

PROJECT MANAGEMENT IN THE FUNCTION OF LOCAL ECONOMIC DEVELOPMENT

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Abstract: *Project management involves the application of all necessary skills, techniques and tools to achieve the goals of a particular project. The importance of project management is particularly evident in the context of local economic development, which often depends on the efficiency of the implementation of specific projects. A particular local community has its own characteristic specific conditions that stimulate or slow down the economic development of the community. The aim of this paper is to determine that the implementation of specific projects adapted to the specifics of the local community should stimulate economic development. The hypothesis to be proven is that project management is of great importance for local economic development. By applying analysis methods, the phases that make up the process of planning local economic development can be seen and the importance of applying project management in each of these phases can be determined. The result of applying adequate project management in a particular local community should be the efficient use of all objective advantages and opportunities as well as the mitigation of weaknesses and threats to economic development. Bearing in mind all of the above, this paper should clearly indicate how the topic of project management and planning and implementation of local economic development can be efficiently and effectively connected.*

Key words: *project, management, development, local, economy, planning.*

JEL classification: *O12*

1. INTRODUCTION

Local economic development is a process where partners from the public, business and non-governmental sectors work in a coordinated manner to create more favorable conditions for stronger economic growth and the creation of new jobs. The concept of development is mostly related to economic growth in practice, although theoretically it encompasses a much broader social context.

Local communities strive to undertake various innovative methods to achieve more efficient and effective local economic development. There are a number of factors that depend on the success of local communities in the process of local economic development. The key is the ability to adapt to the changing and dynamic conditions of the national and interstate market economy.

Through adequate strategic planning of local development, local communities strive to strengthen the economic capacity of the local area and create a more favorable environment for starting new investment ventures. It is also necessary to create prerequisites for improving the competitiveness of local economic entities and

greater mobility of human resources. The extent to which local authorities will be able to improve the lives of their citizens and create a more favorable economic environment in their local communities depends on their ability to adequately understand the process of local economic development and act both strategically and operationally at the same time.

In the process of strategic planning of local economic development, local authorities must clearly determine the strengths and weaknesses of the local community, as well as potential opportunities and threats in the future in terms of development processes. Therefore, it is necessary to conduct an adequate SWOT analysis that will indicate the key determinants of local economic development. Apart from SWOT analysis, other methods, techniques and tools of strategic management can be applied in the process of planning local economic development in order to increase the efficiency and effectiveness of the process.

After the key segments of local economic development have been determined and covered by strategic planning, it is necessary to determine the possibility and dynamics of applying effective project management.

Effective project management is the key to successful implementation of planned local economic development. Practice has shown that most problems occur in the project implementation process due to inadequate expertise and commitment of the human factor.

Therefore, it is very important to choose a project manager who will adequately manage the implementation of the specific project, since it is a long process from defining the idea itself to the evaluation of the project as the last stage in the realization of a certain project.

Considering all the above, one can try to objectively prove that project management has an irreplaceable role in the process of local economic development. In order to prove this, it is necessary to analyze all phases of local economic development and to see the importance of applying project management in each of these phases.

2. ANALYSIS OF THE BASIC PHASES OF LOCAL ECONOMIC DEVELOPMENT

Local communities can take a number of measures to speed up and strengthen economic development. In order to achieve the desired level of local economic development, it is necessary to adequately and expertly plan the stages of the development process.

One of the important points of local economic development is the strengthening of links between urban and rural development within a specific community (Beliga & Holenko, 2020, p.15). The intention in our region (Southeastern Europe) but also more widely is the decreasing visibility of the differences between urban and rural development. In the 21st century, there is a clear commitment to the infrastructural development of rural areas (power infrastructure, telecommunications infrastructure, communal infrastructure and others). Such a commitment affects the increasingly small differences between urban and rural development. What is evident is that the methods of local economic development have changed significantly over time.

Table 1. Methods of local economic development

20th century	21th century
<i>Incentives for investments in solid infrastructure</i>	<i>Emphasis on encouraging the development of local companies</i>
<i>Achieving lower production costs through cheap labor</i>	<i>Liberalization of business and removal of business barriers</i>
<i>Domination of significant state grants</i>	<i>Stronger cooperation between different local communities</i>
<i>Tax exemptions</i>	<i>Intensive development of the service sector</i>
<i>High loan amounts for investors in new production cycles</i>	<i>Establishment of business clusters</i>
	<i>Emphasis on human resource development</i>
	<i>Improving the living standards of the population</i>

Source: Jackson,B. (2021). Designing projects and projects evaluations, IUCN, Gland, 2021, p. 25.

When talking about the process of effective planning of local economic development, we can single out five basic stages of such a process:

- 1) organization of local community resources needed for development processes;
- 2) defining the state of the local community in terms of development processes;
- 3) development and definition of local economic development strategy;

4) implementation of the defined strategy of local economic development;

5) monitoring and evaluation of the local economic development strategy.

Local economic development is a dynamic and flexible process. This process consists of several segments (phases). Sometimes a certain phase of local economic development begins without the second phase being completed, which depends on the specific needs of the local community.

3. THE IMPORTANCE OF PROJECT MANAGEMENT IN THE PHASES OF LOCAL ECONOMIC DEVELOPMENT

The most important prerequisite for successful local economic development is its effective strategic planning. The application of project management in each of these phases plays an irreplaceable role.

Local economic development is based on the implementation of numerous projects. The project development itself includes a series of activities: initial meetings, development and application of the project idea, implementation of the defined project, project monitoring and project evaluation. The key role in these activities is played by the project manager, who should initiate and coordinate a series of actions on this issue.

The project manager has a decisive role in turning an idea into a concept (project). The term project coordinator is often used for the project manager (Dearden, 2023, p.45).

Organizing local community resources is the initial phase in local economic development. It is necessary to clearly define which forces within the local community can be used in the implementation of future projects.

This primarily refers to human resources that can be engaged in the implementation of projects, but also to the financial resources that are available for this purpose. In the initial phase of defining projects needed for accelerated local economic development, it is important to determine whether there are sufficient human resources available, both in quantitative and qualitative terms, because this is an important foundation for the successful implementation of defined projects.

Human capital is a decisive factor in the success of every development process even today, regardless of technical and technological progress over time. Financial resources are also of great importance, because without them there is no concrete implementation of the project, that is, there is no entry into the implementation phase.

Defining the state of the local community in terms of development processes implies transparently defining the current situation in order to clearly determine the priority of potential projects. For example, if it is determined that the local community has poor road infrastructure, then one of the priority projects can be aimed at improving this segment, which would be a prerequisite for more serious investment ventures.

On the other hand, a local community that has better quality road infrastructure has the intention to prioritize projects with a different focus. Developing and defining a local economic development strategy is a very important phase for the further operationalization and implementation of projects aimed at intensive local economic development.

The strategy defines the strategic directions of development of a specific local community and then, within the framework of the strategy thus defined, projects that will be the driving force of development are prioritized.

If the previous phases are well designed, then there is a significantly greater possibility for the successful implementation of the local economic development strategy.

Therefore, this phase must be analyzed in more detail and the importance of project management in this phase must be highlighted.

Monitoring and evaluation of the local economic development strategy involves continuous monitoring of the implementation of the strategy as well as feedback on the effects of the implemented strategy.

4. IMPLEMENTATION OF THE LOCAL ECONOMIC DEVELOPMENT STRATEGY

Several of the most important activities can be singled out in terms of the effective implementation of the previously defined local economic development strategy:

- a) elaboration of the implementation plan of the local economic development strategy for the key projects foreseen by the given strategy;
- b) development of activity plans for the most important projects;
- c) development of a framework plan by segments for the implementation of the local economic development strategy;
- d) procurement of essential input resources for the implementation of the local economic development strategy;
- e) implementation of specific activities from the action plan for each individual project as part of

the implementation of the local economic development strategy.

When preparing for the implementation phase of the local economic development strategy, the local community must provide the necessary financial resources for the implementation of the most important projects that should contribute to the implementation of the local economic development strategy (Portny, 2022, p.26). Often, the financial resources at the disposal of the local community are insufficient for the implementation of key projects, so the implementation of the most important projects takes place with the help of higher levels of government (ministries within the Government of the specific country in which the local community is located). Also, one of the ways of securing the necessary financial resources for the implementation of projects from the local economic development strategy is credit indebtedness of the local community (most often with guarantees from the Government of the country where the local community is located).

Bearing in mind the importance of the implementation of projects defined by the strategy of local economic development, it is crucial to choose professional project managers with a proactive commitment during their implementation. The project manager has a key role in the coordination and transparent development of the specific project.

The project manager is expected to have a wide range of knowledge (legal, economic-financial, technical, organizational, etc.) because only in this way can he effectively implement a specific project. One of the most important tasks for a project manager is the selection of an adequate project team. Those who have adequate knowledge for the successful realization of the project (lawyers, economists, engineers, technicians and others) must be represented in the project team. The project manager should be able to choose those who he believes can successfully contribute to the realization of the specific project to the project team.

This is important because the project manager is the most responsible for the effective implementation of the project, so he must have the ability to select people who can significantly contribute to the project team.

The project manager must have at his disposal a certain range of measures with which he can motivate the project team members (financial bonuses and the like).

Table 2. Influential individuals and groups on the project

Internal	External
<i>Higher level of management</i>	<i>Clients or buyers</i>
<i>Initiator</i>	<i>Investors</i>
<i>Sponsor</i>	<i>Collaborators</i>
<i>Project manager</i>	<i>Sellers, suppliers or contractors</i>
<i>Groups in the organization involved in the project</i>	<i>Legislators</i>
<i>Financial managers</i>	<i>Media and public</i>
	<i>Professional associations</i>

Source: Swinburn, G. (2022). Local Economic Development. The World Bank, Washington, p. 79.

In the previous table, influential individuals and groups that have an interest in the realization of the specific project are listed. Therefore, the project includes a wide range of interested individuals and groups that may directly or indirectly have an interest in the effective implementation of the project.

Within a certain local community, the most important are the so-called "development projects", which must be clearly defined and contribute to long-term development. Development projects can be different in terms of value, purpose and goals. Small projects usually require smaller financial resources and usually last a few months. Larger projects involve large financial resources and can last for several years. The successful implementation of the project implies that clear standard work procedures have been established in a flexible format.

In the phase of project implementation, the local community must clearly determine what is necessary for the success of the specific project. For the success of a specific project, the following is usually required:

- clearly defined vision;
- clearly defined strategic goals;
- efficient division of responsibilities;
- transparent communication;
- the motivation of everyone involved in the implementation of the project;
- effective control mechanisms;

- objectively conducted evaluation.

The first question that the local community must answer is who manages the local economic development strategy. Local authorities must take responsibility for the implementation of the local economic development strategy. In practice, the operational management of the local economic development strategy is usually left to development agencies specialized in the development of local communities or possibly to a professional service within the local administration (if it exists).

The answer to the question of who is responsible for the formulation of the project is also very important. If the local administration does not have an adequate professional service for the formulation of a specific project, then that work is left to professional associations or agencies.

It is of great importance to clearly determine the criteria on the basis of which the priority of projects will be determined, as well as the issue of agreement and consensus of all interested parties regarding this issue. Within a specific program area of activity, projects should be proposed and prioritized on the basis of transparent criteria reached by a certain consensus or agreement. For a specific proposed project, it should be determined whether it fits into the broader strategic goals defined by the local economic development strategy. These goals are usually established and defined in coordination with interested interest groups. Cost-benefit analysis is an important method for determining project priorities. If several project variants are considered, a comparison of the costs and expected benefits (quantitatively expressed) of each of the projects can provide enough necessary data to determine which project is more prioritized. Local communities are mainly interested in opportunities to create new jobs, improve employee standards, and increase public revenues. Also, the factor of time needed to achieve the desired effects from projects can be one of the factors for determining priorities.

One of the questions that needs to be answered is who exactly implements a certain project. It most often happens that local authorities try to implement certain projects with their own staff (due to lower costs), which can lead to problems because local government officials often do not have experience in implementing projects. In that case, there is a problem because they cannot devote themselves to their daily activities that are in their job description and work tasks.

Therefore, in some circumstances, it is more productive to leave the implementation of the project to professional agencies or non-

governmental organizations with proven references. The local government should provide adequate logistical support for the project to achieve the planned efficiency (Swinburn, 2022, p.80).

It is also important to define the methods of supervision when it comes to the implementation of strategy and specific projects. The local administration must have developed mechanisms for monitoring project implementation issues. Supervision is a continuous assessment of defined activity schedules and the use of available resources.

The issue of project evaluation must also be clearly resolved. Evaluation is a periodic assessment of specific benefits during project implementation in relation to defined and set key goals that are to be achieved by a specific project. The local administration must periodically take measures to evaluate the implementation of the local economic development strategy and individual projects.

CONCLUSION

The strategy of local economic development requires consideration of all the specificities of a particular local community. Therefore, there is no universal strategy of local economic development that can be applied to every local community. In accordance with the adopted strategy of local economic development, which respects the specificities of a particular local community, decisions are also made on priority projects that contribute to the achievement of strategic goals. When making a decision on priority when it comes to projects, it is crucial to consider the interests of interested individuals and groups, which are an important factor in the future development of the local community.

During the implementation of projects that contribute to the achievement of the strategic goals of the development of a certain local community, it is crucial to hire expert project managers who would ensure the application of all the necessary principles from the field of project management. Project managers are the most responsible for the successful implementation of projects, so it is necessary that they have the opportunity to freely choose their project team.

An integral approach in planning local economic development implies the inclusion of all social, economic and other aspects of the local community. Such an integral approach requires the involvement of all key interest groups in order to achieve effective economic development of the local community.

From everything stated in the paper, we can conclude that the application of project

management in local economic development is of key importance for the successful implementation of the strategy of local economic development.

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