business he had a vision and he selected a desirable location with tourism potential in the Tekvesia region, "the Napa Valley of the Balkans." When he began construction of the winery, he was about to sign a contract with the telecom company when he realized he had no street address. Being a good visionary, he made one up: Wine Boulevard 1. He then had to convince the city to name his new street just that.

His first attempt with the mayor was not successful. The mayor wanted "Industrial Number 1." Mr. Trojkov pointed out to the mayor the marketing drawbacks of such a name. The mayor refused, but Mr. Trojkov was convinced his vision was correct, and he proceeded to register the company using the address Wine Boulevard 1. He then launched a campaign with local officials to confirm the address. He spoke with the mayor's secretary and he spoke with city council. In the end, his work paid off. The city council approved the naming of the street "Wine Boulevard," and the mayor supported the decision. Mr. Trojkov said the mayor told him that he now understands how something small, such as the name of the street, can be part of a larger vision and an important business decision.

Vladimir Čupić, President of the Managing Board of the National Alliance for Local Economic Development (NALED) and President of Hypo Alpe Adria Bank Executive Board, described NALED's role as a national alliance between business and local officials. One of NALED's initiatives was to launch "Business Friendly Serbia," which supports communication between the private sector and local municipalities. As part of that dialogue, NALED identified some of the administrative obstacles to economic growth and launched a regulatory guillotine project for municipalities. NALED also identified a need for Serbian municipalities to build their communities and launched a project to elevate Serbian municipalities to international standards (80 have made the grade), a project that invested in community projects, such as schools and kindergartens.

As a result of its work with municipalities, NALED has facilitated over \$2 billion in foreign direct investment for Serbian municipalities, and Serbia was named a top global investment destination.



NALED is now extending into the region – to Croatia, Bosnia and Macedonia and looking at parliamentary procedures for adopting laws related to investment. NALED has noted that it takes approximately 400 days on average in the region to do so, indicating a need to change the procedure and make it more transparent. NALED also identified a need to cut costs in municipalities, such as taxes and fees. Municipalities with rational cost structures attract business, Mr. Čupić said.

Likewise, Mr. Čupić identified the quality of the local administration – "leadership" – as the key factor in a municipality's success. He emphasized that municipalities could attract investment even without financial resources if the right procedures are in place; conversely, there were cities that did not have the capacity to use money productively, even if they had it.

Mark Crandall of Continental Wind Partners said that his wind power projects depend entirely on the depth of local support. He described one instance when Continental Wind identified a town in Serbia suitable for wind power development. The town could not tax the project legally, and there was no way for the community to make money, Mr. Crandall explained; so the company gave the town ownership of a portion of the project as a local investment. This helped later when the company was having difficulties acquiring the necessary parcels of land. (Wind power depends on the sale of tiny parcels owned by a number of people.) Mr. Crandall said in this town the mayor and the city council played a critical role, successfully convincing citizens of the importance of the wind farm and personally explained why local residents should sell. As a result, the project is on its way. Local officials also became important in developing relationships with political leaders in Belgrade.

Mr. Crandall described another situation, in Romania, in which the local mayor did everything within his power to force the company to compensate him personally for permissions to set-up a project. Eventually Continental Wind gave up and went to another town, where the local community and leadership were very helpful. The wind farm is going up in the second town, while in the first the mayor lost his next election, largely due to his failure to secure significant investment. Mr. Crandall concluded that local officials must be strong advocates for shared interests.

Mayor Don Plusquellic of Akron (Ohio) said it is vitally important for a city to identify its strengths and weaknesses. While it is still true that a society needs to produce in order to exist, and this will remain a focus of any city, Mayor Plusquellic commented that there need to be priorities and alignment between the local government and its citizens.



He urged Forum participants not to be afraid to take ideas from successful mayors and duplicate them. This is the norm in the United States, Mayor Plusquellic said. Mayors must be creative, and there is a great deal of experience generally that a mayor can examine and from which a mayor can learn.

In addition to being creative, mayors need to think for themselves, and like the Nike commercial says, JUST DO IT, Mayor Plusquellic said. He cited an example when Akron wanted to expand its tax base. Being creative, they came up with a tax-sharing plan with other districts. Taxes would be shared, which allowed the business community to decide where the best business address would be and reduced competition between the districts to attract business, Mayor Plusquellic said.

In Akron, they also created a business incubator, which has since transitioned into a global business promoter. Under this program, Mayor Plusquellic led a trade mission to Israel where they saw privately owned incubators and set up a deal with Israeli companies to come to Akron. If the Israeli companies were successful in Akron, the town would share in their profits, Mayor Plusquellic explained.

He agreed with his fellow panelists that mayors need to use their power of persuasion and their "bully pulpit" to get people to work together. For example, three highly rated hospitals in Akron were in competition with each other. At one time anyone visiting one of the hospitals was not allowed to go to another. Now, thanks to Mayor Plusquellic's intervention, the hospitals work together. Mayors have to force people to work together, he said. Working together in a region can help cut down on multiple regulations, as well.

Mayor Plusquellic also identified partnering with the local Chamber of Commerce and universities as important, and recommended the utility of outside consultants for strategic analysis.

In response to a question about how mayors define themselves as entrepreneurs, Mayor Plusquellic said mayors have to be entrepreneurial. He spoke about how in Akron they used the local chamber of commerce to take the lead on the city's contacts with business, as business leaders will be more direct with each other than with politicians. A city helps facilitate entrepreneurship and mayors have to be involved, he said.

When asked about the implication of EU accession for local municipalities, Mr. Čupić said it would mean a lot of work for municipalities in Serbia. The quality of local administration will make the difference in moving forward, he said. Mr. Čupić observed that NALED sees that mayors with good teams are most successful at taking advantage of available funding for their communities. He said Serbia would look to the experience of



Croatian municipalities. Mr. Čupić commented that membership in the EU has been shown to increase GDP and that municipalities need to be prepared to attract funds and get the best use out of those funds. To this end, the quality of a local administration is essential for the development of local municipalities, he added.

Mayor Rufi Osmani, Gostivar (Macedonia), said he had observed a greater need for decentralization from the state government level and wondered what others' experience had been. Mayor Plusquellic cautioned against going too far on decentralization, noting that you have to maintain efficiency and too much decentralization could make business too complicated.

One Forum participant asked the panelists how a mayor could return the faith of his constituents, pointing out that many mayors have good ideas, but are not as effective communicating their vision to their communities. Mayor Plusquellic said it is critical that the community be engaged from the beginning, but that a democracy by the masses is not efficient either. An efficient way to do this is to engage community leaders, as there are groups in every society that can serve as leaders and can keep the mayors informed. A mayor must constantly communicate and build credibility with his constituents, Mayor Plusquellic said. Therefore, even if plans do not work out, the public will know a mayor has been working hard and will understand any failure. He encouraged participants to visit the U.S. Conference of Mayors website. He said the association is very important in the United States and collects best practices to share.

1200 Session 3: Community engagement: building consensus for investment and growth

Peter Fosselman, Mayor, Kensington Jasmin Imamović, Mayor, Tuzla Zvonimir Mršić, CEO, Podravka Patrick O'Connor, Alderman, Chicago

Mayor Peter Fosselman of Kensington (Maryland) spoke about how he and his team overcame community concerns about proposed changes to grow Kensington's economy.

Kensington evaluated its advantages and opportunities and decided it needed to entice restaurants to come to the town, which included revising liquor laws, to create economic opportunities for this town in the suburbs of Washington D.C. The community was concerned such business opportunities would result in traffic increases and overcrowding



in schools, as new residents were enticed to the city. Mayor Fosselman described using various outreach methods to calm and convince the community. These included asking residents in different neighborhoods to host events at which the local government team could talk to neighbors about the plan, peoples' concerns and solutions.

Mayor Fosselman pointed to other examples of similar public outreach by local governments in Maryland. Vienna, Maryland needed public support for a master plan. Vienna is a small town and decided to hire an outside consultant to help them with public outreach. The process preserved the small-town culture the community valued, but won support for the updated master plan.

In Frederick, the local government envisioned changes to a downtown creek area and public park. To win local support for this revitalization, the town set up a task force of business owners and residents and asked them to oversee and drive the revitalization process. Mayor Fosselman said this method of giving a public task force wider license was very successful in this case.

Mayor Fosselman advised participants to ensure that in seeking public support, they not only meet with various *entities* that are interested in the community, but also take pride in meeting with *individuals*. He concluded with advice to include everyone in a community as much as possible and to maintain an open mind to concerns expressed. He also recommended that participating mayors consider hiring outside experts, mentioning the Urban Land Institute, which operates in 95 countries.

Mayor Jasmin Imamović of Tuzla (Bosnia-Herzegovina) commented that it is easy to move forward if a town has a great deal of money, but it is really ideas that move the world and make the most difference. He spoke about his experience in Tuzla, which sits on 800 million tons of salt. This was having extremely detrimental consequences for the town both environmentally and in terms of economic development. Tuzla faced a seemingly insoluble problem that no one could figure out.

When Mayor Imamović took office, he proposed ideas to fix Tuzla's problems that some dismissed as a wish list or a dream list. The mayor proposed looking at that this enormous liability and defining ways to turn it into an asset. Despite public doubts, Mayor Imamović persevered and achieved a conceptual breakthrough that led to public support for his vision. Five years later, after having obtained 5 million euros in funding, the problem is solved. Tuzla now boasts a sand beach in town with salt pools and lagoons used by all citizens, and is proceeding with plans for a new salt lake. Investment in the town and in the salt and its waters is growing.



Mayor Imamović continues to put forward ideas for the betterment of the people of Tuzla and to utilize the knowledge and experience of its citizens, particularly those who were educated or have worked abroad. He agreed with previous speakers that a town cannot rely on funding and must be creative. Creative ideas and initial investments can have a stimulating and multiplying effect.

Zvonimir Mršić, CEO of Podravka, invited businesses facing any obstacles to investment to engage directly with mayors as the leaders of their communities. Based on Podravka's experience, Mr. Mršić advocated harmony between local businesses and local leaders, while taking the local community's needs into consideration. He said any company interested in investing in a community needs to be sure its workers can both work for the company proudly and feel comfortable in their town. A business proposing to enter a town needs to make sure the needs of the local community are met.

Mr. Mršić argued that every job is important to a local community because of the resulting direct funding into a town budget through taxes. In return, a local government should ensure town budgets are wisely spent and include development of infrastructure to help businesses succeed.

Alderman Patrick O'Connor of Chicago (Illinois) described the scale of government in Chicago, noting that Chicago has roughly 3 million people and operates a \$6.3 billion budget and a school budget of \$5.11 billion. The city government includes a 50-member city council and each council member represents 50,000 people. On such a scale, it is critical that government and community leaders work together to build consensus in a community for projects that require the entire city's support.

Consensus building makes for good leaders, Alderman O'Connor noted. Few public officials go into government work to become rich or popular and well liked, he said. "We go into it hoping to be good leaders."

For his part, Alderman O'Connor meets frequently with businesses experiencing trouble. He views his job in part as being an ombudsman, trying to help businesses break through red tape and create jobs in the private sector. He argued that government is there to eliminate jobs in the public sector and create jobs in the private sector. To help reach this end, Alderman O'Connor tries to work with businesses to determine whom they need to meet within the government and to facilitate a dialogue to build consensus.

Because Chicago is divided into local communities that can determine local zoning and ordinances, it is important to be in touch with local leaders on the issues that most concern them and to work with them. But, he argued, an elected official should never



give up the ability to make a decision. "We were not elected just to be popular," Alderman O'Connor said. Therefore, officials should not just put a hand in the air and follow the wind. What's popular is often fleeting, he noted.

Alderman O'Connor also spoke about the importance of transparency, but transparency to define process, to make sure it is efficient and legitimate. The fact that people know what the process is can be the most helpful. They need to know what it is and embrace the process, he said. He offered an example.

He explained that a hospital in his community employed over 1000 people and was looking at a \$20 million investment to expand. Citizens in the community were concerned that an expansion would mean more traffic, more strangers, and blocked views. But, the expansion also would mean more jobs. The local officials could simply have approved the process and ignored the concerns of the citizens, but if you run over your constituents you won't be in office long, Alderman O'Connor commented. Instead, he worked to build consensus through transparency. He encouraged those in the neighborhood to attend local meetings and he worked with the architects to ensure the building fit in with the neighborhood. By working to allay fears about the building, traffic and other issues, when they finally hosted a community meeting to review the project the vast majority of the people in community approved of moving ahead.

To keep his community informed of developments, Alderman O'Connor's office maintains a regularly updated website that not only posts neighborhood news, but also includes links to other government sources and services. He views his job as opening up the world to his community. Likewise, twice a year he hosts public meetings to find out what is on people's minds. "If you stay in contact with constituents, you can head off problems," he said. Being transparent and open with constituents also helps when there is a problem. He commented that constituents can accept a painful decision if they are a part of the decision making process and feel they understand how a decision was reached.

One participant asked how Chicago has overcome crime and corruption issues, a problem in the Balkans. Alderman O'Connor said Chicago still has guns and crime and corruption, but also has strong laws and law enforcement. He said that each elected official is open to the inspector general and needs to make sure the office is as clean as possible. Anyone in Chicago can ask the inspector general to look into a questionable behavior or action by an elected official and immediate action will be taken.



1430 Session 4: Tying It All Together: Investment and Management to Spur Local Economic Development

Howard Ockman, CHEMONICS Dusan Kulka, Berman Group

Howard Ockman of CHEMONICS Ukraine office explained to audience members that management is a critical component of a successful municipality. And while management has a technical side -- tools, systems, and flipcharts -- in a municipality, the Mayor is the key to managing human relationships. Force, will and charisma are important, and are difficult to replicate, Mr. Ockman noted. It takes personality, and the question becomes: How can we make creative, person-oriented municipal leaders?

Mr. Ockman pointed to some of the previous panelists, noting their skills as communicators. A mayor or city leader needs to be capable of communicating with business so that they bring them into the community or on board with an initiative. Mr. Ockman said that in the United States, this quality is understood and looked for in an elected official. From his experience working in transitioning economies, however, he knows this is not what mayors are trained to do. Training in management is one place to start.

Mr. Ockman stressed the importance of taking the initiative: mayors in transitioning economies cannot wait; they must act. That can be very unsettling in a transitional economy. But, having lived in transitioning economies for twenty years, Mr. Ockman said, he has seen great mayors assess and take action, not wait for permission from a political hierarchy.

Another quality of the better mayors in Ukraine is that economic development is a centerpiece of their mayoral agenda, he added. Senator Begich said he spent 50 percent of his time as mayor of Anchorage on business. This would be incredible to most mayors in Ukraine, Mr. Ockman commented. However, the best mayors spend even more than 50 percent of their time on economic development, and the best mayors advertise what they are doing in terms of economic development.

Great mayors also have great teams. Just as a mayor is a great communicator, he has to hire a team of great communicators, Mr. Ockman stated. University diplomas or degrees should not be the standard for hiring. The real standard is whether the candidates are savvy enough to think like a businessman. Businessmen immediately recognize if someone does not understand business. (Mr. Ockman stressed that he was not recommending that businessmen become mayors.)



Great communicators also are great listeners. Mayors in Ukraine often hire former businessmen, but these folks often never listen. Someone who doesn't listen should be fired immediately, Mr. Ockman said. Mayors need to find people who have humility and want to listen. It is an extremely rare commodity to find a listener, he noted. This is why the best mayors spend a tremendous amount of time building and training their teams.

The best mayors also free their best people to do their most creative work. Employees in a bureaucracy can become so burdened with paperwork that they cannot be creative, Mr. Ockman noted. The best people on a mayor's team should be information gatherers. They should speak to other mayors, cities, and economic developers; they should spend time on the Internet, go talk to schoolchildren, etc. If they are writing reports used by nobody, they need to be freed up to do creative work.

Besides gathering information, they have to implement the plans, Mr. Ockman observed. Most local mayors start with a strategic development plan, he said. The local economic development team is tasked with implementing that. The team has to be given authority to fulfill those plans and obligations. In Ukraine, the local economic development teams have no authority to order anyone to do anything. They cannot obtain information regarding permits or land registration information. They do not have the power to approach other entities. The best mayors in Ukraine use their tremendous personalities to negotiate between their economic development team and other agencies and within the community to get the information they need, he observed.

Mr. Ockman noted that having the resources and the capacity to multi-task is important. Long-term plans are outside the political cycle, but Mayors and their teams have to do both the short and long term plans. You need a team that can multi-task, he said. The best mayors have this.

Finally, Mr. Ockman encouraged the use of associations of cities. In the U.S., associations are used effectively by mayors and are warehouses of best practice information.

Mayors are inspirers, Mr. Ockman concluded. Particularly in a transitioning economy, a mayor should be seeking to change mindsets. Systems alone will not make this happen, personalities will. He encouraged the participating mayors to inspire human beings to improve their communities.

Dusan Kulka of the Berman Group explained that when he was elected mayor of a Czech town in the 1990s, he inherited a failed company that resulted in the loss of 3,000 jobs and that he was faced with an urgent need to fix the economy. The town's prospects



had also suffered from foreign direct investment (FDI) that had gone bad. He needed to learn more about FDI.

He decided to focus on Greenfield investments, as these brought the most assistance to communities in transition. He realized, though, that Greenfield investors would expect a better business climate and the credibility and professionalism of relevant public sector services. He needed to take steps to make these changes. As a result of his own experience, he learned a great deal.

He had a number of simple suggestions for the participants in the Forum:

- 1. Decide what kind of investment you want and why. Specify potentials of and needs for FDI: labor intensive, export oriented, knowledge intensive, service oriented?
- 2. Have industrial or business properties ready for the type of investors that you would like to attract; have business and industrial zones ready with infrastructure in place.
- 3. Have investment promotion professionals on your team. They need to understand the investors' needs and know how the investor operates. They need to understand the city, prepare and promote the product for investment, assist investors in the site selection process, take part in deal negotiations, and provide after-care.
- 4. Create and implement your investment promotion package. You should at least have a bilingual Internet presentation and bilingual printed materials. Take part in investment fairs, publish in magazines and make sure information about investment opportunities is on the Internet.
- 5. Collaborate with your key partners, business community, national investment promotion agency and other cities.
- 6. Be dedicated, patient and persistent.

In response to a question from the audience about what type of skills people in a mayor's team should have, Mr. Ockman said that intelligence is important, but so are interpersonal skills – someone who is good with people. A mayor's office should be staffed with people who are ready to work on a team and people with common sense. Specialized knowledge is also important, Mr. Ockman added. Ultimately, though, the



mayor should know what the employee's fundamental nature is, which should be determined in a thorough interview. Only the mayor should be able to pick out the right team, he concluded.

Mr. Kulka agreed, saying there is no specialized education. Mayoral staff should be robust, creative and proud of what they do – more like artists, he said.

1545 Closing Remarks

Nebojša Koharović, Director General, Ministry of Foreign and European Affairs James B. Foley, U.S. Ambassador to Croatia

Director General Nebojša Koharović said how pleased he was to have participated in the Brown Forum and to have interacted with the representatives from various towns and cities, including Senator Begich. He thanked everyone for their participation and gave a special thanks to the organizers of the conference, including Ambassador Foley and the American Embassy. Director General Koharović said the Forum is proof that Ron Brown's vision can be realized.

As Croatia approaches EU membership, Director General Koharović said, Croatia's reputation strengthens as a political and economic partner. He was pleased that the United States recognized and supported Croatian efforts to move forward in the region, and he encouraged further cooperation among the participating countries. In particular, Director General Koharović said, the region should work together to bring all of the countries in the region into the EU.

Ambassador James B. Foley praised the U.S. partnership with Croatia, a NATO ally and soon to be EU member. Croatia is a partner in this region, he said.

Noting that leadership matters, especially local leadership, Ambassador Foley commented that during the Brown Forum, many ideas of how local leaders can nurture, attract and support business and economic development were put forward. It is the passion of local leaders as demonstrated during the Forum that is critical. He said that Howard Ockman defined it best when he said the job description of a mayor is that they must be a leader of economic growth.

Having heard from speakers about work in different circumstances and from mayors with limited resources and those that have major resources, many ideas were put forward,



Ambassador Foley noted. He commented that he felt the Forum was extremely worthwhile and that he hoped participants had learned from each other, adding that two American mayors had told him they would bring ideas from the Forum back to their own communities.

Ambassador Foley thanked the speakers, panelists, and participants, as well as the students who participated in the business competition. He also thanked the remote viewers who participated through web streaming. Ambassador Foley added his thanks to the sponsors, the Zagreb School for Economics and Management and the Ambasador Hotel. He thanked the key partners in the Brown Forum – the Government of Croatia, the Croatian Chamber of Economy, the Croatian Employers' Association and U.S. embassies in the region. Finally, he thanked the staff of the U.S. Embassy in Zagreb, who did so much to make the Forum happen.

Finally, he commented, the Brown Forum is now an institution. While he could not know if the Forum would be held every year (it would be decided when the next Forum would be held as the partners identified new subjects and new needs), he hoped the region would develop to a point when it would not need the Brown Forum. Even in those circumstances, Ambassador Foley noted, the U.S. would work to bring businesses together from within the region and the U.S.

In closing, Ambassador Foley remembered Ron Brown and the legacy he left. He thanked the participants for being a part of this legacy.