

## CASE STUDY

Pazardjik, Bulgaria

West Bend, Wisconsin

# Economic Development: Taking Action to Create Jobs

*CityLinks* Partnership between  
Pazardjik, Bulgaria and West Bend, Wisconsin





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

## Introduction

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

Mayor Kolchakov and the city council decided to act, and applied to take part in ICMA's *CityLinks* Program sponsored and funded by USAID Bulgaria. An initial diagnostic study of Pazardjik clearly showed that the city had significant assets that could be used to rebuild its economy: a skilled and literate workforce, large tracts of land, proximity to Bulgaria's two largest cities (Sofia is slightly more than an hour away, and Plovdiv is just 30 minutes away), and access to an international highway linking Turkey to Western Europe. Mayor Kolchakov knew these assets could be leveraged, but he wasn't sure about the best way of doing so.

The *CityLinks* staff selected West Bend, Wisconsin, to partner with Pazardjik, because in many ways, West Bend's location and assets mirrored those of Pazardjik. West Bend is a small city just 30 minutes from Milwaukee. It, too, has a skilled workforce and access to an interstate highway. West Bend also faced significant economic pressures, mostly due to the overall decline in the manufacturing sector in the United States. In northern U.S. cities, businesses were constantly downsizing or outsourcing work, prompting West Bend to develop an aggressive business recruiting program and a proactive business retention initiative. ICMA believed that Pazardjik could learn from West Bend's success in implementing an economic development strategy



### Pazardjik Facts

**Location:** Southern Bulgaria, approx. 120 miles from Sofia

**Population:** 127,900

**CityLinks Partner:** West Bend, Wisconsin

**Partnership Dates:** 2000-2002



### The CityLinks Model

The *CityLinks* methodology is flexible and tailored to meet the needs of each participant. In the Pazardjik-West Bend partnership, meetings alternated between the two cities. Meeting first in Pazardjik exposed West Bend practitioners to the issues, so that they could begin to prepare an initial response to the challenges. Meetings in West Bend allowed Pazardjik practitioners to begin to understand what was possible, observe firsthand some of West Bend's aggressive economic development strategies, and work side by side with their West Bend partners.

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

The inclusion of a local partner NGO can significantly contribute to the sustainability of a *CityLinks* program, and in Pazardjik, the Foundation for Local Government Reform (FLGR) played such a role, bringing to the table its understanding of local government development needs in Bulgaria.

highlighting light manufacturing and service delivery and capitalizing on its location near Milwaukee.

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

### The Strategy

The West Bend team worked very effectively with its partners in Pazardjik to adapt the lessons learned and tools developed in promoting local economic development back home to the new situation. Thanks in part to the assistance of West Bend, Pazardjik has begun to build its economy over the past four years by:

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

## Creating a Business Development Plan

West Bend knew that before action could be taken, the Pazardjik community would have to create a business development plan. The plan had to be responsive to the needs of the business community, so the first step was to better understand what those needs were. Visiting local businesses and meeting with representatives of the Pazardjik business community at large revealed two critical factors: 1) Businesspeople wanted to purchase rather than to lease land; and 2) The city needed to provide infrastructure (water, electricity, and communications) before the sale of the lots.

The parameters of the business development plan soon came into focus, in large measure because West Bend had already been down a similar path. The team agreed that the plan would aim not only to retain and expand existing businesses, but to attract outside investment to support the development of an industrial park as well as its marketing and financing. Thus West Bend's business plan became a model for Pazardjik's, and Pazardjik staff and council members received hands-on training in business plan development and implementation.



## Identifying and Training Staff Members as Economic Development Professionals

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

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

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

West Bend recommended that Pazardjik hire an economic development specialist and consider setting up an office that would specialize in business



retention and recruitment. West Bend offered to help formulate the office's responsibilities and train its staff. This recommendation resonated with Pazardjik's mayor, Ivan Kolchakov, and the city assigned two staff members to become Pazardjik's first economic development team. These staffers received technical training from West Bend and became integral members of the partnership, interacting with West Bend's chamber of commerce, Economic Development Corporation, and a local technical college (Moraine Park).

### **Creating an Industrial Park/Economic Development Zone**

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

The partners toured potential sites for the new industrial park and chose a 40-acre parcel of undeveloped land wholly owned by the city. To expedite action, West Bend took the lead in developing a business plan only for the park, which would be used to guide its development process. That plan—combined with a review of site location, parcel size, and the process for lot sales—drove the partners to nearly double the park's total size.

As the land selected for the industrial park was zoned for agriculture, Pazardjik initiated the process of rezoning it for industrial use. To do this, they had to apply to the state, because in Bulgaria—unlike in the U.S.—the central government is responsible for zoning decisions. Not only did this process require substantial persistence on the part of local leaders, it also cost the local government an estimated \$100,000 in fees.

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

**Identifying potential investors** With no previous experience in marketing land, Pazardjik had to rely greatly on the expertise of West Bend. To West Bend practitioners, the strategy was clear: marketing efforts had to focus on the needs of investors, and the best way to determine those needs was simply to ask businesses what they wanted. The partners worked together to design a survey of existing businesses and analyze the results. The survey identified small and medium enterprises (SMEs) that wanted to expand and could provide jobs and generate revenue for the city, as well as potential investors and the needs of both groups.

**Marketing the industrial park to businesses** After reviewing the survey results, the Pazardjik team drafted a vision statement for the industrial

park and initiated a promotional campaign. A marketing brochure was prepared to help attract local entrepreneurs, banks, and other potential investors, using similar brochures from West Bend as models. An architect and graphic designer then helped to develop and design the brochure, which was produced in Bulgarian and English and included maps illustrating the park's location as well as a drawing of it with a sample division in parcels. Pazardjik distributed 1,000 of these brochures to businesses, banks, and business development organizations that might have an interest in the park.

**Selling the lots** To sell the land, the partners developed an open and transparent process that recognized that the value of the individual parcels varied, depending primarily on their location within the park. The team decided on a three-pronged approach: the most attractive parcels would be sold through a bid; those in the middle zone would be sold at an auction; and the least desirable ones would be sold through direct negotiations (see scheme on following page). While increasing municipal revenue remained an important goal, the partners agreed that it was less important than attracting investors and new jobs. To this end, all parcels were sold below market value; the team calculated that the long-term benefits of this approach would outweigh the forgone revenues. The municipality made a total of \$234,000 from the sale, and the new businesses are creating 400 new jobs, which ultimately will result in economic growth and more tax revenue for the city.



### **Financing and Extending the Infrastructure to the Industrial Park**

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

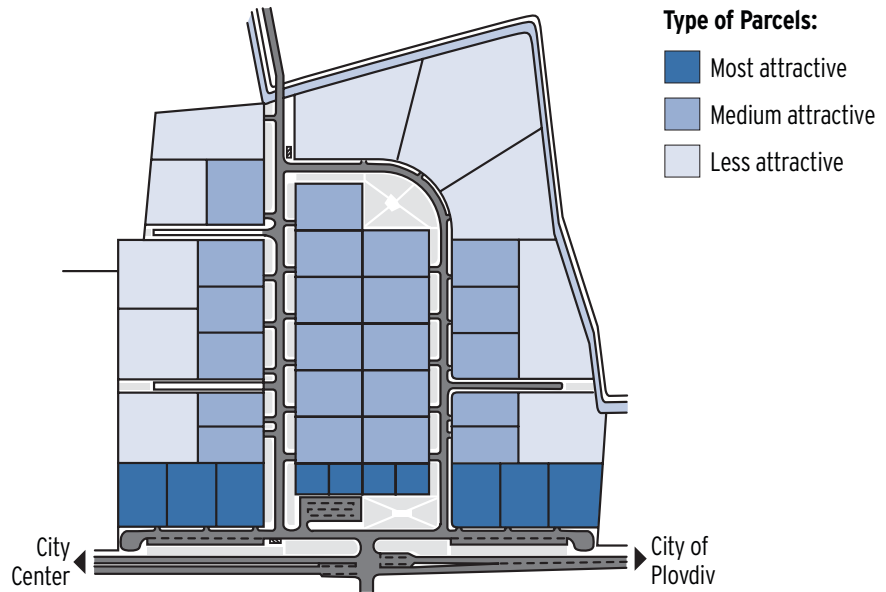
*“Pazardjik had the will—it was our job to show them the way.”*

**Dennis Melvin, City Manager, West Bend, Wisconsin**

City officials again had to overcome major obstacles in carrying out their plan. The regional government declared that the bank loan to the city was illegal, delaying for several months the start of construction



### Scheme of parcels in the industrial zone



on the park. Some city leaders surmised that the main reason for the regional government’s opposition was political, as the regional governor and Pazardjik’s mayor were from different political parties. The issue was resolved after the election of a new mayor in the fall of 2003, and Pazardjik is expecting to receive a loan of more than \$900,000 for completion of infrastructure services to the park.

### Results and Sustainability

Pazardjik has continued its economic development efforts, and even increased them. The city’s new mayor, Ivan Evstatiev (elected in 2003), has reaffirmed the city’s commitment to economic development, including completion of infrastructure for the industrial park. Pazardjik has committed to surveying and visiting local businesses, and plans are in place for a local Community Economic Advisory Council with wide representation from business, government, labor, business-oriented NGOs, and educational institutions. The city is also a founding member of Invest.BG, a new consortium of Bulgarian communities undertaking economic development. Under this program, Pazardjik completed a community profile, updated its marketing brochure, participated in the consortium’s new website ([www.invest.bg](http://www.invest.bg)), and served as one of the consortium representatives at the Hannover Trade Show in Germany in April 2004.

Pazardjik’s new industrial park has created favorable conditions for development of the SME sector. Its success will give potential future



### Results and Sustainability

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



investors confidence in the city's ability to carry out economic development plans and will encourage private investors from neighboring regions to relocate their businesses in the municipality. Eventually, the industrial park will create new jobs and provide the city greater revenues from local taxes and fees. In addition, the city's success in boosting the economy will result in greater public support for other municipal projects that solve acute social problems.

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

### Lessons Learned and Shared

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



If local efforts to develop industrial parks are to flourish, however, other levels of government must create environments that are conducive to problem solving and must find ways to put aside political differences in achieving common goals. Solutions to cumbersome zoning processes and land-use changes are needed in Bulgaria, including the decentralization of these and related activities at higher levels. Similarly, a concerted effort must be made to initiate municipal bond financing for urban infrastructure in Bulgaria and other countries.

### **Conclusion**

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

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