

ANALYSIS OF EXTERNAL ENVIRONMENT OF MUNICIPAL STRATEGIC PLANNING

MUNICIPAL AND REGIONAL REPRESENTATIONS IN BRUSSELS

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Abstract

To improve regional competitiveness with a special regard to large urban zones, and to support sustainable development, the analysis of possible methods and levels of cooperation is a key element.

This study is the first publication of a detailed primer research survey conducted among city and regional level representations in the European Union, as part of extended external environmental analysis of municipal strategic planning. The survey and the analysis based on it concentrate on the role of municipal and regional EU representations in Brussels by introducing their main activities, the structure of their relations, their intra-state, extra-state and EU-level political activities. The analysis evaluates both potential possibilities of inter-regional cooperation and increasing of funding absorption, mainly in relation to direct EU funds.

As maintaining or potential increase of funding absorption, financing, city and regional marketing are outstanding priorities of strategic planning, the study also introduces the present status of representations in these fields and their participation in EU-funded projects and also, it offers further areas to extend their strategic potential.

Keywords: EU strategy, public sector, strategic planning, external environment

JEL classification: R580/ H700

Introduction

When talking about strategic planning, with a special regard to municipal EU-related strategic planning, it is important to take into account the knowledge, experience and models that originated from the corporate sector but can also be adapted to public sector as well. When defining mission and strategic intent of an organization, when defining concrete objectives and goals, a well composed and elaborated strategy can be a key factor to fulfil our requirements.

Strategy can be defined as a route that leads to fulfilment of our aims (Rue, 1986), can also be defined as a long-term direction to follow by an organization (Johnson, 1997) also, according to Mintzberg it can be defined as a plan or a model to follow, according to Porter it is a position (mainly at the market) and can also be defined as a perspective according to Peter Drucker.

From the point of view of a municipality outstanding EU-related goals are the followings: to maximise effectiveness, reduce costs, maintain or even increase EU-funding absorption and improve local/regional and EU-level co-operations.

Hungary joined the European Union 1st May, 2004 together with another 9 countries which was the biggest enlargement in terms of people and number of countries. This act expanded the union of the former so called EU 15 countries. Three years later in 2007 Bulgaria and Romania and in 2013 Croatia joined the EU, so now it has 28 member states. Not only for member

countries but also for regions and cities new opportunities were opened with the enlargement. At the same time, new tasks had to be identified not only at national but at regional and city level as well. (Rechnitzer, Lados, 2004).

By document and decision analysis of EU institutions it can be stated that decrease and structural rearrangement of financial resources are expected in the Central Hungarian Region with the city of Budapest and the support ratio changes too, in the 2014-2020 EU financial period regarding to the fact that this region is among developed regions when talking about its eligibility of funds. The importance of this theme is strengthened both by the European Commission for Europe 2020 [COM (2013) 246 final]ⁱ and by the Position of the Commission Services on the development of Partnership Agreement and programmes in Hungary for the period 2014-2020ⁱⁱ documents. The budgetary period calls for such main focuses as smart, sustainable and inclusive growth, at the same time the need for integrated approach also appears in order to ensure a better absorption and combination of different financial resources and funds.ⁱⁱⁱ According to the 1199/2015. (III.31) Hungarian Government Decision, the main projects of the city of Budapest were defined under different Operational Programs which also shows the decrease of EU financial resources.

By the evaluation of the next 7-year (2014-2020) financial period of the EU it can be stated that both internal and external environmental analysis is essential to open new areas within municipal strategic planning. Detailed data analysis of different policy areas is an important basis of both strategic planning in general and planning city development strategies to ensure a more effective and increased level of resource absorption.

The study examines foreign affairs and policies from the point of view of the Municipality of the City of Budapest and the Central Hungarian Region. Because of funding rearrangement not only the increase of internal but also, external cooperation possibilities have to be in focus. For this reason the research on the role of other international and EU representations might open new opportunities for this area, too.

This study focuses on the role of city and regional representations in Brussels regarding to the fact that the city of Budapest has its own representation to the EU, too. The correlation between the relations, political influence and strength of power, activities, participation in projects of the representations and the competitiveness potential of a city or a region is inevitable.

Material and Method

Several Methods could be applied for analysis of the environment of a strategy. During municipal level strategic planning and management the PESTEL-model, which is usually applied for the corporate sector, can be applied, too; and it was chosen to summarize the key elements, related to the EU strategy of Budapest. The model divides the elements of external environment into 6 categories, notably Political, Economic, Social, Tech(olog)ical, Environmental and Legal (Gillespie, 2007). The application of the model in the municipal sector is described in Table 1.

Table 1: External environment of Budapest EU strategy based on the PESTEL-model

P-Political	E-Economic
- relevant legal acts of the EU: <ul style="list-style-type: none"> • Binding acts: regulations, directives, decisions, 	- changes within the funding systems at EU and at national level (especially for the developed Central-Hungarian Region))

<ul style="list-style-type: none"> • Non-binding acts: recommendations, opinions - EU funding policy and predictability funding and operational systems - stability and predictability of economic environment - international relations - role and influence of national governments - international connections and diplomacy, foreign affairs (permanent state , regional and city-level representations) - institutional system 	<ul style="list-style-type: none"> - determination of eligibility for funding - determination of development priorities and areas - changes in regional competitiveness - laws and regulations - tax-policy - corporate sector
S-Social	T-Techn(olog)ical
<ul style="list-style-type: none"> - demographic status of the region - labour-market position of the region - social expectations - civil involvement and participation at international co-operations 	<ul style="list-style-type: none"> - innovation possibilities - availability of information and experience in connection with new, environmental-friendly technologies - cooperation possibilities in green economy - availability/accessibility to modern technologies, inventions etc.
E-Environmental	L-Legal
<ul style="list-style-type: none"> - environmental laws and regulations - environmental effects - environmental responsibility - “green” procurements and public services - applicability of environmental-friendly technologies 	<ul style="list-style-type: none"> - international/EU, national and municipal legal environment - legal environment and main priorities of policies - funding-policy and regulations - differences between legal environment of member states

Source: Gillespie (2007), own editing

As it can be seen above, lots of characteristic elements are given by definite circumstances which cannot or hardly be influenced by a municipality, and there are only few possibilities for intervention.

International connections and co-operations may broaden possibilities not only in the field of city-diplomacy but also in the field of business and economic relations, too. The models and result of this study are based on a primer survey conducted at regional level in the European Union, as part of external environmental analysis of municipal strategic planning. In harmony with the structure of the EU member states, fifty municipal or regional representations were involved in the survey. The sample was defined in the proportion of present (28) and former (15) EU member states. 37 valuable questionnaires were analysed and evaluated with the IBM SPSS Statistic programme.

As there are more than 200 permanent city- or regional-level representations in Brussels, without mentioning the state representations of countries, the sampling unit was defined after a detailed preliminary assessment of their representation activity. As only 17 representations are similar to the Representation of Budapest to the European Union, these all were involved to the research and besides these the sampling unit was extended to other regional representations, too. As the focus of the research was to clarify and gather well defined information regarding to specific international activities, mainly close-ended questions were used except for some areas where open-ended questions were also applied. The reasons for choosing this method were the followings: firstly, it is good for gathering all relevant descriptive data, secondly, wide

range of topics can be covered, thirdly, it ensures an easy way of comparison and analysis of different representations fourthly, all relevant, specific information for purposeful strategic planning can be collected, and lastly, sensitive areas can also be brought to light by anonymous completion.

Results and Discussion

Hypotheses examined in the survey

The questionnaire was divided into five main parts in order to find answers for the following hypotheses:

First part: general descriptive analysis

1. H0: the represented population is mainly between 1-5 million inhabitants
H1: the represented population is more than 5 million inhabitants
2. H0: Most of the representations are similar to the Representation of Budapest to the EU, so they are also responsible for city or municipal level representation
H1: Most of the representations are not responsible for city or municipal level representation
3. H0: Most of the representations are financed by the represented area and also use alternative financial resources
H1: Most of the representations are financed by the state without using alternative financial resources

According to the results of the survey, the represented population was proved to be between 1-5 million inhabitants, with 19 representations which are more than 50 percent of the sample; at the same time another 10 represents more than 5 million people which is 27 percent of the sample (Table 2). It draws attention to the fact that the role of city or regional representation is even bigger than it was expected.

Table 2: Population of the represented region

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,00 50 000-100 000	2	5,4	5,4	5,4
	3,00 100 000-500 000	3	8,1	8,1	13,5
	4,00 500 000-1 million	3	8,1	8,1	21,6
	5,00 1 million-2 million	8	21,6	21,6	43,2
	6,00 2 million-5 million	11	29,7	29,7	73,0
	7,00 5 million-10 million	5	13,5	13,5	86,5
	8,00 more than 10 million	5	13,5	13,5	100,0
	Total	37	100,0	100,0	

Source: own editing based on SPSS data analysis of the survey on the role of representations

The second H0 hypothesis was not proved because no other regional office is responsible for city or municipal-level representation except for those 17 that were preliminary identified (Table 3). It is even more surprising in the light of the fact that 70 percent was identified to represent more cities and municipalities within their region. It also means that the majority of them do not put emphasis on representing the city level despite of the fact that vast majority of

the Europeans live in urban areas: towns and cities across the European Union (EU) provide a home to more than 70% of the EU-28's population.

Table 3: Responsibility for municipal/city level representation.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00 yes	17	45,9	45,9	45,9
	2,00 no	20	54,1	54,1	100,0
Total		37	100,0	100,0	

Source: own editing based on SPSS data analysis of the survey on the role of representations

The third hypothesis was only partly proved. The financial resources come from the represented areas in nearly 90% but only 19% use EU resources and 69% do not use any alternative financial resource at all despite of their extended net of international relations and cooperation platforms.

The relatively low rate of EU resources in the financing of the representations can be explained in different ways. On the one hand, representations are usually financed by the region that they represent which also means that they define the tasks for their money. On the other hand, as it is strengthened in a later part of the survey, participation in EU co-financed project is not in the focus of representations. From the point of view of strategic planning, it opens a potential possibility for expansion of tasks both for city and regional-level representations, and widening the level of co-operation between them. The improving availability of EU funding resources is an additional value that can also contribute to financing of their tasks.

Second part: relations

1. H0: Most of the representations work in close contact both with their represented city or region and also with the institutions of the EU
H1: Representations mainly work independently
2. H0: Representation activities are in harmony with priorities of EU 2020 growth strategy
H1: Special focus areas occur among activities of representations
3. H0: Representation employees mainly keep contacts in Brussels
H1: Representation employees keep multi-level contacts both in Brussels and in their home-countries

It was proved that representations are at least in a weekly, often in a daily contact with EU institutions. Similarly to the Representation of Budapest to the EU, they are in close contact with the European Commission, the Committee of the Regions and other representations in Brussels and usually in a daily contact with the city or region they represent.

The measured priorities are in harmony with the EU 2020 growth strategy; at the same time, regional and/or city development was reported as the most important goal.

Employees of the representations keep multi-level contacts both in Brussels and in their home countries. They are in regular connections not only with the institutions of the EU and with other representations but also with civil organizations. Some differences between the EU-15 and non-EU 15 countries also worth mentioning despite of the above mentioned findings in this field. The EU-15 member states seem to be more active in frequency of keeping contacts with other representations and also with the institutions of the EU, as it can be seen in Figures 1 and

2. Keeping contact is a quite frequent, daily activity of EU-15 representations, whereas it is rather occurs weekly in case of not EU-15 representations.

In case of the representation-level, EU-15 countries are 68%, in a daily contact with other offices, whereas this figure is only 33% in not EU-15 representations. This means different organization of tasks and different focus areas in the two groups.

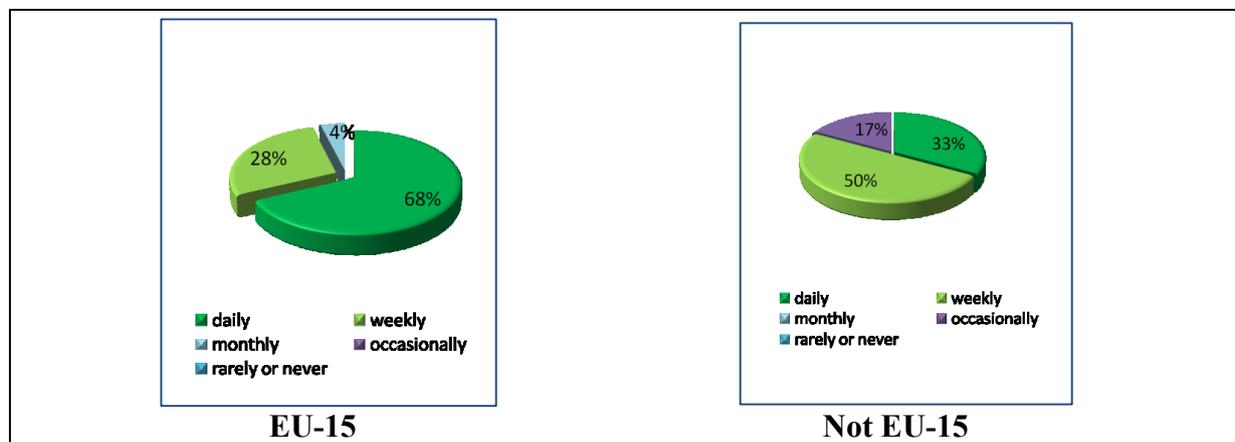


Figure 1. Keeping contacts with other representations EU-15 vs. not EU-15 representations

Source: own editing based on SPSS data analysis of the survey on the role of representations

Similar differences can be seen in case of communication frequency with the Commission or with the Committee of the Regions as it is shown in Figure 2. This also means that the representations of the “old” member-states are in closer, in most cases daily contact with the institutions of the EU that not only gives them the opportunity for cooperation but also for political lobby and better prospects for funding, too.

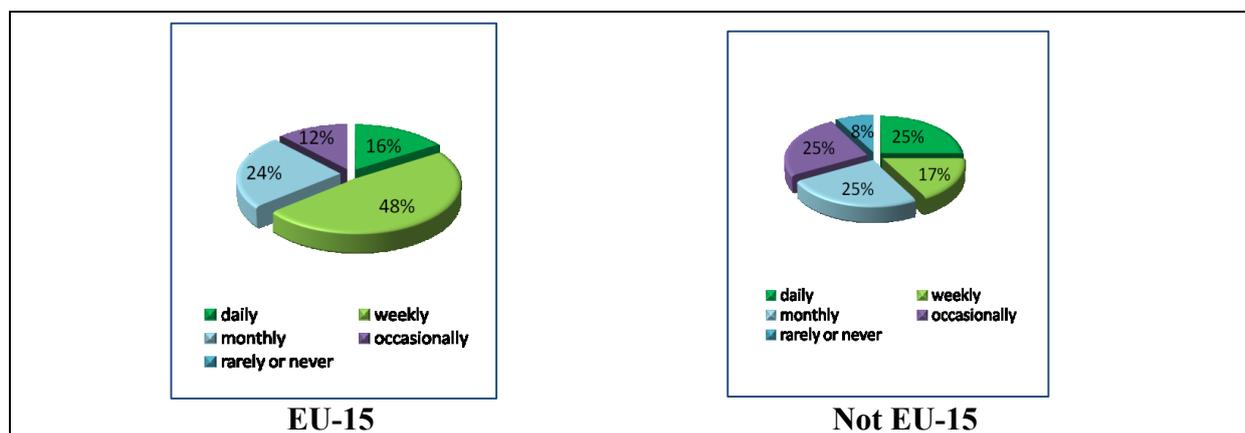


Figure 2: Keeping contacts with the Committee of the Regions EU-15 vs. not EU-15 representations

Source: own editing based on SPSS data analysis of the survey on the role of representations

Third part: political influence and strength of power

H0: Representations have determinant role in EU policy shaping process both in Brussels and in their home countries.

H1: Representations are less involved in different levels of EU policy shaping

Most representations were measured to have a determinant role not only in regional or city-level policy shaping processes but also at the level of the EU, too. Similarly to the Representation of Budapest to the EU, they participate in different consultations of EU institutions to shape and influence policies, they use formal and informal (non-institutionalized) ways of influencing policy-shaping processes but the differences between EU-15 and not EU-15 countries can be seen here, too (Figure 3.).

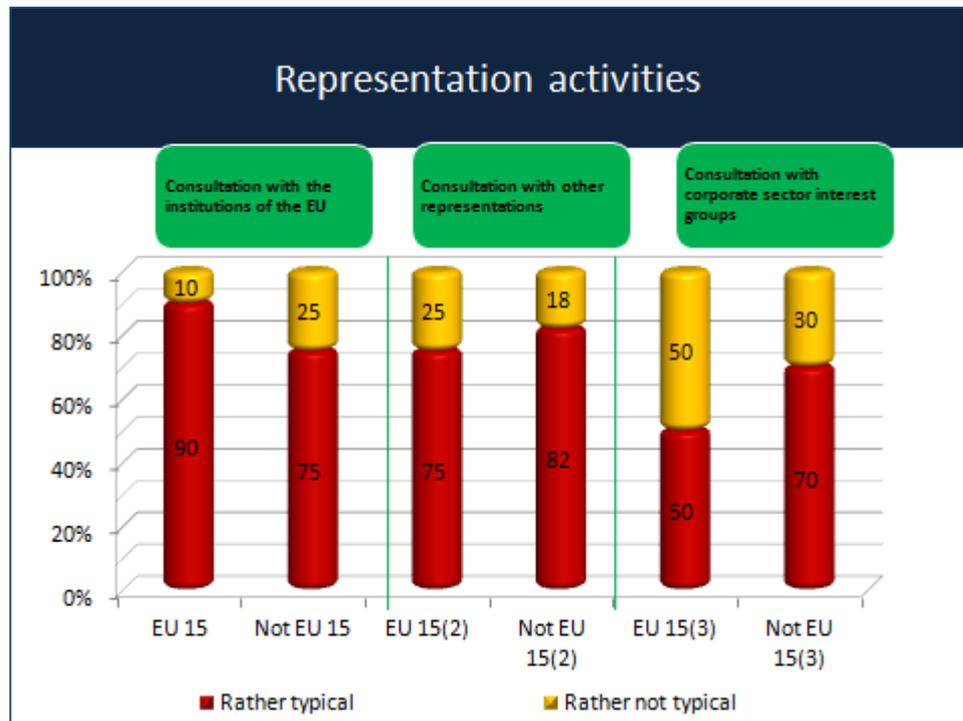


Figure 3: Representation activities in case of EU-15 and not EU-15 countries

Source: own editing based on SPSS data analysis of the survey on the role of representations

Fourth part: Intra- and extra-state political activities

H0: Representations mainly have extra-state political activities

H1: Representations mainly have intra-state political activities

Representations mainly have extra-state activities usually with other EU institutions and political actors, such as Brussels representations, networks and associations. Of course, they also keep intra-state contact, especially with their region, for example in case of collecting and transferring partner-searches of different EU projects to their regional actors and also in cases of policy-shaping processes (Figure 4).

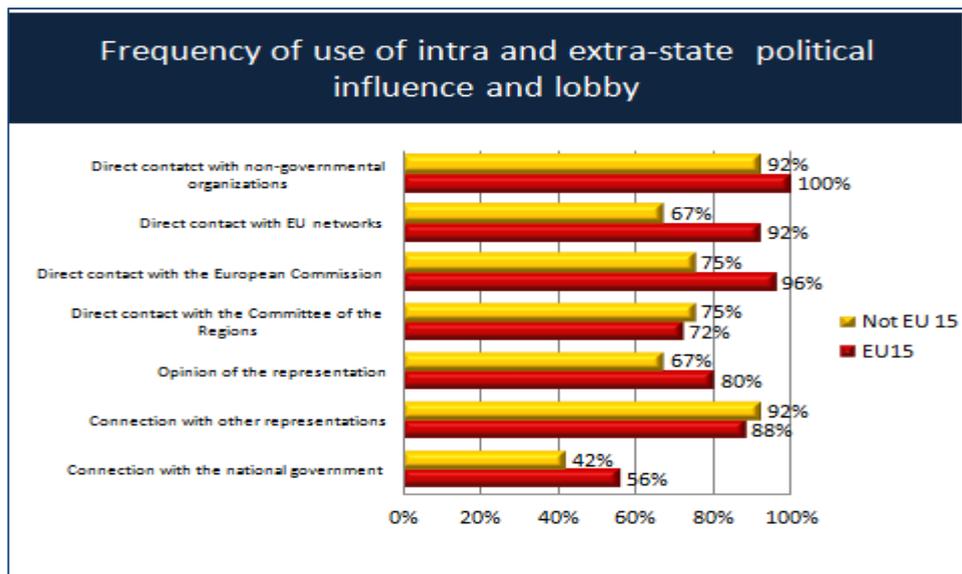


Figure 4: Political influence and lobby in case of EU-15 and not EU-15 countries
 Source: own editing based on SPSS data analysis of the survey on the role of representations

Fifth part: participation in projects

H0: Project participation is a determinant activity of representations with extended net of cooperation

H1: Project participation is not among focus areas of representation activities.

Probably the fifth part of the survey brought the most surprising result, as nearly 50% of representations never participate in EU co-financed projects and another 27% only occasionally do so, despite of the extended net of their relations, an often daily or at least weekly frequency of different cooperation activity with other representations, institutions and the civil sector. 70% never act as a lead-partner of a project even though they are perfectly familiar not only with the expectations of the EU but also participate and influence its policies and operation. It means that a great improvement potential was identified at the level of representations besides their former activities (Figure 5).

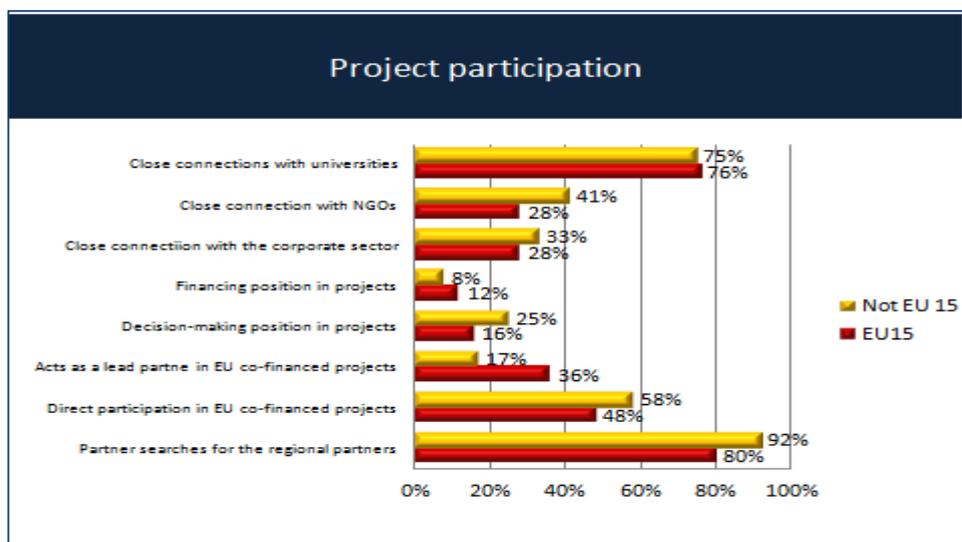


Figure 5: Project participation in case of EU-15 and not EU-15 countries
 Source: own editing based on SPSS data analysis of the survey on the role of representations

The analysed hypotheses not only draw the map of EU city and regional level representation activities but also show areas that are less in focus and offer potential areas to develop and opportunities to improve funding absorption and cooperation for urban and regional areas.

According to the data of Eurostat, “during the programming period 2007–13, total cohesion policy funding of EUR 21.1 billion was available for sustainable urban development initiatives, around 6.0 % of the total cohesion policy budget. The vast majority of this investment came from the cohesion fund and the European Regional Development Fund (ERDF). Some of the main priorities for sustainable urban development initiatives included urban and rural regeneration programmes (EUR 9.8 billion), clean urban transport (EUR 7.0 billion), the rehabilitation of industrial sites and contaminated land areas (EUR 3.4 billion), and housing (EUR 917 million).

During the 2014–20 programming period, European cities are expected to benefit even more from the EU’s regional policy. Urban areas will be directly targeted by several of the European Regional Development Fund (ERDF) priorities, while each EU Member State will invest a minimum of 5 % of the ERDF in integrated sustainable urban development. An urban development network will review the deployment of European funds as well as support the exchange of experience between cities involved in integrated sustainable urban development and in urban innovative actions.”^{iv}

Conclusion

Strategic planning is a series of decisions in which we define main goals for an organization in general and also for a specific policy area in order to make our organization capable of accommodation to its external environment and its changes in the most effective and successful way. Four types of a strategy can be distinguished: reactor, defender, prospector and analyzer (Snow, 1978), mainly defined for the corporate sector. Also, a strategy has different levels within the organization (Csath, 1998). The analysis of the activities of municipal and regional EU representations can also contribute to achieve the goals and priorities defined for the 2014-2020 EU budgetary period. Based on the research among municipal and regional representation it can be stated that their potential in possible cooperation, city marketing and funding absorption is big enough to benefit from it much more than it is used nowadays. Besides the “classical” roles of representations, such as involvement in policy-making procedures, political lobbying, representation and diplomacy, networking and promotion, other roles also have to be taken into account. Participation in EU co-financed projects, active and operative co-operation with international and national actors both from the corporate and civil sector can also be defined as possible potentials.

It can be stated in general that by redefinition the role of municipal and regional representations, their economic, marketing and also cooperative potential can be extended which is a special goal to be defined in city-level strategic planning.

The model of this kind of co-operation expansion can and should of course be broaden and developed by other actors such as universities, research-centres, non-governmental organizations in order to open further resources and increase absorption of funds.

By the analysis of EU-related tasks of the Municipality of Budapest it can be stated that from the point of view of strategic planning, the city and so the municipality has numerous tasks and of course on-going projects practically in all thematic priority areas defined for developed

regions by the EU. The new and integrated approach in city management and strategic planning is a good opportunity to harmonize developments and take advantage of synergies between different policy and implementation areas. By taking into account the goals of the EU 2020 thematic priority areas it is obvious that those can be accomplished only in case of close project cooperation between all actors of different levels within the region and at international level, too.

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