A Report on the Status of Inter-Municipal Cooperation

Prepared
for OSCE Spillover Mission to Skopje
By
VNG-International

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Executive Summary

The following report is the result of OSCE’s interest in pursuing and understanding the viability, desirability and breadth of potential use of Inter-Municipal Cooperation as a technique for better urban management. “The goal of the assignment is to explore the feasibility of different forms of inter-municipal cooperation…and to determine the extent to which inter municipal cooperation is a viable option for the achievement of a more efficient and effective provision of services and performance improvement at the municipal level, while taking into account existing administrative capacities and the scope and quality of services currently provided by municipalities.”

Interest in the program was initiated as a result of the extensive work being done by GTZ (the donor with the most apparent experience in the country with this issue) and a desire to determine what other outlets and opportunities existed for such cooperative arrangements.

The study first looks at the Macedonian law on the issue of Inter-Municipal Cooperation and finds areas where, for the benefit of all concerned, a more detailed and constructive modification of the current law is desirable. Comparing the law with that of western European countries finds that Macedonian law is as, if not more, permissible in its applications than many of them. However, the law is also virtually bereft of any regulatory or implementing guidelines and leaves the structure open and without any concrete formatting. Though this provides an excellent opportunity for municipalities to be creative, which is positive, it also opens them to potential legal entanglements later on if the partnerships dissolve.

Another finding of the study is that the host country, unlike the other European countries that were used to compare systems, does not have an intermediate level of government. The study does not suggest that that the country should or should not pursue such a change in its structure but does point out that such a difference has a substantial impact on Inter-Municipal Cooperation. Frequently, in countries that do have such a system the intermediate level undertakes some of the responsibilities that Macedonian cities are contemplating doing on a bilateral basis.

The report finds that the attitudes toward the concept differ somewhat depending on the perspective. There is considerable skepticism among those viewing the process from Skopje, whereas the local officials look at it more as an inevitable evolution of the process and are quite committed to pursuing it. We found some hesitancy on the part of donors to engage directly in programs except closed end projects where there was no ongoing cooperation needed beyond the actual project. (For example infrastructure construction projects with a clear beginning and end). However, the findings show that the municipalities are much more in need and, to a great extent, pursuing on their own, projects of cooperation that require ongoing operational and maintenance arrangements. These are by far the more difficult arrangements as they require cooperation in management structure, personnel appointments and the like.

The report concludes that there are numerous cases where this technique is currently being used, but more importantly the need and demand is growing rapidly. A close review of the law on Local Self Government, coming into full effect in January of 2005, indicates that the level of competencies and responsibilities under the purview of the local government will

1 Taken from the OSCE Terms of Reference for “Consultancy to conduct a feasibility study on Inter-Municipal Cooperation
change fairly drastically. With such a modification and little change in the overall resources available to deal with the issues, the demand for more and more Inter-Municipal Cooperation is inevitable. It will require much expertise and assistance, from internal as well as externals sources, so that the municipalities can ensure that their constituents are receiving all of the services expected and that the services are performed in as efficient and effective manner as possible. Thus a final conclusion of the report, which can be found in a series of recommendations, is that the help of the donor community, central government, associated agencies and associations are all needed to encourage and help implement this tool as a means toward better local government.
1. Introduction

The new law on Local Self – Government and, potentially, 42 other defining and regulating laws are due to be implemented on the first of January, 2005. With the changes come many new competencies not previously granted to local government, as well as many new responsibilities, including funding, not previously available to local governments. Municipalities that previously relied on the central government to provide services will find that they are expected to provide the service to their constituents. Since much of the funding will be generated locally, a premium will be placed on efficiency and effectiveness of operations. This will require maximizing of resources. In short, this highlights a substantial change to the current way of conducting local government in the country. One possible tool to be considered in these new conditions is enhanced use of Inter-Municipal Cooperation.

With these major changes in mind, OSCE has engaged VNG International to undertake a feasibility study on the issue of inter-municipal cooperation. “The goal of the assignment is to explore the feasibility of different forms of inter-municipal cooperation…and to determine the extent to which inter municipal cooperation is a viable option for the achievement of a more efficient and effective provision of services and performance improvement at the municipal level, while taking into account existing administrative capacities and the scope and quality of services currently provided by municipalities.

More specifically, the objectives are as follows:

- To explore potential areas for inter-municipal cooperation that will improve service delivery and the performance of competencies and to determine whether relevant international experience, such as the Bavarian model, is applicable in The former Yugoslav Republic of Macedonia;
- To identify the best form of inter-municipal cooperation on the indicative model provided for by the Law;
- To identify existing and potential obstacles and causes that would prevent successful introduction of different forms of inter-municipal cooperation, if inter-municipal cooperation is found to be a viable option;
- To recommend a possible way forward and propose actions to be taken to overcome the identified obstacles, if inter-municipal cooperation is found to be non-feasible; and
- To assess the international community’s and government’s views on the feasibility of inter-municipal cooperation, given the current state of decentralization in the country”.

One of the package of 42 Laws is the law dealing with Territorial Division, a law that will modify the number of municipalities. Currently, the number of municipalities is at 124 and the estimation, at this writing, is that the eventual number will be between 60 and 80 with speculation that the latter figure is closer to the actual. This law is of special interest in the discussion of inter-municipal cooperation because, once the total number of municipalities is determined, the relationship and relative capacities of each will be more evident, thus making the need for, or provision of services, to and from municipalities easier to determine. As we will see later in this report, the importance of this law is hinging heavily on the issue of inter-municipal cooperation. Currently, the lack of the law is seen as a reason not to enter into agreements now, for fear that such agreements will be useless if the territorial division either eliminates or merges one of the participants in such agreement. An exception to this is where

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\[ibid\]
it is already taken for granted that municipalities that are in a cooperative inter-municipal arrangement will be merged and thus the impact will be neutralized.

The overwhelming problems municipalities are currently facing, such as lack of proper staffing, lack of proper financing and underdeveloped infrastructure, are not going to be resolved simply by decentralization. In fact, to some extent decentralization only shifts the same resources and same responsibilities from one level of government to another. In order to cope with these changes local governments will have to seek new and more effective and efficient mechanisms. The answers lie, at least partly, in raising the collections of fees and taxes through more effective methods and better legislation, but the answer will also have to come in part from more efficiency and effectiveness of operations. Some of this can be done “in house” by improving the day to day operations, but given the size of many of the municipalities (regardless of the final decision there will still be many small municipalities) there will be many who simply will not find it financially feasible to provide all of the services that the new laws relegate to municipalities. Therefore other means of providing service must be found.

In many countries the “other” way is through inter-municipal cooperation. This study takes a close look at the potential and the possibilities that exist for such cooperation. It is not the only means of solving such problems, but it is certainly one way that has the potential to provide some of the answers. Many other European Countries have used this method and find it very productive.
II. Overview of the Macedonian Legal Status and Comparative Examples

Macedonian Law

The use of inter-municipal cooperation is not something that has a long or intense history in the country. During the interviews (to be detailed in the next sections) there was a good deal of skepticism despite many good examples. The basis for the use of inter-municipal cooperation is something that is clearly allowed by the local law but not well defined nor are guidelines provided.

The current law on Local Self Government addresses the issue of inter-municipal cooperation in three articles (Article 14, 15 and 61). The law on this matter reads as follows:

Article 14
(Inter-municipal Cooperation)

(1) In the performance of their competencies, the municipalities may cooperate among themselves.

(2) For the purpose of accomplishing common interests and performing common tasks that fall within the competency of the municipalities, they may join funds and establish shared public agencies, in accordance with the law.

(3) For the purpose of performing certain competencies, municipalities may also establish shared administrative bodies in certain areas, in accordance with law.

(4) The municipalities may also cooperate with units of local self-government of other countries, as well as international organizations of local communities, and may be members of international organizations of local governments.

(5) The ministry responsible for the performance of activities that relate to local self-government shall keep records on the realized international cooperation of the municipalities, in accordance with the law.

Article 15
(Right to Associating of the Municipalities)

(1) For the purposes of protection and enhancement of the common interest the municipalities may form associations, in accordance with this and other laws.

Article 61
(Establishing and Abolishing of the Shared Administration)

(1) Shared administration bodies for the performance of certain competencies shall be established or abolished on the basis of a decision adopted with majority vote of the total number of members of each municipal council.

(2) Based on the decisions referred to in paragraph 1 of this Article a written agreement shall be signed and it shall define: the municipalities that establish the shared administration body; seat of the shared administration; the type scope and way of performance of the activities; usage of the facilities and equipment; financing; the manner of its abolishing; and control over the operation of the shared administration body.
The agreement referred to in paragraph 2 of this Article shall be published in the “Official Gazette of the former Yugoslav Republic of Macedonia”.

The law, as it is written, clearly provides authority for municipalities to make arrangements and engage in inter-municipal cooperation. It is also clearly permissive in nature and not prescriptive. This is a real benefit to local governments as it provides a level of flexibility and choice not perceived in the prior laws (although in reality available even then). However, these Articles are not without problems for implementation and operation.

The first difficulty is in the classic catch all phrase, “in accordance with the law”. The question becomes which law? According to the Ministry of Local Government there are currently no laws planned in the “package of 42” that will modify or change the meaning, regulations or intent of the three Articles. However it leaves a lingering question as to whether there is some other law that has an overriding authority and could thus interfere with the successful implementation of a cooperative effort among municipalities.

Upon analysis, it appears that the second difficulty encountered is the lack of virtually any regulatory or implementing legislation. The texts in the laws quoted on the previous page are all that municipalities have to go on. Some may view this as a positive retreat from strict central control, since it apparently gives local governments carte blanche to put together virtually any kind of Inter-Municipal Agreement. Others, as one Council member told us, may see it as flexibility and part of the central government plan, since “they give a lot of leeway but since it is without specifications can always object if they don’t like it.” Either way it is not particularly good for stable conditions in the relationships between municipalities.

The necessity for a better legal definition is not that the central government can provide a greater control. The concept of allowing the municipalities to make such decisions is very sound and allows them the best opportunity to craft systems that meet their real needs. Rather a state sanctioned legal framework serves to prevent unnecessary legal entanglements and difficulties among parties when differences arise. By knowing the parameters of the type of agreement up front, they will be better able to perform. Likewise the ramifications of selecting one type of arrangement over another will be better known if there are clearer definitions. (For example, Article 14, Section 2 provides that municipalities can form “shared public agencies” and Article 3 provides that they can form, “shared administrative bodies in certain areas”. However, nowhere does it distinguish between the two, define them or state what the “certain areas” are.

**Comparative National Examples**

A comparison with the laws of other countries that have such systems provides a useful insight into the ways in which the flexibility to choose and operate Inter-Municipal Agreements can be maintained while providing a sound legal underpinning to the choices made by municipalities. When looking at the examples from other countries is should be noted that the flexibility given to the municipalities is well defined in the structures and regulations that govern these capacities.

In the Netherlands there is a tradition of legally regulated inter-municipal cooperation that goes back over 50 years. The Netherlands has a relatively high number of municipalities for its land mass (over 500 in 2003), and the economic benefits of cooperation seem to have

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3 Law on Local Self Government, Former Yugoslav Republic of Macedonia, articles 14,15 & 61
driven the establishment of such actions, which number in the thousands. “In the Netherlands, the public forms of cooperation are collectively called ‘joint regulations’. The rules on the structure and operations of these forms are laid down in the Joint Regulations Act.”\(^4\) That act lists three principle forms of cooperation and spells out the regulatory requirements for each. Under Dutch law, inter-municipal cooperation can consist of a “Public Authority”, a “Joint Agency” or a “Core Municipality” with a forth form, a “Light Agreement” permitted but not named in the act. The key factor here is not what the regulatory rules are that accompany these forms but that they exist and are clearly stated for the benefit of the municipalities engaging or proposing to engage in one or the other.

Hungary is another country that has a system of inter-municipal cooperation. In that country “Joint bodies may be established for the purpose of fulfilling the duties and powers of both local government and central administrative organs…..The local governments involved shall decide autonomously on the establishment of the cooperation and the contents of the cooperation agreement. The only restriction is that the joint body may not violate the rights of the participating local authorities…and the municipal council may transfer its power to the joint authority”\(^5\). This last concept (the transfer of power) is very important as it, in a sense, creates a ‘special purpose’ local governing authority. Like the Dutch law, the Hungarian law is specific about the types of cooperation that is allowed and the regulatory rules that accompany each.

It should be noted that for both of the aforementioned countries, as proscribed by the European Charter of Local Governments, voluntary and free cooperation among municipalities is mandated and therefore, the forced cooperation of local authorities is not included in the law.

**Sub-National Examples**

In addition to national laws on the subject of inter-municipal cooperation, there are also sub-national laws that pertain to the issue as well. In the United States the governing authority for such activities is the individual State Government, and thus there are in effect 50 different systems. The State of New York is one state that has dealt with the issue extensively and has produced several documents including a “local government guide” to inter-municipal cooperation. Though the European and American systems have some significant differences, the guide is nevertheless a valuable reference document to assist municipalities in determining how, when and in what way to consider such arrangements.\(^6\) A second guide produced by the State of Pennsylvania is even more extensive and an excellent model to be adapted to the Macedonian circumstances.\(^7\)

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\(^4\) Input Paper “Inter-municipal Cooperation in the Netherlands, from the joint project of the Ministries of the interior in the Netherlands and Hungary, May 2001., p9-10

\(^5\) ibid. pg. 5

\(^6\) The State of New York documents referred to here are listed in the list of references in Annex B. of this report and are available over the internet.

\(^7\) Governor’s Center for Local Government Services, Inter-Municipal Cooperation Handbook, Commonwealth of Pennsylvania, February 2002
An example of a European sub-national law on Inter-municipal cooperation can be found in Bavaria in Germany. According to Bavarian Law, there are four forms of inter-municipal cooperation allowed. They consist of four types of systems with varying degrees of formality, including the Working Group, Special Purposes Agreements, Special Purposes Associations, and Joint Administration. Again they tend to have more information and regulation attached to each but the existence of the “loosest” form the “working group” is notable and needs to be considered in the Macedonian context. As the research shows, in The former Yugoslav Republic of Macedonia today, there are numerous examples of “informal” cooperative arrangements and that these exist without payment of formal approval by governmental bodies but simply as a way to help out neighbors and colleagues.

One significant difference between the other countries and the Macedonian situation is that each of the others had at least a third layer of government, a regional one that tends to provide some of the functions that Macedonian municipalities are contemplating on an ad hoc basis. This is not meant to suggest that the former Yugoslav Republic of Macedonia needs to change its constitution or legal framework simply to promote or substitute for Inter-Municipal Cooperation but it does provide a substantial difference in the systems and provides an issue worthy of discussion.

The question of a third layer of government was posed to the various interviewees. There was clearly a mixed response. Some saw regionalization as a way to reinstitute Central government control under a different heading. Some saw it as a way to institutionalize the process of cooperation on various issues of government activity. Local Economic Development, Education and Health Care were some of the more commonly mentioned potential services to be conducted at the regional level.

The question becomes one of whether or not the country wants to institutionalize cooperation in areas where it is seen to be a fully common and pervasive issue. For example, municipalities might want to deal with water provision on an inter-municipal cooperative basis because, though everyone needs water, the sources and systems needed from area to area are much different and do not demand uniformity. However, Education which has basic standards all around the country may benefit from a regional authority minimizing the maintenance and upkeep functions while ensuring that all schools in the district receive the necessary and same materials. An issue like Local Economic Development seems to be a good candidate because the issues involved rarely follow any one jurisdictional border.

The scope of work of this project suggests that the study look at five types of international practice that might be related to the law in the former Yugoslav Republic of Macedonia and suggests that might be undertaken in the former Yugoslav Republic of Macedonia. These are:

1. **Joint Service Production** – formation of joint enterprises or agencies for water supply or road maintenance.

2. **Joint (Shared) Administration** – formed for performance of certain competencies, mainly of an administrative nature, such as tax collection and administration, physical planning, licensing of various types.

3. **Selling and buying of services** – this may include provision of services to weaker municipalities for which a fee is paid.

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8. From an OSCE briefing sheet on Inter-Municipal Cooperation, undated.
4. **Joint planning and development** – in cases where small municipality has lack of capacity to perform the competency alone, such as local economic development.

5. **Joint funding.**

   Of the five types of Inter-Municipal Cooperation listed only one (2. Joint (Shared) Administration) is specifically addressed in the Macedonian Law. Article 61 of the Law on Local Self Government is devoted to nothing other than specifying the authority for and method of implementing such an arrangement. However, all the others are also approved by implication in the wording of Article 14 and 15.

   In fact, during the course of the interviews and study one or more examples of each of the above were seen to be in operation. In addition, several informal arrangements, which are not specifically mentioned in the law, but which give no reason to be doubted as legitimate sharing of capacities, were also found.

   A final issue regarding the Macedonian law is pertinent at this stage. The opening statements referred to some 42 laws that need to be passed by the beginning of 2005 in order to implement the decentralization. (It is noted that as many as 80 new laws will be necessary to complete the process of decentralization as currently conceived). The timing and extent of the implementation of decentralization is tied very closely to this issue and the whole area of local self government. Very little decision making can be undertaken on a broad scale until the full scope of the parameters is known. Yet at this stage there is much to do. It is noted earlier that Macedonian law provides very little guidance or implementation regulation with regard to inter-municipal cooperation. Yet there are currently no plans to amend the current law or to develop any regulatory statutes. Furthermore, when discussing the issue at the Ministry of Local Government as to whether or not any of the “42” would impact the concept of inter-municipal cooperation, the only law sited as a possible regulatory law was the proposed new law on establishment of public sector enterprises. Yet in checking with the Ministry of the Economy, who we were informed is responsible for this law, we were informed that no draft of a new law has as of yet been done. The most common reason given to us for “not engaging” in even more Inter-Municipal Cooperation than is currently done is the uncertainty about the eventual outcome of the laws. The final enactment of these laws will spell out the territory, responsibilities and resources available. This will give local officials a much more secure feeling about engaging in activities and keeping them within the legal boundaries.

   One caution that can be offered is that despite the fact that it is strongly recommended that some regulatory or implementing legislation is needed it would be a mistake to limit the above types of inter-municipal cooperation to specific functions as there are occasions when the same function may very well be carried out by several of the types. For example, though it is suggested that Joint Service Production might be used for water supply or road maintenance it is quite possible that these functions might be aptly performed under a Shared Administration format or even a Selling of Services format. Thus the recommendation to have a more descriptive regulatory legislation is a suggestion to regulate “how the function should be joined,” and not the “what functions should be joined”.

   The issue of how much outside interference is good in the case of Inter-Municipal Cooperation is a difficult balancing act. A comment by the GTZ representative, “it is important not to over regulate but important to have a legal framework”, echoes the sentiments expressed throughout the report. It is also a factor in how municipalities should consider approaching the issue. When the (central) government imposes a system (such as the
Studencica Water System in the Kicevo Region) it is, as happened there, likely to collapse, through lack of local support. So the idea of local governments adopting the strategy on their own is also most important.
III. Perceptions of Inter Municipal Cooperation

Relationships

The research into the perceptions and attitudes on Inter-Municipal Cooperation produced a wide variety of points of view as well as some quite surprising revelations. The context in which these observations were made is neither scientific nor statistically verifiable to anyone other than those we talked to. Our comments here are based solely on anecdotal information gained in the course of nearly thirty different interviews. There was no attempt to undertake a scientific survey for this part of the project.

The premise under which we operated was laid down in the Terms of Reference. The basic guidelines were for “The consultant to work closely with representatives in selected Municipalities. Meetings should be held with Mayors, counselors, administrative personnel, directors and other officials in the communal enterprises, and other municipal personnel if deemed necessary….The consultant will also meet with representatives from the International Community active in the field of decentralization…In addition, the consultant will meet relevant government institutions and officials from the Ministry of Local Self-Government.”

The area of study was also limited and there is no attempt here to suggest that the attitudes and perceptions found in the study area would necessarily exist in other areas of the country. “The assignment will be conducted in two regions, Tikves (including Rosoman, Kavadarsi and Negotino) and Kocani Region, (including Kocani, Vinica and Makedonska Kamenica municipalities).”

In general terms the reactions were from extreme skepticism to whether or not such a system would work in the former Yugoslav Republic of Macedonia, to enthusiastic acceptance of the concept and the inevitability. Again, generally speaking the most skepticism was encountered in the institutions, national and international, located mostly in Skopje and the acceptance and enthusiasm was found in the persons on the ground in the municipalities. In fact, there was not a single reaction in the field that questioned the eventual inevitability and necessity of such cooperation. That is not to say that those in the municipalities did not have reservations, but only that they accepted it as a fait accompli and as will be seen in Section IV of this report, is frequently in use already.

As noted above, skepticism as to the potential success of the use of inter-municipal cooperation was particularly prevalent in the interviews done in Skopje with the international community and officials there. However, there are undoubtedly many reasons for that. Some were candid about the fact that much of the push for inter-municipal cooperation was a bi-product of the Ohrid Framework agreement and that it was being imposed rather than offered as an option. Others, such as the in the Ministry of Local Self-Government pointed out that, though there was a law in the past (both during the period of the former Yugoslavia and during the succeeding years) that allowed for inter-municipal cooperation, it was not commonly used and the concept simply was not historically a frequent way to address local needs.

The new law on Local Self government is very clear in its authorization to use such means, but is so Spartan in its description of the formats and potential usages that one can easily see that lack of understanding can be one of the impediments to acceptance of use.

9 Terms of Reference for “Feasibility study on Inter-Municipal Cooperation, OSCE, March 2004, pg 2-3
10 ibid, pg. 2
There are those who express the skepticism in terms of not believing that Mayors and members of city councils from different municipalities will want to cooperate. Everything from ethnic differences, to political party differences, to historic competitions, is seen as possible obstacles. In the field, on the other hand, interviewees were realistic about the potential obstacles, but far more positive about the eventual use of the methodology. Again they harkened back to the “inevitability” of the issue. Despite this concern and despite a lack of knowledge of the details, we found that there was not only a positive attitude but also an extensive amount of practice of the concept, both formally and informally. The local governments themselves seem to have taken the lead with a wide variety of Council sanctioned or even less formal agreements to work together, mostly on a smaller scale. The formal agreements, in many cases assisted by large donor contributions, seem to be taking hold, but only in the very recent times, whereas the smaller less formal arrangements frequently have been in existence ever since the law was last modified in 1996.

Another skepticism expressed by some was that municipalities, with Mayors of different parties would not be willing or able to find common ground on which to engage in Inter-Municipal Cooperation or would receive pressure from their political parties not to cooperate. Again our field research, although limited, found differently. In both of the regions we looked at, there were two “major” municipalities and one smaller municipality. In the case of both regions the mayors of the respective larger municipalities were from different political parties but seemed to have no problem with the arrangements and actions in pursuing joint projects. In fact they were all quite supportive and proud of the arrangements that were already made and quick to point out the major projects that are underway, all of which they spoke of in very positive terms.

The issue of the smaller municipalities presents quite another aspect and a potential dilemma for the future of these joint cooperations. With both of the small municipalities that we interviewed (Rosoman in south-central part of the country, and Makedonska Kamenica in the eastern sector the mayors indicated that they were quite reliant on the older municipality from which they had once been split.

In the case of Makedonska Komenitsa that municipality was Delcevo, not one of the ones that we surveyed, but the Mayor indicated that they were heavily reliant especially on the devolved central government ministries that operated from there. They had expectations that this situation would continue and that Delcevo would simply take over the activity again. There does not seem to be an understanding that although that might be the case, it would take a series of council actions to make such cooperation legitimate. The potential for conflict over such activity was demonstrated when council members asked if “they could then appoint people they wanted to the offices.” (Note: Makedonska Kamenica actually faces another problem in this regard because some of its current territory was once part of Kocani and the rest part of Delcevo. The property records and dealings with the devolved central government ministries for those in the respective areas have not changed, making the need for additional coordination and cooperation imperative in any new system. It is anticipated at this time that Makedonska Kamenica will remain one of the municipalities.

The issue in Rosoman is quite different. Practically on the doorstep of Kavadarci and a former part of that municipality the two cities have retained very close connections and the
Mayor of Rosoman feels quite comfortable with the services he receives, many for free, from Kavadarci. For example the entire urban planning operation is currently done in the Kavadarci office and the municipality of Rosoman relies exclusively on that office. (With only five employees there is hardly a capacity to take over such functions anyway.) The relationship between the two municipalities has apparently stayed very good and though Rosoman will, as currently planned, stay as a municipality and even absorb another one, it will not gain significant capacity to handle many of its services and will have to rely on Inter-Municipal Cooperation with other municipalities in order to survive.

A third example is the level of cooperation between Negotino, one of the municipalities that we did survey, and Damir Kapia, one that we did not. Despite not going to both, the reports from Negotino indicated a very good relationship in which Negotino still provided many services for the smaller municipality. Included in the services was a modern permitting issuance center which Negotino is rightly proud of and which provides like service for Damir Kapia. For right now most of these services, as the Mayor put it, are looked at as being “government” services and therefore there is no charge. He did indicate, however, that when the function was turned over in its entirety to the municipalities he felt that some arrangements for compensation would have to be made since the burden of the costs would also fall on the municipality. This is the kind of difficult issue that will cause municipalities to work hard on providing fair competent services to and for one another and will make the issue of inter-municipal cooperation much more difficult.

It would also be hard to discount the level of personal relationships as well, and the potential for discord without them. There is clearly a good relationship between the local officials at the current time in the areas that we looked at. One has to wonder however, what would happen if there was not such a relationship. The idea of close, informal services being provided back and forth is probably the ideal, but may be impractical for the long run, where falling out of such a relationship could seriously affect the entire level of service or services that a municipality receives. It calls for a more formal relationship with all the specifications spelled out in writing and adopted by the formal bodies (city council) of all participating municipalities. Likewise, this issue goes back to the one raised earlier in this report that the need exists for a revision of the laws to provide a better regulatory framework in which the municipalities can operate. Only in this way can the inevitable discord between two disputing parties, (which will happen from time to time) be controlled.

Inter-municipal cooperation is seen in many different ways. Some of the persons we talked with see it as primarily a tool to be used in communal services, while others see the broader and more substantial range of areas that it can be used in. Some, as was evident from discussing the matter with potential donors, have no desire to enter into projects that have an ongoing implementation requirement. They only want to be involved in closed end projects. (For example: A road construction project between two or more municipalities that need to agree on the details of the plan. Certainly inter-municipal cooperation is needed to make it work, but it is limited in time only through the end of construction and then the donor is finished. Any other cooperation is up to the municipalities. It is clear in talking to the municipalities, however, that they see the need for long term, sustainable, inter-municipal cooperation projects that involve providing an ongoing service jointly or for a neighboring municipality.

Several other impressions were expressed about how various participants saw Inter-Municipal Cooperation from the perspective of their own involvement. Mayor’s and municipal officials were really quite proud of the activities they have already engaged in and
in some cases even showed a level of surprise that we were even asking. They were also very 
proud of the fact that they felt most of the ideas have come from the joint vision of the 
participants and that it had not been something that “outsiders” (to which I would have to 
include consultants) had provided for them. Those projects that were viewed from that 
standpoint seemed to be markedly advanced in planning and thinking. That does not say that 
they had not received significant technical help, from a variety of donors, but only that they 
considered the ideas their own.

The position of the donors contacted also differed widely. Although some were 
already engaged in such projects, there were numerous points of view expressed. One looked 
at it only in terms of point to point projects that had cooperation requirements for only the 
lifetime of the project and not extended operational periods. Others looked at it as a 
“potential” for future involvement, but only if others did not get involved. Still others were 
deeply engaged, albeit in some cases conditionally, in trying to make it work. The point that 
comes out of this discussion is that there seems to be room and opportunity for donors to 
become much more involved. This is especially true when you consider that some donors 
represent countries with a long and broad experience of such activities in their own country, 
and thus with a great deal to offer. The unresolved question seems to be how best to do this.

The most positive of the donor comments again came from GTZ that has been actively 
engaged in the process when it was stated that “Inter-municipal cooperation should be on the 
agenda for discussion with every service that a municipality offers”. From that point the 
urgency, necessity and scope of the problem can always be further defined. Municipalities 
seem to make great strides toward success with this technique, when they have a mutual 
problem, a willingness to solve the problem and the finances to carry out the solution.

Finally, there appear to be two major obstacles to a broader and more varied use of 
inter-municipal cooperation at this point. The first involves the status of the laws and the 
second the level of knowledge. It is important that both be understood.

The tragic events of February and the consequent slow down in the passage of laws, 
has made the use of such new techniques as inter-municipal cooperation somewhat less 
prevalent than it might be already. Despite, as pointed out earlier, the new package of laws, 
does not anticipate any direct changes to the pertinent sections of the law on local self 
government, the still unresolved question of the territorial division makes all mayors and 
council members leery of entering into new agreements when the territorial basis of the 
agreement may yet be altered. The final adoption of that law will go a long way toward 
resolving the reservations and let local officials feel as though they can safely enter into such 
agreements.

The second major obstacle is the lack of understanding and knowledge of just what the 
new laws are going to do. Field research finds that some think they will be able to pick and 
choose what competencies they accept and when. Others don’t seem to understand that the 
law does not differentiate between large and small municipalities and that all will have the 
same responsibilities, whether or not they have the capacity to handle the responsibility. It 
was also indicated in the interviews with some of the Donors that they are gearing up to 
undertake some training and education programs that should go a long way toward alleviating 
that problem but the task will not be simple or quick. The demand is such that there is plenty 
of room for a large effort on the part of numerous organizations but it is also clear that it 
should be a coordinated effort to avoid misunderstanding, conflicting information and 
confusion among the very people that the programs would seek to help.
In summary of the perceptions about inter-municipal cooperation, it is fair to say that outside of the municipalities, both in the government and donor community, there seems to be a widespread skepticism about the possibilities and potential for using this methodology as a major tool effecting more efficient local government. In the municipalities, on the other hand, there seems to be a widespread acceptance, not only of the potential, but of the inevitability of the need and desire for such cooperation. There are, even with this optimism, reservations as they express their concern for the unknown (including the changes in laws and the effect that decentralization will have on them) and also an expression of caution about whether political differences, municipal pride or other factors might make this process more difficult.
IV. Current Activities in Inter-Municipal Cooperation

The previous section dealt with the perceptions that various affected persons had about the use of inter-municipal cooperation. This section will deal more with the reality as it exists in the field at the moment. This is done both to document current activities but also to demonstrate the innovation that many have gone to in implementing programs beneficial to themselves and their colleagues. Perhaps surprise at the extent, political will and accomplishments already found Inter-Municipal Cooperation was the most striking aspect of the field studies and interviews. The perception that local governments are interested/ as noted in section III of this report is confirmed by the myriad of examples that were found. This following section will document many of these, particularly to point out the diversity with which the concept is currently be used.

This section will contain mostly examples and discussion on existing usages of Inter-Municipal Cooperation in the study areas. However, since there were some notable examples outside of the designated areas that are of importance in the overall understanding of these they too will be mentioned.

Outside Study Areas

Two projects outside the study area are worthy of mention as they shed significant light on the way in which Inter-Municipal Cooperation is being developed in the former Yugoslav Republic of Macedonia. It should also be noted that we had several suggestions of potential projects to look at from interviewees. Some, although they were significant, for their success or failure, simply turned out not to be Inter-Municipal Cooperation projects. Others were of significance and two of them are noted here.

Southwest Macedonia Solid Waste Disposal

Clearly the largest project in the country, that we uncovered, is the Solid Waste Management for South-West Macedonia. This project to create a common land fill operation in South West Macedonia, involves the Ministry of the Environment of the former Yugoslav Republic of Macedonia, the KfW German Development Bank, GTZ in the organizational and structural efforts, and some 35 Municipalities with over 430,000 inhabitants. The feasibility study they undertook concluded that there was not any regional system set up to deal with waste disposal in the area. The entire responsibility rested with the individual municipalities and that most of that amounted to indiscriminate dumping. Also, there are no systems of collection of hazardous or infectious waste.

The waste disposal system was seen as a detriment to the municipalities both in terms of its economic impact on the municipalities but also in terms of being a drawback to tourism development and other desires for economic growth in the area. (430,000 people are not a lot of people to utilize one waste disposal area but the geography and distances between communities made this a particularly difficult situation.) The answer the consultants came to was that one regional facility was sufficient but that in order to effectively access such a facility a system of transfer stations was needed. The system was designed around this model and in the words of the project director, “it was the only practical way to handle the waste disposal problem of the region.”

What is interesting from the Inter-Municipal Cooperation standpoint is that this municipal cooperation project is being set up as an Association of partners with the
municipalities and a private entrepreneur being the partners. The private entrepreneur will also be the “operator” of the system which includes the transfer stations and the landfill. (Note: the actual waste collection function will remain with the individual municipalities). The municipalities will pay the association the fees for operation and the Association will in turn pay the operator.

The current status of the project is that the feasibility study has been undertaken and some 90% of the municipalities have signed on to the program. They are looking for funding (It is approximately a €20 million project) and will need to get it before the end of the year if the organizers are going to continue to pursue the project. In addition the Association itself is not formed yet and won’t be until there is a known investor for the project. When asked what the biggest obstacle was, it was not the ability of the parties to agree or disagree but rather the adjustments that had to be put into the program to account for the varying standards of the many municipalities (this project includes large and small municipalities alike form Struga to Bitola and as far north as Kicevo and Prilep). The differing sizes of the municipalities create a wide variety of standards of operation.

It is far too early to judge the success or failure of the enterprise as it won’t even be operational (assuming full funding) for another three years. Additionally there are too many uncertainties to date, to draw any conclusions. From an Inter-Municipal Cooperation standpoint it is nonetheless significant as it is by far the largest project of its kind and involves such a large percentage of the Macedonian population and such a large number of municipalities, that it will have a major impact no matter what happens. In the long run it has the potential to be a significant model of the use of Inter-Municipal Cooperation.

**Pro-Aqua Water and Waste-Water system**

The second of the projects from out of the project area is ProAkva, the Struga/Ohrid joint water and wastewater system. The water system that serves both of the municipalities was created in 1999 and today serves over 100,000 inhabitants of the region plus the multitude of tourism facilities. It is a particularly interesting project in terms of our study of Inter-Municipal Cooperation as it, unlike many of the projects we encountered, is fully operational.

The method used to start this company was the amalgamation of three existing public enterprises. They were the water supply company of Ohrid, the Water/Wastewater company of Struga and the Company for the preservation of Lake Ohrid. Today they operate the water supply, waste water disposal, Waste water treatment and preservation of the lake from waste water effluent.

The company has a fifteen member management board, composed of five members appointed by the Municipality of Struga, five from the Municipality of Ohrid and five from the managers of the company. The legal basis for the company is the law on the establishment of Public Enterprises. (A copy of the statute of the Company is included as Annex C-5.)

ProAqua is heavily engaged in international donor projects as well as in the routine service of its customers. Two projects in particular are the EBRD and KfW financed project of upgrading the water supply (including technical equipment, rehabilitation of the supply network and upgrading of the catchments sites and reservoirs”). The second project “Environmental Protection of Lake Ohrid, financed by KfW of Germany plans the development of waste water collections systems to expand the current capacity (which is stated at 65% of the wastewater generated now begin treated).
Though some we talked to voiced some reservations about the current financial policies of the company and about their financial stability, the company still stands as probably the largest functioning Inter-Municipal cooperation project in the country.

The Study Areas

Although the two regions examined in this study will be looked at separately, the pattern that seems to emerge from both is very similar. The larger municipalities are looking at it as their responsibility to take on some of the duties for the smaller municipalities. The smaller municipalities are thinking that they will have to rely on their larger neighbors to undertake some of their competencies. Both are optimistic about the value of Inter-Municipal Cooperation and all of them see it as inevitable. We encountered no reservations on the part of anyone about the use of these tools even though some acknowledged that there may be circumstances where the situation would preclude further cooperation.

Another pattern that is similar in both regions is that there is variety in the manner in which the Inter-Municipal Cooperation is taking place. There are some formal agreements and some informal. Municipalities tend to rely on the larger municipalities that have helped them in the past and all of them seem to be seeking out new ways to make it work. Some of the specific ways will follow.

In the following section we will discuss the findings in the two regions. It will be apparent that the activity has been rather extensive and the commitment to the concept of Inter-Municipal Cooperation is well beyond the beginning stages. As the Mayor of Kocani put it, in response to the initial question asked him of "whether he thought it was a viable approach?" he said, "It is not only a question of ‘if’ but it is a necessity and it is inevitable". He did however, issue a caution that the process, albeit important, needed to insure that all parties were in agreement and benefitted from the agreements, otherwise it will wind up as simply being a matter of “transferred centralization “ as he put it.

The research procedure was to interview four specific groups within each of the municipalities. In each we attempted to speak individually, first with the Mayor and his immediate staff, then with the City Council, followed by the Municipal Administrative staff and finally with a citizen’s focus group. The process proved effective and gave us a chance to see if any differences occurred.

Predictably, the Mayors were the most helpful, along with their immediate staffs. As they are charged with implementing municipal laws and policy, they were the closest to the process and understood it best. The City Councils and administrative personnel were very helpful in adding ideas that are currently used, as well as ideas for what could be done. The local focus groups proved to be the least helpful, except to indicate that they really did not care “how” the municipality provided the service. To them, the critical issue was that it got done efficiently and effectively.

The Eastern Region

This includes the Municipalities of Kocani, Vinica and Macedonska Kamenica. In the Eastern area, there were several large projects that were in the “study” or “feasibility” stage, but that already had the commitment of the municipalities involved. The first of these in this sector was a feasibility study for a common solid waste landfill, much like that being
undertaken in Southwest Macedonia and reported on above. In this case, the feasibility study was being undertaken by EAR but involves 16 municipalities in a 1.2 million Euro project.

This study might be questionably an Inter-Municipal Cooperation project since it is mainly being handled through the Ministry of the Environment and EAR. However, though only in the study phase, the sixteen municipalities had approved a cooperative arrangement that envisions that eventual control over the project will be through a 16 municipality Inter-municipal council. This project includes all three of the municipalities interviewed. (NOTE: Information was also given to us that a similar study is being undertaken with a large number of municipalities in the Kumanovo region).

A second like project in this area, which includes the interviewed municipalities of Kocani and Vinica as well as Orizari, Zrnovci, Obleshevo and Cesinovo the Orizarska Reka project. This project is designed “to establish a joint Public Enterprise on water supply, irrigation and production and distribution of energy”\(^{11}\) The agreement (a copy of which is included in Annex C of this report) provides that the six municipalities are committed to working together and in sharing the benefits and the costs. Although still in the feasibility study stage, the municipalities have already agreed to the establishment of the organization (a Shared Administration) and the make up of a managing board, the percentage of participation in water supply and a sharing of the initial funding.

These two large projects involving donor support and long term investment provide two good examples of how the municipalities large and small, and from different political parties, are cooperating together. As one Mayor put it, he thinks that “we are beyond” mayors using those things as an excuse and pragmatically we need to move on”. The large projects should not obscure numerous other projects that are simply between and among municipalities, either in joint efforts or at the request of assistance by one from another.

One example of this was provided by Vinica where by official contract between the Mayors of Vinica and Zrnovci, the municipality of Vinica provides a communal inspector supervisor to the municipality of Zrnovci. Zrnovci is unable to support the cost of a full time inspector but pays on a daily basis for the service of the Vinica inspector\(^{12}\). (A copy of the agreement is included as Annex C2.) It is this type of simple agreement between municipalities that may well wind up being the predominant form of Inter-Municipal Cooperation. The larger municipalities have the personnel and can offset some of their costs by providing the service, while the smaller municipalities, still having the responsibility, can comply with the need without the large cost of full time employees.

Another good example of this was brought to our attention in Kocani. It is a good contrast since the above Vinica/Zrnovci agreement deals with an ongoing repetitive service. The Kocani example demonstrates a method to deal with an on-demand service. The municipalities of Zrnovci, Obleshevo, Orizari and Cheshinovo have contracted with the municipality of Kocani to issue the taxi licenses for their municipalities. Again this demand driven service is too expensive if the smaller municipalities were required to hire personnel on a full time basis. Thus they contract with the larger municipality who in turn keeps 70% of the fee, for providing the service, while returning 30% to the smaller municipality.

These examples provide a good overview of where the concept of Inter-Municipal Cooperation is currently being used. Discussions with the staffs and councils of the

\(^{11}\) The Multi City Agreement on Establishing a Public Enterprise “Orizarska Reka”, article 1.

\(^{12}\) Contract for Inter-Municipal Cooperation between Vinica and Zrnovci, article 2.
respective municipalities also gave us a wide variety of ideas and services that could be provided in this way. These ranged from financial services, to support of recreation facilities, public service support, joint festivals and the like. We also found that there is considerable cooperation between municipal officials and centrally devolved agencies that might eventually wind up in city to city cooperation. A prime example of this was the cooperation between the communal inspector of Kocani with the Veterinarian services from Shtip.

In reviewing this impressive and positive list of sample usages of Inter-Municipal Cooperation, we should not forget that there are also problems. The municipality of Makedonska Kamenica for example has the dilemma, mentioned earlier, of being created out of two municipalities and some of the records still reside in each. To further complicate this, the central municipality that they are closest with administratively is Delcevo, but they are a good 25-30 km away. This is a long way when you are sharing services and may make for some changes in alliances over time.

The question of regionalism was raised several times, both because as indicated in the first section of this report, it is quite prevalent in many countries. There is still a hesitation by most as to whether it is a good idea or not, but the prevailing sentiment is that the time is not right for it and that in fact the “original 34” will most likely wind up acting like a regional government, in terms of service provision. From the experience of this mission, the latter is a concept that both the big and small municipalities are comfortable with and more or less expect.

One final point that makes this concept interesting is the flexibility it provides. The reader will note that Zrnovci, contracted with Vinica for communal service inspection service while they contracted with Kocani for the issuance of licenses. In affect municipalities are using each other as service providers much in the way that you would go to one store for auto supplies but another for food. In the long run the citizen should be much better off.

The South Central Region

This includes the Municipalities of Kavadarci, Negotino and Rosoman. Our experience in South Central sector was very similar to that in the Eastern sector. In this case, both of the larger municipalities Kavadarci and Negotino, respectively, provided substantial services to smaller communities: Kavadarci principally to Rosoman and Negotino to Damir Kapia (not an interview sight). In both cases, the close connection derived from the fact that the smaller municipality had been part of the larger one prior to 1996 and many of the functions simply never changed hands.

Again, as in the previous section, a number of large, donor supported projects were being undertaken by a number of municipalities cooperating together.

Perhaps the largest of these is the joint water and waste water system that Negotino, Kavadarci, Rosoman, Damir Kapia, and Konopishte are cooperating on. An agreement to form a regional public company was signed in Jan. 2002. They have gone so far as to pass documents founding an inter-municipal corporation with procedures for establishing a management body, director, headquarters, etc. In addition, the municipalities have passed acts of council that call for a local voluntary tax of constructing buildings within the municipality and the local communities nearby13 (a copy can be found in annex C3). This project also demonstrates how various approaches can be taken for the completion of various

13 Memorandum for Cooperation Between Municipalities, Kavadarci, Negotino, Rosomon (Annex C3)
activities. Early in this section we pointed out how an association made up of the members and the private developer would be the format for the Southwest Macedonia Solid Waste project, yet here a Joint Service Production organization is contemplated, even though both projects are engaged in public services. It is for this reason that it is recommended that, though greater implementing legislation is recommended, there is also a need to maintain the flexibility to choose among the options for what works best in a given area and circumstances. This project also shows the need of flexibility in the organizational structure. GTZ, the prime consultant to the project has suggested a flexible structure where only the core shared activities will be under the joint structure with the municipalities maintaining a large share of autonomy for those parts of the service that are not directly connected to the shared resources.

Cooperation of a different kind can also be found in this region. A number of municipalities from the region and away from it (as far as Veles) are cooperating on a project at the ruins of the Ancient city of Stobi. They, supported by a foreign donor, are building an information center to serve the tourism site of Stobi but also to promote their own municipalities. This is of interest because it moves away from the field of urban services into the realm of economic development and is particularly timely as an effort to take advantage of expected tourism increases in the summer due to the Athens Olympics. Such an effort again shows the flexibility that the system provides and the willingness of municipalities to join to get the benefits of a common focal point.

The South Central group of municipalities also showed us a variety of examples that showed the initiative of local governments in meeting their needs. The Municipality of Kavadarci and Negotino both introduced the concept of international cooperation between municipalities as a reality in The former Yugoslav Republic of Macedonia. (Note: in another clause in the law this activity is explicitly permitted) Kavadarci was pursuing this through membership in the Association of Twinning Municipalities of SE Europe and has applied for twinning funds from Brussels. They currently have nine different municipalities they are twinned with from six different countries. They are all practically located to be reasonable partners and come from Greece, Turkey, Bulgaria, Serbia, Romania and the former Yugoslav Republic of Macedonia.

Negotino was working with the neighboring municipality of Edessa in Greece on a commercial enterprise. A snail packing plant was located in Negotino due to the by a Greek company and demonstrates the way local economic development can impact Inter-Municipal Cooperation.

The municipalities of the South Central group also had a variety of local initiative programs that were done jointly. The Mayor of Rosomon still relies on Kavadarci for a lot of urban planning issues and the Municipality of Negotino offers their new “one office” permitting service to the resident of Damir Kapia.

Despite all this good news, skepticism still abounds and lack of knowledge as to why things are done makes many municipal officials still fearful of new and un-tested methods of doing things. For example, being asked if the provision in the law for international cooperation wasn’t just a forced issue because of the Ohrid Framework, demonstrates the skepticism over the intentions of the law. A careful explanation of the value of the type of program Negotino and Edessa are pursuing and the value of the Euro-regions such as Skopje, Nis and Sofia have entered, calmed the fears of the individual, but certainly indicates the level of skepticism which must be overcome if such ventures are going to be widespread in The former Yugoslav Republic of Macedonia.
The South Central area probably has more “informal” arrangements than the Eastern sector did and the nature of these raised another question. Most are now being provided without charge and when they are from devolved central government agencies this makes sense since it is a “government” service. But if, as expected, most of these functions and the responsibility to fund them is turned over to the municipalities it is unlikely that they will continue to be able to undertake them without charge. This could change the whole dynamic of the current situation which is, to a great extent, based on friendships and cooperation.

Perhaps the most innovative and clever uses of Inter-Municipal Cooperation was found in Kavadarci and their relationship with Konopishte. Konopishte has only about 400 residents, most of who actually stay and work in Kavadarci, including the Mayor, so the municipality of Kavadarci provides an office for the Mayor of Konopishte in City Hall so that he can meet with his constituents in Kavadarci. This will probably all go away with the Adoption of the new law on Territorial division, since the two municipalities are slated to be merged, but, for the time being demonstrates the ultimate innovative approach to cooperation.
V. Obstacles, Opportunities and Conclusions

Based on the foregoing presentation, the following are some bulleted highlights of where the obstacles and opportunities may be found in working with the concept of Inter-Municipal Cooperation. Following the highlights is a further discussion of the needs and problems that may be encountered in dealing with this matter.

Obstacles include:

- Lack of knowledge about the law and the impact of Decentralization (From Interviews with Mayors);
- Different Standards from one municipality to another;
- Failure to involve municipalities in decision making;
- Failure to pass laws and adequately train local personnel in what the new laws mean;
- Historical trend toward separation;
- Personal, Political and Ethnic differences; and
- No guidelines for how best to enter Inter-Municipal Cooperative agreements.

Opportunities include:

- Great opportunities exist for Donors willing to take on the “implementation” process;
- Considerable “on the job” training and technical assistance is needed.
- Need for extensive formal training and dissemination of ideas;
- Need for a written manual to guide municipalities;
- Process needed for development of standards and benchmarks for measuring progress; and
- Assistance needed in writing new regulatory legislation.

Discussion on Obstacles and Opportunities

Training and Technical Assistance.

A review of the current status shows that a significant amount of training is still left to be done to acquaint the municipalities about the benefits and value of Inter-Municipal Cooperation. Knowing that there are numerous training programs in the process of development, the donor community needs to see this issue of Inter-Municipal Cooperation, as an opportunity to provide significant assistance in an area that will make a real difference to the municipality’s ability to operate effectively. It is strongly recommended that this not be simply limited to training programs but that it consists of a significant technical assistance program, beyond the scope of one or two pilot projects, wherever the need exists, to help municipalities streamline operations and utilize this methodology as a way to do that.

There is considerable temptation to suggest that specific uses of Inter-Municipal Cooperation be recommended to specific cities. Although international consultants are very able to do this, it should not be done without an intensive study of the individual municipalities involved and their needs. Otherwise it will become too general and not directly deal with the unique needs of the municipalities at hand.

That said it would be a real service for a donor or internal Macedonian organization (such as ZELS) to maintain a best practices log as these projects are undertaken to insure that the techniques used and problems encountered are noted for the reference of others who may
want to do the same thing. This will eliminate many cities making the same mistakes, since they will be able to learn from their peers and implement programs in the most effective way. This entire area poses a real challenge for a donor willing to commit to a substantial amount of technical assistance, which is heavily needed.

Developing local capacity is at the heart of this effort as well. By a judicious use of the training process, (which needs very much to be coordinated with all the other training activities), a core group of local consultants can be created to provide ongoing technical assistance to cities beyond the current period and the involvement of foreign donors. Such a group should have municipal government experience to begin with and would probably benefit from one or more study tours to better understand how other countries use this technique at the local level. Based on the countries noted earlier in this report, for reference purposes, there are adequate examples that can be emulated. The center of the development however, would be in the capacity of the individual experts to be able to see the areas where such a technique could be best used and to recommend to the respective cities its use and method of implementation.

Again, this would be a natural function of ZELS and their people should be at the forefront of being trained to take over this process in the near future. However, it will take a considerable development process to insure that the level of expertise is high enough to help develop the complicated and intricate arrangements that are sometimes inherent in such projects.

Standardization

The issue of standardization also poses an area where considerable help is needed. There is a need for programs that will benchmark and create a series of standards to which municipalities can work towards achieving. These should not be abstract goals and objectives, but concrete performance enhancing goals that are measurable and therefore allow for some system of monitoring that will see if municipalities are complying with the standards or at least have reached a minimum acceptable level. An undertaking of this type will require considerable initial technical assistance and expertise in drafting such standards, but in the long run is most necessary.

Such a program would be invaluable to the large scale infrastructure projects such as the South West Macedonia Solid Waste Disposal project or the various water and waste water treatment projects that are being contemplated. It is necessary for participating municipalities to have at least a minimum standard so that they can participate in the process that these infrastructure projects promise. Otherwise they will be only a participant in name only, and not full participating and benefiting members.

History of Differences

In the course of the research for this proposal it was noted several times how the idea of Inter-Municipal Cooperation was simply not culturally acceptable. We were told of Mayors “competing” among themselves and therefore not interested in cooperation. We were told that despite the prior laws that allowed for such activity it simply was not used to any great degree, with municipalities tending to go it alone. Whether true or not, and whether a broader survey would uncover some of these attitudes, it can be said categorically that it was not a sentiment expressed anywhere in the areas that we studied. Quite the opposite seemed to be the case in these places. In fact Mayors and City Council as well Municipal staff interviewed, all took a very pragmatic approach both in cases where it is obvious that they will be the dominant and service provider agency as well as where the municipality involved will be the
service recipient. The public officials we talked to had a very practical and pragmatic approach suggesting that they simply had to get on with the process and leave other problems out of it.

Our study was limited by area and perhaps further study is necessary in this area. However, based on the current available information the cultural attitudes toward Inter-Municipal Cooperation should not be considered to be an impediment

Guidelines for implementing Inter-Municipal Cooperation

As mentioned earlier in this report, the law itself does not provide virtually any implementing guidelines or regulatory legislation. This is still very much needed and presents an opportunity for a donor, skilled in such legislative drafting, to assist in this task. The challenge will be to insure that the regulatory legislation does not become restrictive for the municipalities but still gives them a sound legal framework in which to operate. This is very important. Restriction would, at this point be counterproductive since the need for Inter-Municipal Cooperation is so clearly evident. However, the need for guidelines and a legal framework is just as necessary to prevent severe problems later on when, as will undoubtedly happen, some of these programs entered into now, do not work. This will inevitably happen. Only a sound legal basis will allow the problems encountered to be handled effectively.

The likelihood of these regulatory laws getting written any time soon, without donor assistance is unlikely. The time pressures and load of work for simply implementing the new laws is currently daunting. It should also be considered that this is an action which really requires the input and cooperative agreement of numerous parties, such as the Ministry of Local Government, Ministry of Justice and the municipalities, both representing the likely service provider municipalities and the likely beneficiary municipalities. With all these parties together progress can be made more rapidly but likely it will require significant outside support to develop the models and draw upon the experience of such activity elsewhere.

Ongoing Operational Capacity.

The projects that get the attention from the donor community are the large infrastructure projects, where large amounts of capital are involved. This is understandable and normal. However, from the standpoint of volume it is likely that the most common use of Inter-Municipal Cooperation is apt to be in the area of ongoing operational issues. The examples cited earlier in this report, of joint use of permitting, issuing of taxi licenses, contracts for the use of city inspectors, etc. can be expected to account for the bulk of the usage of this technique. Such issues are by no means the largest in terms of money dedicated to the service but they are tied directly into the services that municipalities are expected to provide and therefore must offer in some way to their citizenry. The use of Inter-Municipal Cooperation is a natural solution.

At this point to recommend specific uses of Inter-Municipal Cooperation without further investigation would be presumptuous and probably inaccurate. However, the need for specialists who understand the mechanisms of city government to be available and engaged in seeking these out and recommending them to the municipalities is a necessity.

One technique that would be very useful here is the “Management Audit” concept. A management audit, in this sense is a specifically designed auditing and surveying tool that can be applied either “in house” or with a facilitator. Such an audit should be developed specifically in the context of the Macedonian situation. Then using this methodology, a municipality can look directly at the efficiency and effectiveness of the services that it is
rendering. Such a management audit can be developed for the municipality as a whole or for specific functions only (such as solid waste removal and disposal). Numerous examples of such techniques are available and this would represent a good opportunity for a donor, skilled in such activities, to develop and help implement such techniques.

Need for a handbook.

The need for a handbook or manual on “how” to implement Inter-Municipal Cooperation is clearly evident. The attached manual from the State of New York and the other manual referenced manual from the State of Pennsylvania, both in the United States, are good examples of how a sub-national government, in these cases, provided a guideline with all the necessary directives, cautions and methods that are recommended for the implementation of Inter-Municipal Cooperation.

These manuals were developed in their respective institutions at the time of the instigation of laws legislating and allowing Inter-Municipal Cooperation. As such they serve as an excellent way for municipalities to learn about the possibilities of the technique as well as how to go about implementing such ideas.

The need for such a manual in Macedonia is also a primary suggestion and recommendation. The current state of affairs shows that few know a lot about Inter-Municipal Cooperation and a great number know nothing at all. Such a manual distributed widely in the country would be of great assistance since it is likely that neither the technical assistance which may or may not be rendered nor the training programs that again, may be provided, are going to be sufficient to get to all the people who have a vested interest in knowing about Inter-Municipal Cooperation.

It would be a most valuable service for a donor to undertake the responsibility for writing such a manual and providing it to all of the municipalities and central agencies that have an interest. It would also be recommended that a central agency with responsibility, such as the Ministry of Local Government, act as the sponsor for such an activity and then sign off on the final product before distribution, to insure that there is widespread understanding that the activities described are sanctioned at all levels of government.

Timing

The timing for the actions and recommendations are critical as well. The first of the next year (January 2005) will commence with most of the new competencies being shifted to the municipalities all at one time and without consideration for the capacity of individual municipalities to undertake given functions. Thus the need exists to begin to undertake activities toward identifying the issues, functions and potential resources as soon as possible.

This whole undertaking is of course complicated by the upcoming local elections as well as the yet to be passed law on territorial division. As noted earlier in this report one of the greatest deterrents to Inter-Municipal Cooperation being undertaken is the lack of knowledge of what cities one may be doing business with. Thus after the passage of the law and the completion of the local elections a crash course should be available to provide assistance and help in identifying the most critical areas and in implementing solutions. Failure to do this will undoubtedly end in delay and inconvenience for the citizenry.
VI. Final Conclusions

In the final analysis, this report has demonstrated that the level and current sophistication in the use of Inter-Municipal Cooperation is far greater than predicted or imagined before the study. To that end, the municipalities of The former Yugoslav Republic of Macedonia are ahead of where many outsiders thought they were. At the same time, it is obvious that the demand for even more extensive use of this technique is growing rapidly and there is still a large vacuum of knowledge as to what decentralization will bring and ways of dealing with it.

To make decentralization work will require many things and this tool is only a small part of that. The good will, flexibility and commitment of the officials involved, locally and at the central level are probably the most important, but there is room for considerable assistance to make this happen. Not the least of these is that the Donor community could readily assist in the expansion and increased effectiveness of the use of Inter-Municipal Cooperation should they become more involved in the process. At the same time, it is quite obvious that there is already a significant investment in the practice by numerous donors and that should not be overlooked.

The recommendation section of this report provides some specific suggestions that are deemed potentially useful. Clearly there are many more and the extent to how such efforts might be implemented is really only bound by the imagination of those who care to use it.
VII. Recommendations

1. The current study covers a limited part of the country. There may be variations in other parts of the country that do not show in our report. It would be beneficial for all municipalities, for the knowledge of the ministry and for organizations like ZELS, if a comprehensive study/survey was done throughout the country to measure the interest and involvement of all parts of the country in the use of Inter-Municipal Cooperation.

2. A guide book similar to those referenced, designed for the State of New York, and the State of Pennsylvania, in the USA, should be prepared and widely distributed to all municipalities and agencies involved in decentralization. (See Attachment #3 and supplement of Pennsylvania manual)

3. A training program, or a series of training programs, should be prepared and delivered to first acquaint the local governments with the entire subject of Inter-Municipal Cooperation and to guide them through various uses of the technique.

4. A committee, or sub-committee to an existing one, should be tasked with studying the best ways to offer a coordinated technical assistance program that can do extensive regional surveys, make recommendations to local councils on where Inter-Municipal Cooperation can be most useful, and most importantly, have the capacity to follow up with technical assistance to help with the implementation.

5. That ZELS as the single representative of collective local government in The former Yugoslav Republic of Macedonia undertake an effort to seek opportunities to provide such cooperative services as might best be suited to them. This is another form of Inter-Municipal Cooperation that utilizes a common center for service provision. Examples from other country National and Sub-national Associations, include common procurement, common insurance instruments, surplus stock liquidation markets, equipment sharing programs, contract services, shared facilities (such as recreation), training, etc.

6. The issue of Inter-Municipal Cooperation will continue regardless of what adjustments are made in the laws. Both for intellectual interest as well as for practical decision making on the part of the ministry, parliament and the local governments themselves, a benchmark level of Inter-Municipal Cooperation should be created so that progress or regression over the years can be measured. This would provide a useful tool for policy making and decisions on the use of available funding.

7. A standardization of procedures and practices throughout the country would aid in the more effective and efficient provision of services, particularly when municipalities agree to work together. A Benchmarking and Measurement system should be introduced, along with sufficient technical assistance to insure progress, so that municipalities will know what their goals are and what their progress is in attaining the goals.

8. The current laws on the issue of Inter-Municipal Cooperation do not provide any implementation guidelines or regulatory framework. Donors concerned about assisting could be most helpful in aiding the appropriate governmental agencies in crafting regulatory and implementation legislation that will further define and better structure the current legal framework.
**Annex A**

**List of Persons Interviewed**

The following is a list of persons interviewed for this project. Where a group interview was done, only the group is listed. In the municipalities separate meetings were held with each group listed. A total of 28 interviews were held in compiling the information for the report.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Individual</th>
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</thead>
<tbody>
<tr>
<td>OSCE</td>
<td>Barbara Nöst, Head of Public Administration Reform Department</td>
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<tr>
<td></td>
<td>Shaun Barcavage, Project Officer</td>
</tr>
<tr>
<td>Ministry of Local Self-Government</td>
<td>Plamen Georgievski, State Secretary</td>
</tr>
<tr>
<td>UNDP</td>
<td>Vesna Dzuteska-Bisheva, Program Officer.</td>
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<tr>
<td></td>
<td>Matilda Dimovska, Program Officer</td>
</tr>
<tr>
<td>EAR</td>
<td>Paivi Nikander, Program Manager</td>
</tr>
<tr>
<td>EBRD</td>
<td>Biljana Milosheska, Associate Banker</td>
</tr>
<tr>
<td>USAID</td>
<td>Afrodita Salja, Project Management Specialist</td>
</tr>
<tr>
<td>KfW</td>
<td>Dr. Christian Lütke Wöstmann, Director</td>
</tr>
<tr>
<td>ProAkva</td>
<td>Stojan Damjanoski, Ecology Advisor</td>
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<tr>
<td>GTZ</td>
<td>Marina Naumovska-Milevska, Project Coordinator</td>
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<tr>
<td>Municipality of Kocani</td>
<td>Todor Pashovski, Mayor</td>
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<td></td>
<td>Delegation from Municipal Council</td>
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<td>Administrative Staff</td>
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<td>Citizens Focus Group</td>
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<tr>
<td>Municipality of Macadonska Kamenica</td>
<td>Pero Mitrevski, Mayor</td>
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<td></td>
<td>Administrative Staff</td>
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<tr>
<td></td>
<td>Delegation of Municipal Council</td>
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<tr>
<td>Municipality of Vinica</td>
<td>Zdravka Georgievskia, Chief of Cabinet</td>
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<td></td>
<td>Delegation from Municipal Council</td>
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<td>Administrative Staff</td>
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<td></td>
<td>Citizens Focus Group</td>
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<tr>
<td>Municipality of Kavadarci</td>
<td>Todor Efremov, Public Relations Officer</td>
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<td></td>
<td>Delegation from Municipal Council</td>
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<td></td>
<td>Administrative Staff</td>
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<tr>
<td>Municipality of Rosoman</td>
<td>Goce Velichkovski, Mayor</td>
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<tr>
<td>Municipality of Negotino</td>
<td>Dr. Stojnaco Jankov, Mayor</td>
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<td></td>
<td>Citizens Focus Group</td>
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</tbody>
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Annex B

BIBLIOGRAPHY

- Input Paper – Inter Municipal co-operation in the Netherlands, Study visit of 7-25 May 2001 for bilateral program of Netherlands and Hungary “Strengthening public administration through exchange of knowledge and experience in Hungary and The Netherlands” (Attachment # 1)
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- Project Information Document, KfW Frankfurt, Concept and Feasibility Study Solid Waste Management, South Western Macedonia (Attachment #2)
- Northern Tier Coalition of Townships, Susquehanna County Pa., Multi-Municipal Comprehensive Plans and Conservation Planning
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ANNEX C.1 Sample Inter-Municipal Cooperation Agreement

AGREEMENT

On establishing of the Public Enterprise “Orizarska Reka”

(1)
The municipalities of Kocani, Orizari, Vinica, Zrnovci, Oblesevo and Cesinovo are committed to establish a joint-public enterprise for overseeing the following services: water supply, water irrigation, production and distribution of electric energy.

(2)
The public enterprise shall be named HS “Orizarska Reka”. Until completion of the first phase, the enterprise headquarters shall be located in Kocani, and upon commencement of the second phase of HS “Orizarska Reka”, it shall be relocated to Orizari.

(3)
The percentages of financing the enterprise activities are as follows:
1. Water supply 46,5%
2. Water irrigation 21,5%
3. Production and distribution of electric energy 32%

(4)
The founding municipalities are committed to provide initial funds (principal) amounting to, as follows:
1. Kocani Municipality 2600 Euro
2. Vinica Municipality 1500 –II-
3. Orizari Municipality 500 –II-
4. Zrnovci Municipality 400 –II-
5. Oblesevo Municipality 600 –II-
6. Cesinovo Municipality 400 –II-

(5)
The resources allocated to the public enterprise are all the tangible assets of the hydro system “Zletovica” and “Orizarska Reka”, assets of the founders of article 4 of this Agreement, credits, grants, donations and other shares by governmental and non-governmental organizations and shares by individuals and legal entities.

(6)
After registering the public enterprise in the court register, the activities shall be performed in two phases:
- The first phase includes the completion of the research activities and production of a feasibility study,
- The second phase includes capacity building, implementation of the investment and technical documentation, and commencement of activities.
The founders’ financial participation in water supply, in the first phase shall consist of:

A. Kocani Municipality - 50% or 34 875 Euros
   1. Communal Public Enterprise “Vodovod” Kocani
   2. Public Enterprise « Kocani » Kocani

B. Municipality of Vinica – 20% or 17.000 EUR
   1. Communal Public Enterprise “Solidarnost” – Vinica

C. Municipality of Orizari – 7.34% or 5.120 EUR

D. Municipality of Zrnovci – 5.16% or 3.600 EUR

E. Municipality of Oblesevo – 8.35% or 5.830 EUR

F. Municipality of Cheshinovo - 3.97% or 2.770 EUR

Bodies of the public enterprise are the Managing Board and the Director. The Managing Board consists of 9 (nine) members. Each founding municipality appoints one member in the Managing Board and the residual three are elected by the employees of the public enterprise.

The Director is appointed by the Council of the Municipality of Kocani. The Director has a Deputy appointed by the Council of the Municipality of Orizari.

The Public Enterprise has a Technical Director, who is appointed by the Council of the Municipality of Vinica.

Funding for the realization of the second phase, the construction of facilities and start of operations, is determined in the investment program. Funding that the founders have invested in the preparation of the technical documentation for the hydro power plants “Zletovica” and “Orizarska reka” will be treated as investment shares by defining the equity of the public enterprise.

**FOUNDERS:**

<table>
<thead>
<tr>
<th>Municipality of Berovo</th>
<th>Municipality of Kocani</th>
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<td>Municipality of Zrnovci</td>
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<td>Round seal and signature</td>
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<td>Municipality of Makedonska Kamenica</td>
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<td>Signature</td>
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<tr>
<td>Municipality of Blatec</td>
<td>Municipality of Cheshinovo</td>
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<td>Round seal and signature</td>
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<tr>
<td>Municipality of Vinica</td>
<td>Municipality of Probishtip</td>
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<td>Round seal and signature</td>
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<tr>
<td>Municipality of Shtip</td>
<td>Municipality of Sveti Nikole</td>
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<td>Round seal and signature</td>
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<tr>
<td>Municipality of Zletovo</td>
<td>Municipality of Karbinci</td>
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ANNEX C.2

Agreement between Mayors to Pursue a Joint Waste Facility
(Eastern Macedonia)

MINUTES

The regional working session with the mayors of the eastern region - Bregalnica River Basin, was held on 06.02.2003 in the premises of Kocani Municipality.

At the working session present were the mayors of the following municipalities: Kocani, Obilesevo, Zrnovci, Cesinovo, Probistip, Delevo, Sveti Nikole, as well as the Secretary of Karbinci and representatives from Vinica Municipality; the directors of the public enterprises from Kocani, Gjorgi Hristov and Metodi Lazarov, as well as the mayors’ professional associates, Milka Aleksandrova, Aleksandar Gicov, Zoran Manasiev. The Peace Corps Volunteers residing in Kocani Municipality also attended the session.

The following was adopted:

AGENDA

1. Achieving an agreement on building a Solid Waste Treatment Facility and reviewing an offer from Interengineering Company for conducting a feasibility study.

2. Starting an Initiative on producing a Pollution Prevention Strategy on Bregalnica River Basin.

Todor Pasovski, mayor of Kocani municipality, explained the necessity of convening the session and read the minutes from the previous meeting held on 16.01.2003, informing the mayors on its contents and at the same time asking for their approval.

Furthermore, the offer of the Inter-Engineering Company for conducting a feasibility study on building a Solid Waste Treatment Facility was offered to the present representatives. The mayor pointed out that Kocani municipality has the opportunity to provide finances for the production of the feasibility study, if other municipalities consent to that, which would later be considered as a share of Kocani municipality’s total investment in the project.

Stanko Vladiimirov, Zletovo mayor, raised concern that Inter-Engineering’s offer already determined that the location of the facility would be in Kocani. He believes that the location should be identified as a result of the feasibility study which would considering all the important aspects necessary to determine the best location.

Todor Pasovski, mayor of Kocani, accepted the remark made by Stank Vladimirov and said that most probably a mistake has been made regarding the fact that the previous working session was held in Kocani and Kocani municipality started the whole initiative. In the end, the feasibility study will identify the most adequate location for the facility.

As to the building of waste water filter stations and the issue of protection of the Bregalnica River Basin, it was agreed by the mayors present that a request for the formulation of a Bregalnica River Basin Protection Strategy is proposed to be sent to the Ministry of Environment and Spatial Planning. This Ministry is a competent body with professional staff and has data at its disposal to be able to propose a solution to the problem. The Strategy produced by the Ministry would give the directions, priorities and the dynamics of the implementation.
Stanko Vladimirov entirely supported the initiative on the protection of the Bregalnica River Basin, but suggested that solving the waste water issue to be focused on smaller regions.

The mayor of Cesinovo municipality entirely supported the initiative and informed the present mayors on the ongoing activity for the construction of a filter station in Cesinovo Municipality. It is already in the process of construction. Due to the flat area where the filter station is located, it was decided to be an anaerobic type; which is considered to be best solution. He emphasized that this filter station might be used as an experimental pilot-project for the other filter station planned to be built along Bregalnica coast. The total budget amounts to 70,000 Euro and is supported by the CBIA Foundation. It has the capacity to serve 1,350 inhabitants and the level of filtration shall be 95%. This type of filter station is not feasible to be built in Delcevo and Berovo, as that region is hilly and mountainous. It is planned for Cesinovo Municipality only.

The Mayor of Delcevo said that back in 2000, Delcevo municipality proposed a meeting among the three neighboring municipalities Berovo, Pehcevo and Kamenica. The purpose of the meeting was to produce a joint study on a regional level, but, as some of the mayors expressed negative opinion on the issue and due to the lack of financial resources, the idea of solving the problem on a regional level failed. Delcevo municipality has gone far more in regard to the project documentation on environment protection, as all the settlements have already produced project on water canalization, collector and filter stations. All the municipality has to do is to give a full support to these joint activities in order to be able to finance the projects.

The Secretary of Karbinci municipality stressed that feasibility study on fecal water filtration was produced in 2000: in two villages a sewage system was set up, and in Tarinci village the financial construction is finalized. It is expected that this year Karbinci will finish this activity.

The Mayor of Oblesevo Municipality said that his municipality had a filter station project as well, which should be reviewed and eventually incorporated into the joint activity.

The Mayor of Probishtip suggested that the Study of Solid Waste also provides for the method of waste transportation, which is seen as a problem at the moment and an obstacle for implementation. As to the filter station initiative, he said that his municipality faced the same problem as others. After the Initiative is submitted to the Ministry of Environment, municipalities should be informed back on how their separate projects will be incorporated. Also a large amount of attention should be paid to the issue of industrial waste water in Zletovo municipality. Probishtip has to have two filter stations or a common one with Zletovo with a separate 20 km long canal.

Zoran Manasievsiki, Manager of the Department for Communal Issues in Kocani, believes that the constructive discussion of the participants of the meeting once again confirmed the usefulness of the meeting.

The resume of the above is that a Bregalnica River Basin Pollution Prevention Strategy is needed to be produced, which should indicate the types of facilities that are supposed to be built for the protection of the region. So, the main idea of the strategy would be that each municipality precisely defines the type of facility to be built, depending on the characteristics of the municipality. The fact that the Minister of Environment and Spatial Planning comes from this region is very convenient and we can surely expect his maximum involvement and lobbying on this issue.
Metodi Lazarov, Director of the Public Enterprise “Kocani”, stressed that it was a joint initiative of the Bregalnica River Basin municipalities, and the fact that it covers a large area gives the initiative a specific value vis-à-vis state institutions and international donors. The practice has proven that strength and success can only be achieved through joining forces as opposed to our prior experience of proceeding in a self-centered and way without any synchronization. I understand this strategy as a general plan, which should further lead towards the identification of individual activities and actions – avoiding the practice of everybody individually starting the same projects all over again.

The Mayor of the Municipality of Delcevo suggests that the strategy should encompass the priorities of certain areas, and these priorities should be identified by the citizens of that particular region.

On the basis of the abovementioned elaborations, as well as discussions and recommendations highlighted by the participants at the working session, the following

**CONCLUSIONS**

1. To support the initiative for undertaking activities regarding the protection of the waters of Bregalnica River basin;

2. The initiative for undertaking activities regarding the protection of the waters of Bregalnica River is to be forwarded to the Ministry of Environment and Physical Planning with a request the Ministry to develop a strategy for protection of the waters of Bregalnica River basin. The funding for the development of the strategy should be provided by the Ministry of Environment and Physical Planning.

3. The implementation of the strategy should take into account the existing projects which have already been completed by some municipalities.

4. As part of the strategy for the protection of the waters of Bregalnica River Basin, the priorities of the facilities should be noted, which are to be constructed in each municipality separately or for a smaller region within the Bregalnica River Basin.
Sample Inter-Municipal Cooperation Agreement - Vinica-Zrnovci

According Art.14 from the Law for local self government ('Sl. vesnik na RM" br. 5/02), Municipality of Vinica and Municipality of Zrnovci made the following interim

CONTRACT
For inter-municipality cooperation

Made and entered into force on (date)_________ 2003 between

1. Municipality of Vinica, represented by the Mayor Goran Angelov as a Service provider and
2. Municipality of Zrnovci, represented by the Mayor Blagoj Nikolov as a Service purchaser.

The subject of the Contract is executing inspection supervision by Igor Spasovski - the Communal Inspector in the Municipality of Vinica on the territory of the Municipality of Zrnovci in communal activities and public cleaning.

Article 1
Communal Inspector of the Municipality of Vinica is obliged, at least once a week or if necessary more times, to conduct inspection supervision on the territory of the Municipality of Zrnovci.

Article 2
Municipality of Zrnovci is committed to pay the Communal Inspector for the services rendered a daily fee of 700 MKD, and travel expenses in amount of 200 MKD for each intervention.

Article 3
The fee for the Communal Inspector should be paid on a monthly basis no later than the 10th day of the current month for the previous month, on the running account of the Communal Inspektor No. 220 - 866 - 80710 - 6 - 12 in Makedonska Banka.

Article 4
In a case of a dispute, the Court in Vinica shall be responsible.
Article 5
The contract is read, confirmed and signed by the contracted parties.

Article 6
The contract enters into force on the day of its signing.

Article 7
The contract is done in 6 (six) identical samples - 2 (two) for each contracted party and others for official use.

MUNICIPALITY OF VINICA               MUNICIPALITY OF ZRNOVCI
MAYOR                                 MAYOR
Goran Angelov                         Blagoj Nikolov
ANNEX C.4  Sample Inter-Municipal Cooperation Agreement

MEMORANDUM FOR COOPERATION BETWEEN MUNICIPALITIES

Activities carried out in the municipalities in the partial between the two sides of the independent communities of UFU

Municipality of Kavadarci:
1. Conclusion of the council for adopting a resolution for financing an intermunicipal, communal public enterprise for public services (Official Publication Number 372/2017 from 14.02.2017). Mutual agreement on the process for appointing a management body, supervision body, director and headquarters of the regional communal enterprise.

2. Resolution for appointing a Coordinator of the communal enterprise for public services (CPE. Pub. no 2) 07-156/13 from 10.10.2003)

3. Resolution for introducing a local voluntary tax for the construction of communal services for the citizens from the local construction in the city and the local communities in the settlements Yama and Gole (in the period from 01.01.2003 until 10.06.2008 inclusive). (CPE. Pub. no 07-760/2 from 27.06.2003)

By execution of this resolution, two percent are set aside from the salary of all employees in the municipality of Kavadarci and transferred on the account of the local self-government. This amount is 1.400.000 denar monthly, allocated for improving the water supply that guarantees the maintenance of the future investments.

4. Resolution for introducing an allocated donor and for arranging the free and distribution of the funds from the allocated donor, which are paid for reconstruction and investment construction of the water supply system and the sewers in the municipality of Kavadarci (CPE. Pub. no 730/1996) and changes (CPE. Pub. no 3 from 28.02.2003).

By execution of this resolution, 21 % are charged from the total amount of the received services by P.E. Kavadarci and are transferred to a separate account of the municipality of Kavadarci-local self-government for reconstruction and investment construction of the water supply system and the sewers in the municipality of Kavadarci.

BUDGET OF THE MUNICIPALITY OF KAVADARCI

The TOTAL BUDGET for the year 2002 is 83.100.000 denar.
Funds from the budget allocated and used for improving the water supply amount to 24.307.809 denar.

The TOTAL BUDGET for the year 2003 is 163.600.000 denar.
Funds from the budget allocated and used for improving the water supply amount to 71.171.632 denar.

The PLANNED BUDGET for the year 2004 is 184.300.000 denar.
The funds from the budget planned for improving the water supply amount to 5,165,454 dinars.

**F.E. “Kommunai”- Negojeno**

**Investments in the year 2003**

**Waterworks**
- New built lines with total length of 1,599 meters and value of 4,512,434 dinars
- Sewerage
- New built lines with total length of 951 meters and value of 7,166,908 dinars

**Technological water**
- New built lines with total length of 920 meters and value of 710,471 dinars

**Planned investments in 2004**

**Waterworks**
- 6,699,580 dinars

**Sewerage**
- 3,450,088 dinars

**Municipality of Negojeno**

1. The council passed a resolution for founding a Regional enterprise for public services (OFF. Pub. no: 97/1993/17 from 24.03.2002)

**BUDGET OF THE MUNICIPALITY OF NEGJOJENO**

**The total budget for the year 2002 is 26,200,000 dinars.**

Funds from the budget allocated and used for improving the water supply amount to 5,165,454 dinars.

**The total budget for the year 2003 is 32,700,000 dinars.**

Funds from the budget allocated and used for improving the water supply amount to 3,120,000 dinars.

**The planned budget for the year 2004 is 11,600,000 dinars.**

The funds from the budget planned for improving the water supply amount to 5,500,000 dinars.

**F.E. “Kommunai”- Negojeno**

**Investments in the year 2003**

**Waterworks**
- New built lines with total length of 690 meters and value of 1,401,148 dinars
- Sewerage
- New built lines with total length of 850 meters and value of 1,060,840 dinars

**Technological water**
- New built lines with total length of 505 meters and value of 279,840 dinars

**Municipality of Rosoman**

3. The council concluded to adopt the decision for founding an intermunicipal, communal public enterprise (number 97/22/27 from 26.01.2003)

**BUDGET OF THE MUNICIPALITY OF NEGJOJENO**

**The total budget for the year 2002 is 6,500,000 dinars.**

Funds from the budget allocated and used for improving the water supply amount to 400,000 dinars.
The TOTAL BUDGET for the year 2003 is 11,485,850 denars. Funds from the budget allocated and used for improving the water supply amount to 1,350,000 denars.

The PLANNED BUDGET for the year 2004 is 13,565,325 denars. The funds from the budget planned for improving the water supply amount to 1,300,000 denars.

F.S.E. "Resnova" - Resnova
Investments in the year 2003
Waterworks
New built lines with total length of 2550 meters and value of 2,745,424 denars.
Sewerage
New built lines with total length of 500 meters and value of 170,457 denars.

Regarding the activities taken so far and the municipal activities planned for 2004, by signing this memorandum, the Municipalties (Kavadarci, Negotin, Resnova) agree upon the following:

- We confirm the regional approach and readiness for joint solution of the problem of water supply and sewerage in the regions of our municipalities.
- There is readiness on the part of the municipalities for gradual approach towards inclusion of prices and their equalization, by producing the social assessment that would enable creation of funds for amortization and accumulation and through them also maintaining development of the sewerage and the water supply system.
- Initiating the procedure for passing Founding Acts for the rest of the activities carried out by the public service enterprises after the separation of waterworks and sewerage.
- Paving acts for determining the precise original incomes for financing the rest of the organizational units after the separation of waterworks and sewerage.
- Forming a joint act that will consist of two representatives from each public service enterprise (P.S.E. Kavadarci, P.S.E. Negotin, P.S.E. Resnova-Resnova) for more efficient reporting of debts, joint accounting and decreasing the work expenses.

MUNICIPALITY OF KAVADARCI
Mayor
Bachelor of Law, Fausto Milan

MUNICIPALITY OF NEGOTIN
Mayor
Sejko Radonjic

MUNICIPALITY OF ROXOMAI
Mayor
Gece Vrechovski
ANNEX C.5

The Statute of ProAuqa Water and Waste Water Company

Based on article 19 and 29 of the Law on Public Enterprises, the Steering Committee of the Inter-Municipal Public Enterprise “Proakva”-Struga, at its session held on 01.02.1999, adopted the following

STATUTE
of the Inter-municipal Public Enterprise
“PROAKVA”-Struga

I. GENERAL PROVISIONS

Article 1

This Statute closely regulates: the Organization, Management of the enterprise, the activities, general acts and adoption procedures, information dissemination, planning, protection and improvement of the environment, and other issues of interest of the Inter-Municipal Public Enterprise.

Article 2

The Inter-Municipal Public Enterprise “Proakva” (hereinafter: IPE “Proakva) is founded to practice communal activities of public interest, which are essential for the citizens residing on the territory of Ohrid and Struga municipality. The Public Enterprise represents a legal entity with its own gyro account and is accountable with its total property on the responsibilities performed and undertaken.

II. FOUNDING

Article 3

The Inter-Municipal Public Enterprise is founded by Ohrid and Struga municipalities.

III. ACTIVITIES, NAME, HEADQUARTERS, STAMP AND SEAL OF THE ENTERPRISE

Article 4

Activity:

The Inter-Municipal Public Enterprise performs the following activities:

1. Drinking water supply, which includes treatment and distribution of the water to the beneficiary’s measurement instrument.

2. Removal and filtration of waste water, which includes: sewage of the waste water from the individual houses to the street sewage system network, filtration, ejecting into a recipient, and cleaning of septic pits.
3. Removal of rain waters, which includes their sewage from the urban areas in the sewage system and ejecting into a recipient.
4. Removal and filtration of waste water through sewage systems and filter stations (collector system for protection of the Ohrid lake)
5. Maintenance of the facilities of the communal infrastructure, which includes the buildings, plants, and installations.

IPE “Proakva” performs other complementary activities, in addition to the ones described in paragraph 1 of this article, and that is:

1. Projection of hydro-construction facilities;
2. Building and monitoring of the hydro-construction facilities;
3. Production and distribution of electric energy;
4. Fitting, repair, control and maintenance of the measurement instruments for legal entities and individuals.
5. Lay out and repair of internal water supply and sewage systems;
6. Keeping records of underground cadastre of infrastructure;
7. Laboratory and other examinations of the living and working environment.
8. Laboratory analysis of water;
9. Production of simple and mixed fertilizer;
10. Wholesaling with wide range of goods;
11. Retailing with wide range of goods;
12. Transport of goods in road traffic;
13. International transport of goods;

Article 5

The full name of the enterprise is: Inter-Municipal Public Enterprise on water supply, sewage and filtration of waste water for the municipalities Ohrid and Struga and protection of the Ohrid Lake “Proakva” CO-Struga.

The short name is: IPE “Proakva” CO-Struga.

Article 6

The headquarters of the Inter-Municipal Public Enterprise is in Struga.

(Stamp, seal and badge)
Article 7
The Inter-Municipal public Enterprise has its own stamp, seal and a badge. The stamp has the shape of a cycle with a diameter 3cm long, Cyrillic text with printed letters of the name of the enterprise. The badge of “Proakva” shall be determined by the Steering Board with a separate decree.

Article 8
The seal of the Inter-Municipal Public Enterprise has a rectangular shape with dimensions 5, 5 x 3 cm with the name of the headquarters of the enterprise written on, and a seal with dimensions 7, 5 x4 cm-reception seal.

Article 9
The way of usage, handling and keeping the stamp and the seal shall be regulated with a separate act in compliance with the Law.

IV. ORGANISATIONAL LAY-OUT OF THE IPE

Article 10
The lay out of the internal organization of the IPE “Proakva” is as follows:
- working units
- sectors
- offices.

The internal organization of the IPE ‘Proakva’, shall be elaborated in the Act on organization and systematization of tasks.

a. MANAGEMENT BODIES OF THE ENTERPRISE

Article 11
The Management Bodies of the Inter-Municipal Public Enterprise “Proakva” are:
- Steering Committee
- Material and financial working control Board;
- Manager.

1. Steering Committee

Article 12
The number of the members of the Steering Committee is determined on 15, by which 2/3s is nominated by the municipal councils of Ohrid and Struga each and 1/3 by the employees of the IPE “Proakva”, in a way that working units of the IPE are represented in the Steering Committee. In the first composition of the Steering Committee represented shall be the
employees of all three parties founding the IPE “Proakva”, which are PE “Vodovod” Ohrid, PE “Vovovod i kanalizacija” Struga and the PE “Ohridsko ezero” Struga. The president of the Steering Committee is proposed by the mayor of Struga municipality.

Article 13
The Mandate of the members of the Steering Committee is determined to period of 4 years.

Article 14
The Steering Committee of the Inter-Municipal Public Enterprise:
- adopts the Statute of the Inter-Municipal Public Enterprise;
- decides on status changes and foundation of associations in accordance with the law;
- adopts the work and development programme of the public enterprise;
- determines the business policy;
- adopts the annual account and the working report of the Inter-Municipal Public Enterprise,
- decides on the proper usage of work generated funds of the Inter-Municipal Public Enterprise and the cover of the losses;
- adopts the investment decisions;
- determines the process of the products and the services;
- decides on the internal organization of the Inter-Municipal public Enterprise;
- forms subsidiary bodies and organs;
- adopts plans, programmes, decisions and other acts in the sphere of defense;
- decides on cessation of a working relation in a way determined by the law;
- adopts programmes on economic, technological and structural changes in the Inter-Municipal Public Enterprise;
- decides upon complaints;
- adopts the general acts of the enterprise;
- appoints assistants to the manager, upon manager’s proposal;
- performs other activities determined by the Law, the foundation act, the Statute and the acts of the enterprise.

Article 15
The Steering Committee shall be constituted at the first session and president and his deputy shall be elected. The way of doing the activities of the Steering Committee is regulated with a rulebook.
Article 16
Each member of the Steering Committee is entitled to one vote. The decisions of the steering Committee are adopted by majority votes of the present members. The decisions on the issues of article 35, except for paragraph 10 of the Statute are adopted by the majority votes out of the total number of members of the Steering Committee.

2. Material and Financial working control Board

Article 17
The material and financial Controlling Board is formed to do the control over the material and financial transactions of the public enterprise and is composed of 5 members. The members of the Controlling Board of paragraph 1 of this article are nominated and dismissed by the founder.

Article 18
The Controlling Board compulsorily examines the annuals accounts and working reports of the public enterprise and gives an opinion to the Steering Committee. The Steering Committee can not adopt the annual accounts and the working report of the public enterprise if previously no positive opinion is received by the control board.

3. Manager

Article 19
The activities of the public enterprise are supervised by a manager, which is appointed and dismissed by the founders of the public enterprise as determined by the law. The mayor of Ohrid municipality appoints the Manager of the Inter-Municipal Public Enterprise ‘Proakva’.

Article 20
The Manager is appointed for a period of 4 years.

Article 21
The Manager of the public enterprise;
- represents and acts on behalf of the public enterprise;
- organizes and directly, manages the work of the enterprise;
- enables the implementation of the decisions and conclusions of the Steering Committee;
- participates in the implementation of the basics of the working and development programme;
- submits to the Steering Committee a proposal for appointment of assistants to the Manager;
- appoints sector managers;
- participates in the determination of the criteria for usage of the work generated funds;
- makes adjustments to the business policy and activities of the enterprise;
- approves official trips within and out of country;
- makes distribution of the employees in accordance with the needs of the enterprise;
- brings decisions for cessation of the employment;
- organizes the work and takes care of the realization of the programme and the plans
- performs other duties determined by the law, the Statute and the general acts of the enterprise.

**Article 22**

The Manager of the IPE ‘Proakva’ is accountable for the results of the activities and the legality towards the founders and other authorities. The accountability of the manager is determined by Law, collective agreement and this Statute.

**Article 23**

The Manager is authorized to conclude agreements and sign contracts, related to the activities of the enterprise. The Manager can give authorization to a third party to act on his behalf and to represent the public enterprise towards third parties and other organs.

**OTHER PROVISIONS**

**Council of employees**

**Article 24**

The Council of employees is elected by the employees upon proposal of the Executive board of the majority trade union by secret ballots. The Council has 15 members. The mandate of the members of the council is determined to 4 years.

**Article 25**

The members of the council can not be members of the organs of the public enterprise.

**Article 26**

The Council of employees proposes members for the Steering Committee among the employees of the IPE. The competences of the council shall be determined with a separate act in accordance with the Law.

**Article 27**

In order to achieve certain rights, obligations and responsibilities within the public enterprise, formed are regular and temporary subsidiary bodies. The subsidiary bodies as of paragraph 1 of this article to a certain extent within its competences might be formed by the Steering Committee that is the manager. The work of the subsidiary bodies shall be determined by a rulebook.
Council of experts

Article 28
In the IPE “Proakva” shall be formed a council of experts. The Council of experts is determined by the manager of the IPE “Proakva”. The Council of experts is an advisory body of the manager. The Council of experts is convened and managed by the manager of the IPE “Proakva”.

Informing

Article 29
The Inter-Municipal Public Enterprise ‘Proakva’ creates preconditions for a transparent and permanent information dissemination on its activities to the employees and beneficiaries of the services of the IPE ‘Proakva”, as well as to the founders. The Steering Committee enacts an Act, through which the procedures and the methods for informing the public and the marketing issues are determined in a more concrete way.

Article 30
It is the responsibility of the Steering Committee and the Managers regularly to inform the employees about the enterprise’s overall activities, generated profit and its distribution, handling, using and joining funds, including all other issues of importance about the employees’ performance and work of the enterprise as whole.

The employees and the units of the Local Self-Government, i.e. the founders are directly informed about the work of the enterprise through the members of the Steering Committee. The employees can also be informed though the enterprise’s displayed Bulletin Boards and through other means of information.

Program for Work and Development

Article 31
In order to secure, a continual development of the Inter-Municipal Public Enterprise “Proakva,” a program for work and development is enacted and devised. The work program determines the program for the Annual activities of the Inter-Municipal Public Enterprise - Municipal Public Communal Enterprise “Proakva,” whereas the development program helps determine the annual and multi annual strategic provisions of the Public Communal Enterprise, which secures the further development of the Inter-Municipal Public Enterprise - Municipal Communal Enterprise “Proakva.”

Article 32
In order to increase the profit and to secure the development of the Public Communal Enterprise, a program of work activities and the development is enacted and devised.

The program of work activities and development is enacted by the Steering Committee upon a proposal usually put forward by the Manager, who is responsible for the implementation of it.
Protection and Promotion of the Environment

Article 33
In order to protect and promote the environment and the work place at the Inter-Municipal Public Enterprise - Municipal Communal Enterprise “Proakva,” an adequate decisions, measures and activities are taken, i.e. funds for these purposes are allocated, if necessary certain bodies are established and individuals are assigned to carry out these programs i.e. decisions, and the determined measures.

Defense

Article 34
The employees at the Inter-Municipal Public Enterprise - Municipal Communal Enterprise are entitled and are obligated to take part in area of organizing and realization of the Defense, in compliance with the law to carry out duties in the domain of the Civil Defense Protection.

Various acts of the Inter-Municipal Public Communal Enterprise

Article 35
Inter-Municipal Public Communal Enterprise, in order to carry out its competencies and obligations in this respect enacts the following acts.
- Statute of the Public Communal Enterprise
- Regulations for organization and classification of the jobs
- Regulations for salaries and allowances
- Regulations Company Collective Bargaining Agreements
- Regulations for Hygiene and Technical Protection provision
- Regulation for Fire-fighting Protection Service provision
- Regulation for the Guards Services
- Regulation for protecting the Enterprise’s business secret/s
- Regulation for stimulation of employees
- Other acts in compliance with the law

Article 36
The general acts from Article 35, from this Statute are enacted in the phases of drafts and proposal.

Article 37
The acts enacted by the Public Communal Enterprise must comply with the law and the Statute of the Public Communal Enterprise. These acts are enacted by the Steering Committee of the Inter-Municipal Public Communal Enterprise. All enacted acts come into force on the 8th day after the enactment and they shall be announced in public in the most usual manner.
The Trade Union

Article 38

The Inter-Municipal Public Enterprise provides the necessary conditions to ensure that the Trade Union activities, which relate to the protection of employee’s rights at the work place i.e. the rights, which are determined by the law and the Company Collective Bargaining Agreements. The activities of the Trade Union, which are compliance with the Item 1, of this Article, cannot be obstructed in any way by an act that may be enacted by the Public Communal Enterprise.

Article 39

The Trade Union Executive Board members are elected to their positions by a secret ballot by all Trade Union members.

Article 40

At the request usually made by the Trade Union, the Public Communal Enterprise provides data and information about all issues, which directly concern the material and the social status of the Trade Union (employees) i.e. it reviews the decisions, which are of importance to the material and the social position i.e. in the realization of the employees’ rights. Continual communication is facilitated for the trade union representative with the Public Communal Enterprise, or with the authorized personnel, i.e. when this is necessary for the realization of trade union functions.

Article 41

The Inter-Municipal Public Enterprise secures an expertise, administrative and technical conditions necessary for the work of the trade union, which enables it to perform the trade union functions, including the payments of the trade union dues, as agreed with the appropriate authorities of the Inter-Municipal Public Communal Enterprise.

Article 42

The Trade union representative enjoys special status, and he cannot be called upon to provide accountability. He cannot be put in a disadvantaged position, nor can his employment be terminated on the grounds of his close involvement with the trade union. Nor for the reasons of participating in trade union activities, which are primarily taken to protect the employees’ rights and their interests, i.e. provided that he is in compliance with the law and the Company Collective Bargaining Agreements. The special protection status of the trade union representative lasts during the term of his mandate.

Article 43

The Trade Union representative due to the Trade Union activities though which employees rights and interests are protected he cannot be;

- assigned to different position within the enterprise or be assigned to an another employer
- identified as technological surplus and on this basis to be reassigned elsewhere
- nor can any proceeding be initiated against him, i.e. for his employment to cease via a dismissal or a termination.
Article 44
An elected member to the Trade Union, i.e. appointed into the Trade Union Bodies in order to perform this function i.e. if required he may have on temporarily basis cease his employment with the Public Communal Enterprise. Nevertheless, he is entitled to return to the Public Communal Enterprise as an employee after the function that he was performing ceases, and he could occupy a position that is best suited to his qualifications, i.e. this requires signing of a Special Service Agreement with the Public Communal Enterprise.

Going on Strike

Article 45
The employees exercise their right to go on strike if in compliance with the law and in compliance with the level of the Company Collective Bargaining Agreements, which are signed with the Inter-Municipal Communal Enterprise.

Enterprise Business Secret

Article 46
In he interests of preserving the security and the successful operation of the Public Communal Enterprise, certain data is classified as a business secret, and these data and secrets can be conveyed to a third party, but only in the manner as prescribed by the law and the Statute of the Public Communal Enterprise.

Public Communal Enterprise Assets

Article 47
The definition of Public Communal Enterprise assets, assumes the means, money and the rights of the Public Communal Enterprise.

Article 48
The Inter-Municipal Public Enterprise is responsible for managing the funds, which the founders through an act for establishment or through other way shell, transfer to be managed by the Inter-Municipal Public Communal Enterprise.

Article 49
The required funds that are for the on going work activities and the development of the Public Communal Enterprise are being allocated through the Development Program, which is enacted by the Steering Committee. The Inter-Municipal Public Enterprise “Proakva,” allocates the funds, which are required for work activities and the development such as:
- revenues necessary to perform work activities.
- funds from the founders.
- funds derived from donations or gifts.
- credit funds
- the other sources of funding, in compliance with the law.

**Article 50**

From the revenues generated by the Public Communal Enterprise, the overall running costs for the work activities of the Inter-Municipal Public Enterprise ‘Proakva’ are covered. The surplus revenue is distributed in compliance with the law.

**Article 51**

The assets which the Inter-Municipal Public Enterprise manages belongs to the municipalities of Ohrid and Struga, i.e. proportional to the already transferred assets from each founder – municipality, including the parts of the generated assets which have accumulated, through the work of the Public Communal Enterprise, i.e. proportionate to the original level of transferred assets from the founders which was done via Act, concerning the establishment of the Inter-Municipal Public Enterprise.

**Article 52**

The financial affairs of the Inter-Municipal Public Enterprise “Proakva,” would be regulated in compliance with the regulations that regulate issues of this nature, including the Agreement and the Statute of this Public Communal Enterprise. The founders of the Inter-Municipal Public Enterprise “Proakva,” agreed to separately show the revenues and (costs involved for the work activities) for the each founder municipality, and for the each work unit. Because of this principal, the Inter-Municipal Public Enterprise would prepare its Periodical and Annual Accounts. Each of the founders would approve the Final Accounts about the work of the Inter-Municipal Public Enterprise “Proakva,” within the scope of its geographical territory i.e. it would verify and would distribute funds, especially when there is a lack of them, in order to cover costs or (for the incurred loses) i.e. it would verify and indicate conditions and the manner in which the surplus that was generated, resulting from the work activities of the Inter-Municipal Public Communal Enterprise. The Inter-Municipal Public Enterprise “Proakva,” at the end of the current year, based on the Final Accounts, reflecting each of its activities, set out in compliance with the previous item, the Inter-Municipal Public Enterprise “Proakva,” would prepare the Final Accounts for the current year. The founders give an approval to the final Account Balance. In case if the founders fail to agree to accept or approve the Final Accounts Balance in such cases an Arbitration Committee shell be established and this Committee would be entrusted to resolve these discrepancies.

**Article 53**

The founders would assess the level of the public/common interests, which are achieved by the Public Communal Enterprise, and it would set the levels in which these interests can be best defended/preserved. The founders would determine all of these. For the purposes of protecting public/common interests, the continual flow of work activities in all the areas undertaken as commitments and obligations by the Public Communal Enterprise, i.e. the founders can undertake certain measures in compliance and as determined by the law.
founders would work toward harmonization of the proposed measures in accordance with the previous item. In case if they fail to harmonize, they would form an Arbitrary Committee, which would be entrusted to resolve and provide solutions on the disputed issue.

**Arbitrary Committee**

**Article 54**

In order to harmonize different points of view on various questions that were raised by the founders in exercising their rights and obligations, which derive from the Statute, the founders establish an arbitrary committee.

**Article 55**

The arbitrary committee comprises of five members, out of which two are elected by the founders and one is elected on proposal of the Manager of the Inter-municipal Public Enterprise – Steering Committee.

**Article 56**

The decision of the arbitrary committee about the case that has been arbitrated is final and mandatory for the founders. The work of the arbitrary committee, the decision making process etc. will be determined with a separate general act (Book of Rules for Arbitrary Procedure). The Book of Rules from the previous article will be enacted by the Steering Committee and the founders need to give consent.

**Publishing**

**Article 57**

The advertisements of the Inter-municipal Public Enterprise that are intended for the public, should be printed in at least one daily newspaper, which is published in the founding municipalities as well as in the seat of the company. It is sufficient if the financial plan and balance sheet are exposed on a visible place.

**Transitional and closing provisions**

**Article 58**

The Steering Committee of the Inter-municipal Public Enterprise passes this Statute on its session held on ___________.

**Article 59**

All acts of the Inter-municipal Public Enterprise shall be harmonized with the Statute within 90 days following the day when this Statute will enter into force.

**Article 60**

Explanation of the provisions of this Statute should be provided by the Steering Committee of the Public Enterprise “Proakva”.

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Article 61
Amendments to this Statute should be passed in a way and under procedure identical to the one of its enactment.

Article 62
From the day of entering into force of this Statute, the Statutes of the public enterprises “Vodovod” – Ohrid, “Vodovod” – Struga and “Ohridsko Ezero” – Struga shall seize to be in effect.

Article 63
The councils of the founders should give consent to this Statute.

Article 64
This Statute becomes effective 8 days after its publishing.

Inter-municipal Public Enterprise “PROAKVA” – STRUGA
President of the Steering Committee

Janeska Cvetla
Attachment #1. – Complete VNG International Report on Inter-municipal Cooperation in the Netherlands.
Input paper

Inter-municipal co-operation in the Netherlands

Preface
The following report is based on a research visit in The Netherlands. It is a summary of the most relevant findings resulting partly from expert interviews and partly from literature study during the period of 7 to 25 May 2001. The research was oriented towards the past developments and the future trends of inter-municipal co-operation in The Netherlands. It is embedded into a 3-year bilateral programme launched in early 2001 under the title “Strengthening public administration through exchange of knowledge and experience between Hungary and The Netherlands.” The main stakeholders of the project (the Ministry of the Interior in Hungary and in The Netherlands, the VNG International, the three main local government associations in Hungary and the Municipium Hungary Foundation) will use the outcome of this research as an input of further discussion, directed toward a possible local government reform in Hungary and the Netherlands.

Introduction
The importance of local governance is widely recognized in Europe. There is also no doubt that local authorities can provide public services in a more efficient way if they co-operate. In The Netherlands, legally regulated inter-municipal co-operation has a tradition of over fifty years. Since 1950, when the relevant act entered into force, more than 800 joint regulations have been established as an addition to the roughly 1200 private co-operations that find their basis in the civil law. The total number of municipalities in the Netherlands in 2000 was 537.

It is mainly the inherent economic advantages of co-operation that has turned the attention of local authorities towards each other. However, when trying to identify its potential for Hungarian local government reform processes a side effect may be the rapid strengthening of a new (fourth) layer of public administration. In such case citizens have no direct control on their supra-municipal governing bodies. The main policy question then should not be how to motivate co-operation, but rather how to avoid that the democratic deficit inherent in such co-operation schemes undermines the legitimacy of local and regional governance.

While the Dutch inter-municipal co-operation system is in danger of overheating, alliance forming in Hungary is still in its infancy. Most recently, the Ministry of the Interior in Hungary has communicated the wish to see a massive rise in the number of inter-municipal agreements, which, according to policymakers, could be ensured by forcing the municipalities to co-operate in certain policy areas. Therefore the fundamental aim of this research project has been to explore by which means was the government of The Netherlands able to achieve such a remarkable development in the field of municipal alliances.

Though the current Dutch system is a spectacular example of municipal alliance-building, the research also casts light on some of its inherent conflicts. Thus the conclusions and recommendations reflect the cautiousness with which policymakers are suggested to adopt the
strong points and avoid the traps of the Dutch policy. Some of the lessons might turn out to be relevant for the Dutch policymakers, too, since the amendment of the Joint Regulations Act is currently on the agenda of the Parliament.

The report follows the logical thread leading from the general description of the regulatory background of public administration to the specific findings and suggestions related to the close subject of the research. Since the study is meant to be relevant for both the Dutch and the Hungarian partners, the contents are roughly balanced. The report starts with a short introduction of the local and regional players of public administration in Hungary. A more detailed description of the system can be found in Annex 4.

The second chapter displays the structure of inter-municipal co-operation in Hungary and the related policy efforts. From this chapter it should become clear why the issue is particularly relevant for Hungary and how the exploration of the Dutch system could help further development in the field.

Chapter III introduces the Dutch local government system, preparing the ground for the subsequent description of Dutch co-operation schemes. Besides demonstrating the main tasks of provinces and municipalities it also shows their organizational structure.

The fourth chapter is dedicated to the experiences of inter-municipal co-operation. It does not only introduce the types, structure and operations of municipal alliances under the provisions of the Joint Regulations Act, but it also touch upon the role of provinces in encouraging inter-municipal co-operation. The chapter briefly elaborates on the special status of metropolitan areas, too.

The final chapter contains the conclusions and recommendations that might be taken into consideration during the study meeting in Budapest (October 2001) as well as in the follow-up discussions. These will ultimately lead to the publishing of a comprehensive study, reflecting not only the diverging views of the relevant partners but also the issues of consensus.
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I. Local and regional self-governments in Hungary

I.1. Municipalities

On the basis of §41 of the Constitution, the territory of the Republic of Hungary is divided into the capital city and its districts, as well as counties, towns and villages. Towns can also be further divided into districts. The Hungarian system of local and regional governments is largely similar to the Dutch system. However, some terms and definitions are different. In Hungary, self-governments of villages, towns, counties as well as the capital (and each of its districts), are collectively called local authorities. Thus, county governments are regarded to be territorial but local authorities. In order to distinguish between county and municipality level, local governments established in villages, towns, the capital city and its districts are called municipal authorities. Therefore officially there is no regional authority, although counties in Hungary are comparable in size to the provinces of The Netherlands.

Towns that have equal rights with a county, play a specific role in the system of local governments. The county status may be obtained either by law or by virtue of a declaration of the Parliament. This latter can happen at the request of the body of representatives of the concerned municipality, if the population exceeds 50,000. The local government of the capital consists of the metropolitan and the district level. However, there is no hierarchy between the two levels. Difference appears only in respect of the duties and jurisdiction.

I.2. Counties

The self-government of the county is established through direct election. According to the law, it has to meet all those responsibilities that cannot be imposed on the municipal authorities. The maintenance of secondary schools, archives, hospitals and centres of social care are good examples of such responsibilities. There is no interdependence between the municipal and county level of self-government. On the basis of mutual interests they may co-operate with each other in various matters.

II. The Experience of Inter-municipal Co-operation in Hungary

II.1. The legal regulation

One characteristic feature of the Hungarian system of local governments is the predominance of tiny local authorities representing settlements with a fairly low number of inhabitants. More than 90 per cent of local governments represent villages, and in most of them (in more than 1.700 villages) the number of inhabitants does not reach one thousand. For this reason, a decisive proportion of villages can not secure an appropriate level of service in many public service areas independently. It is therefore important to enable the direct co-operation of local governments as broadly as possible. Voluntary and free co-operation, in harmony with the European Charter of Local Governments, is one of the basic constitutional rights of local authorities in Hungary. A local government may freely associate with other authorities and may establish a joint body for the protection of common interests. It may also co-operate with the local governments of other countries within its sphere of duties, and may become a member of any international organization of local governments. Consequently, the mandatory co-operation of local authorities is excluded from the law.

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14 For a more detailed description of the subject, see Annex 4.
16 In Hungary, the average county size is 4896.3 square kilometres. The size of an average Dutch province is 3460.5 square kilometres. (Source: Central Office for Statistics of Hungary - www.ksh.hu; Centraal Bureau voor de Statistiek, The Netherlands – www.cbs.nl)
17 In order to facilitate comparison with the Dutch system, in this chapter the Hungarian local governments of municipalities will be simply called local governments/authorities, while authorities on the county level will be referred to as regional governments/authorities. For the original terms introduced by the Municipality Act of 1990, see Chapter I.1.
The basic principle of free co-operation is laid down in the Constitution. The Municipality Act contains the general rules applicable to joint bodies, while the detailed rules are included in the Act on Municipal Co-operation. The councils of two or more municipalities may form an alliance in order to meet their responsibilities in a more efficient and expedient way. This may imply both economic efficiency and professional or operational efficiency (i.e. expediency, rising professional standards). Joint bodies may be established for the purpose of fulfilling the duties and powers of both local governments and central administrative organs. According to a general principle, the establishment and operation of joint bodies may be encouraged through financial means from the central budget. The local governments involved shall decide autonomously on the establishment of the co-operation and the contents of the co-operation agreement. The only restriction is that the joint body may not violate the rights of the participating local authorities. Before the introduction of the Act on Municipal Co-operation in 1998, co-operating municipalities were obliged to form a joint legal entity. However, this proved to be an impediment to the establishment of new co-operations in certain cases, so that today it is not any more a must, but simply an option to establish legal entities. Another important rule is that the municipal council may transfer its powers to the joint authority. The court shall settle the disputes that arise between the municipal councils in the course of the daily management of joint bodies.

The most important forms of co-operation and its major structural elements (including the contents of the agreement) are regulated in Chapter III of the Municipality Act. Co-operations deviating from those mentioned in the Act may also be established.

(1) Two or more municipal councils may establish an administrative co-operation in order to elevate the handling of certain authority tasks to an expert level. In this case, the joint body is operating as an organizational unit of one of the participating local authorities.

(2) Municipal councils can agree to establish, maintain and develop shared institutions serving at least two municipalities. In order to maintain the institution(s), each participating municipality pays a contribution fee that is normally proportionate to its population size.

(3) In the most comprehensive (but rather infrequent) form of co-operation, two or more municipal councils form an integrated body of representatives. The associated body enables the local governments to meet most of their responsibilities in an integrated way that is most efficient both economically and professionally. In this case they consolidate their budgets partly or completely, maintain a joint office and operate their institutions together. Under certain conditions, the joint council may undertake to organize public services of district nature, while in matters affecting only one settlement, the local council of the concerned settlement shall be entitled to take independent decisions.

Further types of co-operation agreements are named in the Act on Municipal Co-operation.

(4) The so-called agency contract is the simplest agreement in which a municipal council undertakes the execution of certain tasks for another (commissioning) municipality.

(5) It is possible to agree on the joint maintenance of an institution or other organization, the joint exercising of certain founder’s rights or the joint employment of a person, with the proviso that the tasks and powers related to the joint action shall be exercised by the council (or an

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19 Municipality Act (1990/LXV), § 41  
20 ibd., § 42  
21 Municipality Act (1990/LXV) of the Republic of Hungary, § 43  
22 ibd., § 44  
organ thereof) defined in the agreement. 24

(6) Municipal councils may agree on the above-mentioned joint actions coupled with the establishment of a joint decision-making organ (a joint council). 25

(7) In addition to the foregoing, the bodies of representatives may found a joint legal person of any kind, if the execution of the agreed actions or the providing of joint services calls for an independent legal entity that can assume rights and obligations. The legal person is established with a deed of foundation. 26

II.2. The process of inter-municipal co-operation 27

As a result of the binding regulation that forced co-operating municipalities to establish joint legal entities (see II.1.), the number of co-operations was far less than the optimum. This was partly caused by the fact that local governments found the organizational structure (as defined by the act) too restrictive. During their daily operations and especially in situations of decision-making they bumped into several obstacles. The other reason for the sub-optimal number of co-operations is that the legal regulations concerning the contents and the formal criteria of the agreements were not satisfactory. Therefore local governments that in theory did support the idea of inter-municipal co-operation, did not feel any willingness to execute the detailed and time-consuming work that the compliance with the law had required. The appearance of the Act on Municipal Co-operation has put an end to the overall forbearance from co-operating. Today, the proliferation of agreements is a general trend. The most spectacular growth was seen in the period between 1990 and 1993 when 440 co-operations were registered. The number of local governments participating in co-operations was 1900 in that period, rising to 2167 by 1998 and to 2439 in the following year. 28 This favorable change is partly due to the reform of the central subsidy system. Also, time has benignantly cured most of the wounds that had been hurting the municipalities since the start of the tough regulation period. Some co-operation agreements reach beyond the boundaries of one county. A rising number of local governments recognise the advantages of co-operation and decide to establish new contacts not only with the neighbouring settlements but also with municipalities that lie farther-off.

As mentioned before, the establishment of co-operations is based on voluntarism. Agreements may be signed both for the purpose of executing local government tasks (mandatory and optional tasks) and central administration duties. Experience has shown that most local authorities join forces in order to meet local mandatory tasks or central administration tasks. The number of co-operations set up for the execution of local voluntary tasks is almost negligible. Joint effort can primarily be seen in the field of education and training, followed by health care, social policy and administrative tasks.

The current public administration reform has laid down the foundations for real co-operations. Subregional areas are developing in Hungary based on the voluntarism of municipalities and counties. A further stimulation of inter-municipal co-operation is an explicit desire of the government. The Ministry of the Interior proposes to keep the principle of free and voluntary co-operation intact, while introducing a complementary principle. European experience shows that voluntarism itself does not spur the municipalities at the desired rate to enter co-operations. Therefore the enforcement of alliance-building (coupled with the insurance of appropriate legal guarantees) might be a solution in certain cases. It must be underlined that the real policy objective is not simply to increase the number of co-operation agreements. It is rather to execute local tasks in a more efficient and expedient way.

24 ibd., § 8
25 ibd., § 9-15
26 ibd., § 16-18
27 This chapter is largely based on the study “Major experiences with the Act on Municipal Co-operation (1997/CXXXV),” written in Hungarian language by the Department for Local Governments at the Ministry of the Interior of Hungary, May 2000.
28 ibd., p. 10
Since inter-municipal alliances have a fairly strong tradition in The Netherlands, it seems plausible to take a look at some of the specific factors that have lead to a greater dynamism in co-operative actions over there.

III. Local and Regional Self-governments in the Netherlands

III.1. Municipalities

The legal structure of the municipalities in the Netherlands has been laid down under the Constitution in the Municipality Act of 1990. This act regulates the organization of the municipalities, their legal powers and their activities. It does not distinguish the municipalities into different categories; thus it makes little distinction between large and small or urban and rural settlements. In principle it gives the same powers to all municipalities.

The tasks of the municipalities derive from two kinds of competencies.

- In the first place, municipalities have a local autonomy. They have the right to manage their own household and to create laws with a municipal scope. Examples of autonomous tasks are the maintenance of roads and streets, waste collection, cultural activities, welfare services, education, housing, commerce and tourism.

- In the second place, municipalities exert co-governance. They have to co-operate on the execution of national laws and provincial regulations. Examples of co-governance are the areas of physical planning, social care, security, police, health care, environmental protection, higher education and the maintenance of public parks. Being the executor of these co-governance tasks, the municipalities do have a certain level of freedom.

Every municipality has a range of instruments for the execution of its tasks. The most important instruments are the following:

- Issuing rules. The municipal council lays down bye-laws. These normally cover all local and national policy areas the execution of which is left to the municipalities. Municipal policy is enacted through these bye-laws.

- Granting subsidies. The municipality can grant subsidies to residents and private organizations to support their initiatives.

- Planning. Prior to the construction of houses, industrial zones, streets and roads, the municipal council has to draw up a spatial plan (the so-called local or zoning plan).

The head of the municipality is the directly elected municipal council (and not the mayor). It takes the most important decisions, the preparation of which is done by the executive board (or committee). The council retains all the powers with respect to the administration of the municipality, with which the law has not explicitly charged other municipal organs. Normally the council passes bye-laws that are necessary for the maintenance of order, morals and public health or which in any other way relate to the orderly running of the municipality. In addition to this legislative power, the council has administrative powers, too, in the narrow sense of the word. Thus it appoints the major officials (except the mayor), approves the annual budget and manages all financial matters of the municipality.

The mayor and the aldermen (deputy mayors) together constitute the daily executive board of the municipality. The municipal council elects the aldermen from among its own members and dismisses them when they lose confidence.

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29 This chapter is based on the contents of the course reader “Structure of Public Administration in The Netherlands,” issued by VNG International in January 1999. The complete text can be found in Annex 9.
The number of aldermen depends on the size of the municipality. Generally speaking, the board of mayor and aldermen is charged with the day-to-day administration of the municipality. This comprises the deliberate execution of the council decisions; the preparation of questions to be submitted to the council; the general supervision of everything that affects the municipality; and the management of a number of items explicitly mentioned in the law. The daily executive board meets once a week.

The mayor, who is the chairman of the council and the executive board, is appointed by the central government for a six-year term. He is not a member of the council, but has an advisory vote. The council cannot dismiss the mayor. The mayor takes the chair both at the meetings of the council, where he or she has the right to give advice, but no vote; and in the board of mayor and aldermen, where he/she is a member with a full vote and a casting vote. Beside this managing function, the mayor is responsible for the publication of the decisions made by the council and the executive board; he/she must control the local administration on behalf of the central government, and is responsible for the public order in the municipality.

The head of administration is the municipal secretary (town clerk). The municipal secretary is appointed by the council. He/she has to co-sign all documents issued by the council and the executive board. He/she is in charge of the local civil service organization and is usually responsible for the co-ordination of municipal services and departments.

III.2. Provinces
The provinces are the intermediate level of government in The Netherlands. There are twelve of them, varying in size and population. In the first place, provincial authorities administer the internal affairs of their province, and are responsible for areas such as road infrastructure, public works, urban planning, the environment, public safety and waterways.

Secondly, provinces exercise general supervision on municipalities and they co-ordinate activities when more municipalities (and third parties) are involved. Under the Municipality Act of 1990, the province supervises the municipalities with particular attention to their financial position and local policies. Provinces have contributory jurisdiction (joint rule) in national policy areas such as environment, physical planning, water management, traffic and transport, and partly health care. In each province it is the provincial council, the provincial executive committee and the Queen’s commissioner that carry out the general administrative tasks.

The provincial council is elected directly for a term of four years. The number of the council members depends on the size of the province. Each council elects from among its members a permanent commission (the provincial executive committee) that is responsible for running the day-to-day affairs of the province and preparing the decisions to be put before the provincial council.

The chairman of both the provincial council and the provincial executive committee is the Queen’s commissioner, appointed by the Queen for a term of six years. The overall duty of the Queen’s commissioner is to encourage and co-ordinate action. The commissioner also has certain statutory duties. He or she has to sign all documents issued by the council and the executive, and is commissioned to implement the decisions of the council and the executive committee.

The Queen's commissioner is entitled to exercise certain functions on behalf of the State. On the basis of an instruction issued by the central government, the Queen's commissioner is also in charge of encouraging co-operation of civil servants of the central government working in the province between themselves, as well as with the provincial council, the municipal councils and the councils of water boards.

The head of the provincial administration is the provincial registrar. He/she is required by law to assist the provincial council, the provincial executive committee and the Queen's commissioner (and any committee appointed by them) in exercising of their duties. The provincial registrar attends all meetings
of the council and the executive committee and he/she consigns all documents issued by them. The registrar is in charge of the provincial civil service organization and is usually responsible for the coordination of provincial services and departments. The provincial council appoints the provincial registrar.

IV. The experience of inter-municipal co-operation in The Netherlands

IV.1. The contents of the Joint Regulations Act

IV.1.1. The legal basis of the regulation

In the past decades there has been a growing need for municipalities to work together with other municipalities. Especially the small municipalities often lack the money and the administrative capacity to perform tasks on their own in an efficient way. The most crucial tasks that call for a co-operation are waste disposal, health care, transport and traffic, police and fire brigades. In The Netherlands, the public forms of co-operation between municipalities are collectively called joint regulations. The rules on the structure and operations of these public forms are laid down in the Joint Regulations Act. Private co-operations instead are regulated by the civil law. Generally, municipalities are free to choose whether they wish to work together or not, but if they decide to co-operate in a public form, they have to comply with the norms of the Joint Regulations Act. This law is meant to make municipal co-operation more orderly and to increase the influence of the participating municipalities in the process of joint decision-making.

The purpose of the Joint Regulations Act (hereafter: WGR) is the implementation of §135 of the Constitution. Under that regulation, the legislator is nominated to create law for those cases in which two or more bodies are interested. The laws created under the Constitution define the criteria of the establishment of joint regulations, their tasks and duties, as well as their operational procedures. According to the WGR, two or more municipal councils, mayors or boards of mayor and aldermen can set up joint regulations for their common interests. Joint regulations are thus special agreements between two or more decentralized public administration organs that are responsible for the representation of their founders' common interest.

IV.1.2. Co-operation areas

With the appearance of the WGR, provinces have been invited to divide their territory into "co-operation areas." According to the law, two or more municipalities are permitted to work together, but only if they are situated in the same co-operation area. If a municipality wishes to co-operate with municipalities outside its co-operation area, approval is needed from the provincial government. The present boundaries of co-operation areas are a result of negotiations between the provincial and the municipal authorities. By creating the co-operation areas, the provinces have largely accommodated the wishes of the constituent municipalities. In total, 39 such entities were established. The legal pressure of restricting joint regulations to the defined co-operation areas obviously hurts the freedom of decision-making at the municipalities, even if the overwhelming majority of “cross-provincial” co-operations have been accepted by the provinces. Therefore the Dutch government is now planning to annul the norm on co-operation areas.

30 Sources:

31 The Joint Regulations Act (Wet gemeenschappelijke regelingen) of the Kingdom of The Netherlands, passed on 20 December, 1984.
IV.1.3. Types of co-operation

According to their legal form, co-operations can be public or private. As mentioned above, only the public types are regulated by the WGR.

The Act lists the following three basic models for public co-operation:

- **Public authority (openbaar lichaam).** It consists of a governing body, an executive committee and a chairman. Advisory and administrative committees and services may also be created. Within the WGR the public authority is the only co-operation structure with a legal form. It therefore can act as an independent legal structure. In practice the public authority is created for undertaking a range of executive tasks, such as; inter-municipal environmental agencies, public health services, and social employment agencies.

- **Joint agency (gemeenschappelijk orgaan).** It is usually set up for relatively simple types of co-operation. An agency of this sort does not have a hierarchical structure, neither has it the status of a legal person and it cannot exercise certain powers. It is usually furnished with a mere consultative role, for instance in the area of welfare or public housing.

- **"Core municipality” arrangement (centrumgemeente-constructie).** Separate from or in conjunction with the above-mentioned types, an agreement may stipulate that certain powers shall be exercised by one of the participating municipalities only. The WGR provides the co-operating municipalities with a great deal of autonomy. It is thus possible, for example, to remain a purely nominal member for a transitional period instead of becoming a full player in the co-operation right from the signing of the agreement. This model is found in executive tasks such as contracting out the collection of household waste to a larger (neighboring) municipality.

- **Light agreement (lichte regeling; regeling zonder meer).** Unlike the previous three, this form is not named in the WGR. However, municipalities are allowed to form an agreement on the basis of the WGR without establishing any of the above-mentioned three institutions. In a light agreement, powers or competencies cannot be delegated to other bodies. Co-operating municipalities usually choose this form if they wish to mark off their rights and duties against each other.

As mentioned before, there are also private forms of co-operation in The Netherlands. The WGR does not exclude the possibility of a co-operation agreement that creates legal persons incorporated under civil law. Civil co-operations are increasingly frequent nowadays. This type of alliance may only be adopted if it is particularly supporting the public interest. It always requires the approval of the provincial authority or the Crown. Generally, municipalities opt for this type of co-operation whenever they join forces with a civil organization. Most private co-operations are established in the field of social services, education and human resource development. Private co-operation can take the form of a foundation, an association, a limited liability company, a public limited company, a simple contract, but it may also operate as a co-operative or a mutual insurance company.

Regarding the types of co-operation, the provisions of the WGR are as follows:

- co-operation between different municipalities;
- co-operation between provinces and municipalities;
- co-operation between different provinces;
- co-operation between municipalities and water boards;
- co-operation between municipalities, provinces and water boards;
- co-operation between provinces and water boards;
- co-operation between one municipality or one province and one or more other public authorities or legal persons.

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32 WGR (20 December 1984), § 8 section 1
33 ibd., § 8 section 2
34 ibd., § 8 section 3
35 ibd., § 1 (1)
It is also possible for a legal person incorporated under civil law to participate in a co-operation scheme, subject to authorization from the Crown. Participation of the central government does not require any approval by the legislative power. It is sufficient for a decision to be taken by the Council of Ministers and communicated to the Parliament, unless the Parliament insists on the statutory approval of the regulation within one month of its announcement. New co-operation schemes cannot solely be created by bodies that already administer existing co-operation schemes.

A few practical examples for the above-mentioned types of co-operation are described below.

**Co-operation between different municipalities**

- ISWI – A co-operation established in early 2000 under the WGR with the participation of three municipalities (Dinxperlo, Gendringen and Wisch) for the execution of social tasks. The main objective of the co-operation is to create jobs and training facilities, and to provide unemployment benefits in this area.

- Achterhoek region – A wide-range co-operation of 17 municipalities. The three main areas of co-operation are the following:
  - Under the decision of the municipalities the powers can be delegated to the joint regulation. If the 2/3 majority of the 17 municipalities decided this way, the other municipalities are forced to do the same. Health care competencies have been delegated this way.
  - Enforced co-operation. The government gives the powers to the joint regulation directly and ensures the financial means that are necessary for the execution of the tasks. (E.g. police, fire service and ambulance)
  - Developing common policies in urban planning, infrastructure, environmental protection, economic affairs, public transport and the management of EU funds.

**Co-operation between municipalities and provinces**

Such co-operations are established for special purposes only, e.g. for recreation, landscape building and the preservation of forest areas. There is such a co-operation between South Holland, The Hague and Rotterdam, as well as between North-Holland and Amsterdam.

**Co-operation between different provinces**

IPO (Inter-Provinciaal Overleg) – Besides being the interest association of the 12 provinces, IPO is also a joint regulation of all the provinces, with its own organization structured according to the WGR. The IPO is run by a chairman and an executive committee. It has a bureau with a staff of fifty. It runs four thematic committees: (1) finance and management, (2) water and environment, (3) physical planning, housing, rural development and policy, and (4) social and public health and culture.

Co-operation schemes vary according to the method of establishment, too. Normally, inter-municipal co-operation is based on voluntarism. It is generally the municipalities that decide whether or not to work together and what form they wish the co-operation to take, within the confines laid down in the law.

Under the Dutch legal regulation, municipalities can be forced to work together in three ways:

- Firstly, the functional regulations on police, fire and ambulance services for example oblige municipalities to work together in these fields.
- Secondly, under the WGR provinces have the power to force the municipalities to co-operate if it is in the public interest. In the first instance, the province has the power to invite the local authorities to join forces. It puts forward a proposal that contains the organizational details of the sought co-operation. The municipalities can establish a co-operation on the basis of that proposal within six months. If the municipalities fail to launch a co-operation before the

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36 For further literature regarding the Dinxperlo-Bocholt area and the Achterhoek region, see References.
deadline, the province can force them to work together. Acting via the competent minister, also the Government has a right to initiate the enforcement of the co-operation.

- Finally, the act on the big city areas (hereinafter: Framework act\[37\]) makes the co-operation compulsory in seven big city areas\[38\] in the field of transport, traffic, physical planning, public housing and economic development. The Framework act defines the framework for the operation of the areas, as well as the powers that the municipalities need to delegate to the joint authority. Beside the tasks defined in the act, municipalities can agree to co-operate in any other field. For instance in the Haaglanden region, which has been set up under the Framework act, the participating municipalities co-operate i.a. in environmental protection, agribusiness, financial assistance, social housing and monitoring, too. According to experts, the most efficient co-operation in Haaglanden has been seen in the field of traffic. In spite of the fact that the co-operation is not based on voluntarism, it works efficiently in practice. It is partly due to the fact that this co-operation had already existed before the Framework act came into force.\[39\]

IV.1.4. The structure of joint authorities
The WGR counts a number of instruments aimed at increasing the influence of the participating municipalities, in particular the municipal councils, on the administration of the co-operation. The provisions described below concern primarily the inter-municipal co-operation schemes, but mutatis mutandis they apply to other schemes, too.

The composition of governing bodies

A co-operation scheme may entail the creation of a public authority or, in more simple cases, a joint agency.\[40\] A public authority is required by law to have a basic structure consisting of a general governing body, an executive committee and a chairman. Only councilors, aldermen and mayors are eligible for appointment to the governing body of the public authority as well as to the joint agency. They are chosen from and by the municipal council or the executive board.\[41\] Also the municipal secretary is eligible for appointment to the governing body of the public authority, if the co-operation is oriented at the training of public servants. The governing body elects the chairman and the members of the executive committee from its own ranks. The minority of the executive committee may consist of persons who are not members of the governing body. Advisory and administrative committees may be set up in addition to the basic structure; their composition is left open. It is also possible to launch joint services. The members of the governing body of a public authority or a joint agency are accountable to their "own" municipal council. In case they were appointed by the municipal board of mayor and aldermen, they will be accountable to this executive board. The body that appointed the representatives may dismiss them from their positions if it has lost confidence in them. At request, the governing body of a public authority, as well as the joint agency, are required to supply information to the councils of all participating municipalities. The executive committee of the public authority and the joint agency reports to and is accountable to the governing body, which can dismiss it in case of weakening confidence. These relationships must be specified in any joint regulation.

Interests and powers
The WGR lays down that the co-operation agreement should specify both the interests underlying the joint action and the responsibilities that the parties wish to delegate to the co-operative framework.

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37 Framework act refers to the law passed on 21 April 1994, amended by the law of 6 June 1996. The complete text can be found in Annex 7.
38 These are Amsterdam, Rotterdam, The Hague, Utrecht, Eindhoven-Helmond, Enschede-Hengelo en Arnhem-Nijmegen
39 For further literature regarding the Haaglanden region, see References
40 See the basic models for co-operation in chapter III.1.3.
41 The latter is the case if municipal executives (mayors and aldermen) are the only participants in the scheme. Where a scheme involves only the burgomasters, they constitute the governing body.
The participants will then know exactly which policy areas the co-operative agency is entitled to operate in, and they will know the precise extent of its powers, too. In order to prevent rigidity in the system, the WGR allows changes to be made in the extent of these powers without an amendment to the regulation being necessary. If the participants wish to avail themselves of this opportunity, a procedure for doing so may be laid in the regulation.

**Freedom of information**

As a general rule, the WGR requires the meetings of the governing body to be open to the public. In addition, all regulations must be recorded in registers kept by both the provincial authorities and the participating municipalities. Regulations must be published, although issuing a summary of the most important elements in, for example, a municipal gazette may satisfy this requirement.

**Democratic control on joint regulations**

In 1999 SGBO, the research and advisory bureau of VNG, carried out a research on democratic control on joint regulations. The research targeted the following set of questions:
- the way and frequency in which boards of joint regulations and involved municipal councils use the instruments and competencies as set out in the WGR;
- to what extent do the current instruments fail to meet the needs;
- in what way could improvements be made in the relationship between municipal councils and boards of co-operation areas as to maximum democratic control.

The most important conclusion of this research is that the control on joint regulations should no longer be regarded as a separate issue from other aspects within the WGR on the instruments and competencies. The research concluded that the control on joint regulations follows the normal procedures of control by municipal councils on the functioning of boards of mayor and aldermen. Problems that may occur in the control on joint regulations relate to general obstacles in performing control tasks by municipal councils. Improvements in this area should therefore be undertaken in the framework of general enhancement of the control function of municipal councils. The research furthermore did not provide any leads to adjustments within the WGR as to the democratic control by municipal councils. The research report concludes that the WGR does not provide obstacles to municipalities in establishing such kind of co-operation.
As mentioned before, co-operation between municipalities is a municipal matter. This raises the question about the role of the provinces in the field of inter-municipal co-operation.

The principal responsibilities of the provincial authorities under the WGR are as follows:

- to divide the province into co-operation areas,
- to encourage co-ordination and integration of co-operation schemes;
- to settle disputes that arise in the course of operating the joint organizations. Arbitration by the provincial authorities can be used to put an end to stalemates in municipal co-operation. Participants who believe that their interests are not receiving sufficient attention may also apply to the provincial executive for a judgement on the matter;
- to oversee co-operations.

Provincial authorities are empowered to take the following actions:

- to force municipalities to work together if there are compelling reasons for doing so in the favor of public interest. Municipalities may appeal to the Crown against such an obligation;
- to approve each regulation;
- to motivate municipalities to co-operate. Inter-municipal alliance-building is not stimulated from the central budget, but provinces do have the possibility to finance co-operations in their own geographical area.

Under the current public administration reform, the government of The Netherlands is planning to cut some of the provincial rights. The engine of the reform is the principle of voluntarism in inter-municipal co-operation.

Most of the times it is not very difficult for the central government to encourage inter-municipal co-operation, as the municipalities can clearly see the advantages of working together. In the past, the central government used a wide range of instruments to stimulate municipal co-operation in The Netherlands, and it was fairly successful in doing so. Up to this day, the most frequently used instruments of stimulation are the following:

- Decentralizing tasks to municipalities under the expressed condition that they will be carried out at least on a certain minimum scale. Small municipalities need to work together in order to achieve the required scale. This instrument has been used e.g. in public health care.
- Financial incentives. Grants are given to the municipalities under the condition that they co-operate. This instrument has been used in order to improve the implementation of environmental measures on municipality level.
- Transferring responsibilities to the provinces under the condition that they delegate them to the municipalities if the latter are willing to perform these tasks jointly. One example is the licensing of taxi services.

In recent times, the government has been rather reluctant to motivate municipalities. Most local authorities are co-operating anyway, based on the recognition that the joint execution of municipal tasks is more efficient and economical than individual efforts. Forcing municipalities to co-operate is an extreme measure to increase inter-municipal agreements, and it is therefore seldom ever applied.
IV.4. The result of co-operation between municipalities

In 1997, there were 797 joint regulations in The Netherlands, while the number of private regulations was 1154.\(^{42}\) As a result of the growing importance of municipal co-operation, the balance of power within the public administration is moving from the municipalities towards the joint regulations. However, since joint bodies are not directly chosen by the citizens, they get more and more the character of an independent government layer lacking a strong democratic legitimacy. One way of solving this problem is to allow citizens to directly elect their representatives in the co-operation bodies.

One important counter-argument dominating the discussion on the administrative structure is that The Netherlands are too small to house more than three independent layers of public administration. Basically there are three options to restore the power of municipalities and to improve the overall democratic legitimacy in the public administration system:\(^{43}\)

a. Scale enlargement of existing municipalities through amalgamation or annexation;
b. Transferring large-scale municipal tasks to the provinces;
c. Scale reduction of existing provinces.

a. Municipal amalgamation
In principle, the existing policy (the regionally planned amalgamation) postulates that the municipalities should not have less than 8,000 inhabitants. Newly formed municipalities would need to count more than 15,000 inhabitants. The most recent idea is that amalgamation should be aimed at municipalities of more than 18,000 inhabitants, which could contribute to the strengthening of municipal co-operations. The idea is that bigger municipalities have less need for co-operation and having less partners within an area makes the co-operation more efficient and pragmatic.

The amalgamation efforts has bumped into strong opposition in political circles and also at several municipalities. The critics of the policy fear losing direct contact between the inhabitants and the elected representatives and thus losing an important chance to learn the game of democracy.

b. Transferring large-scale municipal tasks to the provinces
The underlying argument says that, above the municipalities, there is already a layer of government with a democratic legitimacy, namely the provinces.

The main motivation for rejecting this option could be that decisions about governmental services should be taken at a level as close to the citizens as possible. Furthermore, the combination of the control and executive function of the provinces threatens the position of municipalities.

c. Scale reduction of existing provinces
One argument against this option is the threat that a smaller province may pose on the municipalities. In case of a scale reduction, the power distance between the provincial authority (the controller) and the settlements would be smaller than it is at present. Municipalities prefer the provinces to assume more tasks but to keep distance from sub-regional units.

Another argument against smaller provinces relates to the geopolitical context. In the European Union, regional policy is carried out by regions that, on average, are already larger than the Dutch provinces. A further shrinking of the provinces in The Netherlands would be contrary to the European regional policy.

V. Conclusions and recommendations

\(^{42}\) Samenwerking tussen decentrale overheden . Aantallen, motieven en trends. SGBO, June 1997. P. 5; p. 11.

The findings described above suggest that the policy efforts of the Dutch government have brought rather peculiar conditions to the field of public administration. Apparently following the introduction of the Joint Regulations Act (WGR), but certainly not resulting from it, inter-municipal co-operation has become an increasingly attractive tool for the execution of local government tasks in The Netherlands. The arising of a new, fourth level of public administration was coupled with an incremental change in the power of the two neighboring levels – the local and regional authorities. The interactions between the different levels call the attention to the possible consequences that could arise from a similar policy in Hungary.

Aimed at the strengthening of inter-municipal co-operation, the Dutch policy has shown the following results:

- In the past 15 years, the number of co-operation schemes has arrived to roughly 2000, in spite of the fact that municipalities are by nature reluctant to give up a part of their decision-making autonomy.
- The growing number of public and private forms of co-operation has weakened the democratic control over local and sub-regional policies. The remarkable popularity of private forms has greatly contributed to the growing gap between citizens on the one side and actual decision-making bodies on the other. The lack of democratic control mechanisms (e.g. direct election and withdrawal of representatives) has lead to a limited validity of the subsidiarity principle in jointly governed territories.
- The provinces are apparently interested in motivating co-operation between municipalities, although they know that the strengthening role of joint regulations and private alliances walks hand in hand with a decrease in the actual power of regional administration bodies.
- Private forms of co-operation are generally preferred to public forms, even though they provide fewer opportunities for citizen control (due to a less stringent set of rules and conditions).

It seems that the increase in the willingness to co-operate has very little to do with the policy efforts of the Dutch government. The most important growth factor is not legal motivation, threat or enforcement, but the proper interest of individual municipalities to handle their tasks in a more economic and efficient way. The remarkable preference for private forms and the recent efforts of Dutch policymakers to simplify the WGR certainly indicate that policy objectives might be more easily reached by providing room for spontaneous action than by setting up rules and norms. In the light of this evidence it is strongly advisable for the Ministry of the Interior in Hungary to revise its recent policy endeavor directed toward the legal enforcement of inter-municipal co-operation.

In order to make the most of the Dutch example, it might be worth to give a thought to the following considerations:

- In the Netherlands there has never been a need for compelling municipalities to co-operate. The political-historical background (some 40 years without local autonomy) has made Hungarian municipalities more alert to the dangers of joint governance. Yet it is recommended to give precedence to the spontaneous evolution of co-operations instead of imposing stringent measures. If the Act on Municipal Co-operation becomes more rigid than it is today, it will probably block spontaneous alliance forming. Further constraints will threaten the realization of the policy objective, because legally enforced co-operations tend to be less stable than those spurred by pure efficiency motives.
- The strong interrelation between public administration levels in The Netherlands suggests that any policy effort related to the stimulation of municipality co-operations should be integrated into the overall development of public administration. In Hungary, the roles and powers of counties and the so-called statistical regions should be clarified and brought into harmony with the competences of future joint regulations.
- The question whether to enforce inter-municipal co-operation in some defined cases should be thoroughly examined. The Dutch example suggests that the mere threat of implementing such an enforcing power is an effective stimulus in cases where co-operation is considered to be necessary. However, the status quo of regional and local authorities in Hungary are a lot different from that in The Netherlands, which also suggests that the Dutch model of threatening and enforcing would probably not work fine in Hungary. Furthermore, policymakers must take into account that enforcement and threat do not fit into trends of switching to softer and more flexible policy tools. Thus, if there is any other way of convincing municipalities to co-operate, pure legal force should be kept off.

- Increasing the number of inter-municipal co-operations cannot be a goal in itself. The final target is to reach an optimum efficiency in the distribution and execution of municipal tasks. In those policies where joint effort of local governments is desirable but difficult to organize, central government could facilitate co-operation through providing technical and financial assistance to the participating municipalities. Where joint governance does not promise to improve efficiency, co-operation should not be promoted.

- Within the central budget, the system of complementary subsidies should be revised and adjusted in order to encourage co-operation between municipalities in key policy areas. The subsidization of certain municipal tasks could be conditional upon reaching a lower limit of population size that is favored by the co-operation.

- It is worth to promote co-operation in large urban areas of Hungary. Agreements between a city and the surrounding municipalities to join forces in the issues of common interest (e.g. traffic, transport, housing and sustainable development) facilitates the execution of tasks that are too complex for an individual municipality, but not large enough to be delegated to county level. In order to avoid severe power conflicts, the roles and competences of governing bodies of the city area should be balanced against those of the individual municipalities and the surrounding county authorities.
References

1. Laws and regulations

- The Municipality Act of the Kingdom of The Netherlands, passed in November 1990.
- Wet gemeenschappelijke regelingen (Joint Regulations Act) of the Kingdom of The Netherlands, passed on 20 December 1984.
- Framework act (Framework Law) of the Kingdom of The Netherlands, passed on 21 April 1994, amended by the law of 6 June 1996.
- Grondwet (Constitution) of the Kingdom of The Netherlands, passed on 24 August 1815, last amendment by the law of 22 June 2000. Chapter 7: Provinces, municipalities, water boards and other public bodies.

2. Inter-municipal co-operation


3. Public administration

- Strategy Development on Decentralizing Public Administration Structure, PL 0208-04 Poland (Case studies on NL, Denmark, UK, France and Finland.) Published by VNG International.

4. Haaglanden area

• Gemeenschappelijke regeling Samenwerkingsverband Ypenburg.
• Hulpverleningsregio Haaglanden; Gemeenschappelijke regeling 1999.
• Gemeenschappelijke regeling Stadsgewest Haaglanden. Verslag openbare hoorzitting 24 januari 1995 over de inhoud van de gemeenschappelijke regeling.

5. Dinxperlo-Bocholt area, Achterhoek region

• Besluit over samenwerking tussen Dinxperlo en Bocholt. Dinxperlo, 7 december 2000.
• Samenwerkingsregeling Regio Achterhoek. 23 November 1998.
Project Information

Solid Waste Management for South-West Macedonia
Project information about:

Concept and Feasibility Study
Solid Waste Management
South Western Macedonia

Prepared within
The Financial Cooperation
Between Germany and
the Republic of Macedonia, through

KfW, Frankfurt

October 2003
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The Project Status

In 2002, a Concept and Feasibility Study on Solid Waste Management in South-West Macedonia was carried out by ERM Germany and ABC Macedonia (Consultants) contracted by the Ministry of Environment and Planning of the Republic of Macedonia and financed by the German Development Bank KfW.

The Final Report of the Consultants was issued in May 2003 after approval by the Ministry of Environment and Planning as well as by the German Development Bank KfW.

The project is now in the so called bridging phase, where the Consultant assist the participating Municipalities located in the project region with regard to waste collection contractional and legal issues. Start of bridging phase was a workshop in Skopje and subsequent visits of several rural Municipalities in the project area to inform on the progress of the project and to discuss the current situation. And further activities.

The Project

Collection and disposal of communal waste and of non-hazardous industrial waste fall, according to the relevant Macedonian Legislation as well as according to European best practice, under the sole responsibility of the individual municipalities.

Waste collection is, from an economical point of view, a task that can be organised in each municipality individually. State of the art waste disposal, however, is a costly business, which requires the application of the advantages of the economy of scale, to become affordable. To this end solid waste disposal facilities serving less than 500.000 inhabitants are very rare in Europe.

The Macedonian Law on Waste stipulates in its Article 18 Paragraph 3 that “Disposal facilities for solid waste collected on the territory of more than one municipality have to be set up by public enterprises, founded by the Government of the Republic”. This stipulation makes solid waste management to a joint task of local government and central government.

The main components and main tasks of the project and the operation concept as well as the outcome of the feasibility study are briefly described in the following chapters. Specifically in view of the proposed operation concept the stipulations of the current legislation, mentioned above, need due consideration.
The Project Area

Map of the project area

The project area covers the south-western part of Macedonia, consisting of the territory of 35 municipalities including the Towns of Bitola, Kicevo, Ohrid, Prilep, Resen and Struga with a total number of approx. 430,000 inhabitants. The project area is being characterized by its wide spatial extension of nearly 7,299 km², implying long distances between the major settlements (up to 100 km) and its division into four distinct topological basins, separated by significant mountain ranges.

The project area displays an in-homogenous picture by its socio-economic structure (70% urban or semi-urban population and 30% entirely rural population, by its clusters of population of various ethничal decent living 552 individual settlements and by its 35 independent municipal administrations in place, segregated along the lines of the political parties they are belonging to.

Current Solid Waste Management in the Region

The following table outlines the 2001 waste generation figures, worked out in close cooperation with the Public Enterprises, currently engaged in solid waste collection. Because the demographic development of the region is practically stagnant (increase between the censuses 1994 and 2002 = 1.17%), an annual growth rate of 1 % for communal waste has been assumed due to increasing prosperity, and an increase of 2 % for industrial waste and tourism waste.
Existing landfill

### Waste generation figures (year 2001)

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</thead>
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</tr>
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<td>Healthcare Waste (non hazardous)</td>
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<td>Bulky Waste</td>
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<tr>
<td>Industrial Waste</td>
<td>5.700</td>
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<tr>
<td>Tourism Waste</td>
<td>17.000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137.726</strong></td>
</tr>
</tbody>
</table>

Actually, there is no regional solid waste management and disposal system operating. The responsibility for the provision of the services is with the local authorities and financed by fees of the public.

Only a few non-engineered waste disposal sites are available in the project area, those sites are mainly operated by the older municipalities. However, common waste disposal practice is wild dumping.

There are no systems for collection of infectious/medical wastes as well as hazardous industrial waste in place; these wastes are currently disposed together with household waste.

### Objective of the Proposed Project

The primary objective of the proposed project is of course to overcome the deficiencies in terms of solid waste collection and disposal in the project area, which have been summarized above. In other words benefits of the projects to Municipalities are:

- minimize any hazards to the public health of the area population, caused by solid waste handling,
- improve the environmental conditions in the entire area,
- to develop tourism
- protect its natural resources and, last but not least
• reduce the adverse effects of scattered waste, decorating the road- and riversides or the otherwise unspoiled nature of an potentially attractive tourist region.

The responsibility for solid waste management is, according to the current laws, split along the lines of the waste characteristic. Handling and disposal of communal waste and of unproblematic industrial wastes falls under the responsibility of the individual municipalities, while management of all kinds of hazardous waste remains under the centralized responsibility of the national government. As a consequence of this for a country of the size of Macedonia appropriate split, regional solid waste management cannot include any formal responsibility for handling hazardous substances.

The objective of the proposed project is consequentially to establish an area-wide system for the appropriate collection and disposal of communal and non-hazardous industrial waste only.

**Technical Layout of the proposed System**

The core component of the proposed project is the establishment of one state-of-the-art sanitary landfill for the entire project region. To allow all municipalities, regardless of their physical location in the project area and, hence, their distance to the new landfill, equal access to the new facility the one-landfill-concept has been complemented with a logistic system operated by the landfill operator. The logistic system consists of transfer stations and smaller transfer points, containers, skip-container-trucks and truck-trailer-assemblies, operating in the project area to take over the waste from the collectors, at convenient distance from the waste collection area.

This combination has turned out to be the most cost efficient solution for the project area, compared to the establishment of smaller landfills in the sub regions of the project area, near to the population centers.

Waste treatment and recycling facilities have been included in the system design, as far as economical viable for the time being.

The main physical components of the proposed solid waste management system are described in more detail below.

**The Logistic System**

Due to the extension and the in-homogeneity of the project area a three stage collection and transportation model has been developed.

a) 3 major transfer stations are together with the landfill the major waste acceptance points.
To minimise the distances to be travelled by collection vehicles between the collection area and the disposal facilities, three (sub) regional transfer stations are foreseen to receive, beside the landfill itself, the waste collected in the five mayor towns of the area (two of them located at close distance to each other). The implementation of this step will cover the major five cities and the surrounding rural areas, altogether approx. 70 % of the waste generated. Operation of the transfer station bases on a storage/loading system executed by means of wheel loaders. Transportation to the sanitary landfill is conducted with long distance truck & trailer assembly which may transport a total of 80 m³ of waste per trip. To optimise long distance transport by the appliance of revolving schedules, it is operated by a pool of initially 11 truck & trailer assemblies stationed at the landfill.

b) 7 simple transfer points serve smaller towns with collection services in place

To serve the running collection services in the 7 smaller towns in the area, simple small transfer stations are foreseen, consisting of a 40 m³ roll-on/off-containers, placed at a ramp, which allows the collection vehicles to tip the collected waste into the containers. The containers will be exchanged according to schedule. For transport to the landfill the same truck & trailer assemblies are used as for serving the regional transfer stations.

c) 200 skip-containers to serve the rural settlements

To allow a coverage of the rural areas with their more than 500 settlements, it is intended to place not less than 200 skip-containers at strategic points to receive the waste collected by the public enterprises responsible or by neighbourhood associations. The containers are to be equipped with a lockable
lid to prevent unauthorised (unpaid) waste disposal. Initially 10 skip container trucks are used for transportation of containers.

The Sanitary Landfill

The proposed central sanitary landfill located close to the settlements of Veselcani and Alinci in the Municipality of Topolcani forms the central element of the waste management investment project. The entire landfill area is approximately 20 ha. 11.5 ha are used for waste disposal for a total volume of approx. 3 Mio m³ which corresponds to a filling period of approx. 20 years. The landfill will be constructed in 4 stages each with a lifetime of 5 years. The project described in this brief will cover implementation of the landfill including infrastructure and the first construction stage which covers 5 years of operation. The remaining area will be used for road access, operation and storage facilities, seepage treatment, vehicle maintenance and garages. Main technical items of the landfill are:

- Base sealing system with double liner system including 0.5 m clay and 2.5mm HDPE geo-membrane
- Surface sealing system consisting of 0.5m compensation layer, 0.5m mineral sealing layer (clay), 0.3m drainage layer and 1m re-cultivation layer
- Gas collection system with vertical gas collection pipes, vacuum pump and high temperature flare
- Leachate collection and treatment system with drainage layer, collection pipes, leachate pond, re-circulation and reverse osmosis treatment unit

The infrastructure of the sanitary landfill will include a gate, weighing bridge and control building, operation building as well as workshop and garage. Mobile equipment for landfill operation will be provided including steel wheeled compactor, bulldozer, wheel loader and leachate tube cleaning truck.
Recycling & Other Measures

Mobile Car Press with Balled Cars

Mobile Demolition Waste Recycling Unit

In addition to the appropriate collection and disposal of waste the following recycling measures are proposed to be established on pilot base:

- Recycling centres on transfer stations: separation and treatment of secondary raw materials and other non-organic recyclable matter
- Collection and treatment of car wrecks
- Composting of organic waste
- Treatment of demolition waste
- Mechanical biological waste treatment (MBT) has been studied and found too expensive for the time being, because it would increase the disposal costs by 30 – 40%. It is recommended to reconsider implementation of MBT in 2010.

The Operation Concept

Considering the fact, that appropriate disposal of waste would only become affordable by jointly using one regional landfill for all municipalities, an appropriate interface between the individually organized waste collection services and the jointly organized waste disposal services was defined, which allow equal access to the disposal services combined with fair cost sharing.

It was therefore proposed to establish a new joint disposal organization, responsible to operate the central landfill plus the system of waste reception point, strategically placed in the operation area in a way, which allows each communal enterprise to hand over its collected waste to the disposal organization at approximately equal distance from the collection area.
This model offers each municipality a gate to the disposal facility close to its doorstep, regardless of the distance between the municipality and the landfill. For using the disposal gate, the individual communal enterprises would be charged with a uniform gate fee for each ton of waste passing the gate.

Based on this consideration and after long discussions in planning workshops, assessing various organization models for their suitability, the nominated representatives of 33 municipalities (out of 35), present at the workshop voted:

- unanimously (100%) for waste collection to remain the responsibility of the existing communal enterprises belonging to the individual municipalities, while the long distance transport and the disposal of waste should be performed by a new entity, to be formed for this purpose;

- with a majority of 87.9% for local government (municipalities) to take the “ownership” of the disposal organization (meant in the broader sense of responsibility);

- with a majority of 81.9% to establish the new disposal organization as a private company or a mixed (private & public owned) company (Voting by municipalities: 2 for private company / 25 for mixed company / 6 for public enterprise).

The strong preference to run the new joint disposal services under mixed management might be explained by the intention to find an appropriate balance between the security of public ownership and private sector operation (and cost) efficiency.

The institutional model which has been given overwhelming preference among the municipalities is shown in the sketch below:
Within the preferred model structure, shown above, the public enterprise (PE) would become the contractual partner in the loan agreement with KfW and it would be the owner of all land, facilities (landfill, transfer stations, etc.) and equipment acquired in the course of the project. The mixed company (owned by the PE and private interested parties) would rent the facilities required to run the disposal services from the PE, paying a rent that would be sufficient to allow the PE to meet its obligations under the loan agreement with KfW and maybe other local obligations. The obligations vice versa the PE on the one hand and fixed disposal fee on the other hand, both defined in a fair operation contract, force the mixed company to apply a high degree of operation (cost) efficiency.

The proposed arrangement has one additional element of great advantage for the chronically under-financed local government. The PE alone would have its equity only in the form of land, building and equipment acquired in the course of the project but no cash required as liquid operating capital. If the PE would bring its share of equity into the limited operating company in kind (equipment), the private investor would bring in his share of equity in cash, to be used as the liquid operating capital.
Operation Costs, Financing and Affordability of Services

According to the Macedonian Law and in line with the internationally accepted standards, the costs of collection and disposal of waste have to be born by the waste producing party.

Having in mind the difficult economical situation in the project area, wide spread unemployment and the general reluctance of the population to pay for municipal services, considerations regarding operation costs and fees formed a core part of the concept and feasibility study.

The split of responsibility for solid waste management between collection by the individual communal enterprises and transport & disposal by the joint disposal organization requires two steps of charging. The disposal organization charges the communal enterprise for each ton of waste it delivers at its gates for disposal. The communal enterprise finances its own services plus the disposal services by charging each household, however not per ton or Kg of waste collected, but, according to the relevant Macedonian Legislation per m² of accommodation space occupied by the household. The following calculations intents to clarify the subject:

- **Waste generated per average urban households:** According to the statistical yearbook 2001 published by the Macedonian Office of Statistics the average urban household in Macedonia has 3.76 members, and according to the waste collection figures of the communal enterprises of the bigger towns in the project area each urban capita produces approximately 260 Kg of waste per year. This figures correspond to a waste generation of approximately 0.98 t / household / year.

- **Waste generated per average rural households:** According to the statistical yearbook 2001 published by the Macedonian Office of Statistics the average urban household in Macedonia has 4.31 members, and according to the sample waste collection figures in rural municipalities in the project area and international experience in comparable countries each rural capita produces approximately 160 Kg of waste per year. This figures correspond to a waste generation of approximately 0.68 t / household / year.

The dynamic unit costs (€ / ton of waste disposed) of operating the new disposal facilities (sanitary landfill operation including area wide transfer of waste) depend to a large extend on the degree of their utilization. They are estimated at up to € 30 / t at full utilization (please refer to the chapter Project Costs below for more details). That translates into:

- **Average Disposal Cost for urban households:** € 29.4 / year or MKD 150 / month
- **Average Disposal Cost for rural households:** € 20.7 / year or MKD 100 / month

These disposal cost would have to be added to the collection costs of the communal enterprises to form the average waste collection fee.

Since it is always difficult to assess the affordability of services in general, and in Macedonia with contradicting data provided by the Office of Statistics in particular, the study team applied a complementary approach to this subject, beside analyzing data. The complementary approach relayed on the cost sensitivity of the political deciders. They were asked at an early stage of the study regarding a ceiling in terms of waste management fees to be charged. The result was a ceiling of MKD 300 / household / month for urban areas and of MKD 150 / household / month for rural areas.

Project Implementation

Although the project is regarded feasible and affordable for the population, project implementation needs special attention from the financial point of view.
The project will be fee financed right from the beginning and there is a reluctance of the area population to pay for communal services, demonstrated by current fee collection rates between 40% and 70%.

This problem need to be approached from different perspectives with the support of the project.

The measures to be taken include, but are not limited to:

- Taking appropriate measures (including awareness campaigns) to increase the willingness to pay of the population.

- Provide consulting services to the individual communal enterprises, in order to increase their efficiency, respectively to reduce their costs.

- Make a loan facility available to the individual communal enterprises to replace obsolete equipment.

- Allow the operation company by contractual stipulation to offset disposal bills of municipalities with due rent payments to the PE. This is possible because the loan agreement with KfW will offer a grace period, which in return allows the PE some tolerance regarding timely payments.

These measures are to be specified in more detail during the bridging phase that intends to continue project preparation.

Financial Analysis of the Project

The update of the detailed financial analysis is attached to this document. It takes into account of changes introduced following post draft report discussions with both the client as well as the donor agency and is now considered the final version. It should be noted that this final version now includes recycling and the double liner system. Other major changes only concern technical aspects such as for instance the reduction of solid waste transport vehicles.

The following table indicates the implementation and operation of the whole project of which the 1st stage is covered by the financial cooperation project with KfW.

**Implementation Schedule**

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<tr>
<th>Component</th>
<th>1st Stage Construction 1st landfill section and infrastructure</th>
<th>2nd Stage Construction 2nd landfill section plus surface sealing 1st section</th>
<th>3rd Stage Construction 3rd landfill section plus surface sealing 2nd section</th>
<th>4th Stage Construction 4th landfill section plus surface sealing 3rd section</th>
<th>5th Stage Surface sealing 4th section</th>
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The following table outlines the total project costs (phase I).
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<td></td>
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<td>[€]</td>
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Beside the investment costs, operation and maintenance (O&M) costs, working capital and revenues have been considered in the financial analysis. The project financing is based on a combination of a soft loan, other international borrowing and a local credit.

It can by summarised the recommended new solid waste management project must be regarded as indispensable in the long run. In addition to the advantages an efficient and reliable solid waste disposal system carries for the population, extra benefits accrue for the region as a whole, since additional social and environmental improvements in the area may translate into a new impetus for commercial and industrial activities in the region. Particularly tourism could become the initial pushing activity in the near future to accelerate an economic development in the region with large potential for long term sustainability.

As can be seen from the financial analysis the proposed activities may only operate on break-even conditions in the long run if the Administration concerned, together with the public Head Organization and the private operator agree on sound managerial (optimized tariff structure) and operational standards in combination with the introduction of existing additional revenue generation activities (transport for third parties, recycling), the financial viability of the unit could be achieved.

Further Steps for the Implementation of the Project Implementation

The Bridging Phase
The main objectives of the Bridging Phase are to provide additional services to further develop the Solid Waste Management System in South Western Macedonia in the period between the end of the Feasibility Study and the beginning Project Implementation. During the Bridging Phase the Consultant will assist the Municipalities with the organization of waste collection and interim disposal alternatives and with legal and contract issues related to the implementation of Public Enterprises and fees collection. Hereby the bridging Phase is an important instrument for the successful Implementation of project

The Project Appraisal Mission by the Kreditanstalt für Wiederaufbau (KfW)
The KfW appraises the project due its financial and technical viability during the appraisal mission in September 2003. During this mission, visits and discussions with selected Municipalities, the Ministry of Environment and Finance as well as with the Consultant are planned.

The Project Design Phase
After successful project appraisal and the required establishment of the loan agreement, the project implementation phase starts with the detailed design of the disposal facilities and the tendering procedure for construction and supply. In parallel to design and tendering, a training consultant provides technical and institutional training to the participating parties. This training is includes financial and legal aspects, logistics and technical aspects related to waste collection and disposal. Also included is training for public relation and awareness campaigns and supports the implementation of the Public Enterprise and the Private Operator.

The Construction Phase
During the construction period of the Transfer Stations and the Sanitary Landfill technical construction supervision and training of the staff and assistance to operator will be provided.
The Operation Phase
At present it envisaged, that the facilities and the entire Solid Waste Management System for the South East of Macedonia will start operation by the end of 2006. The system will be accompanied be a technical assistance program.
ATTACHMENT #3- Extracts from The Local Government Management Guide for Inter-Municipal Cooperation in the State of New York.
Local Government Management Guide

Inter-municipal Cooperation

Alan G. Hevesi
COMPTROLLER
State of New York
Office of the State Comptroller
Division of Local Government Services & Economic Development November 2003

Inter-municipal Cooperation - 1
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Inter-municipal Cooperation

Introduction
Inter-municipal cooperation can help municipalities increase effectiveness and efficiency in the delivery of services. As municipal responsibilities become increasingly complex and demanding, municipalities should continually seek out the best way to provide the services needed by their communities. One tool to assist in addressing this challenge is intergovernmental cooperation.

Overview
This chapter is intended to provide information on the following:
• A brief overview of the legal authority for cooperative ventures,
• How to get started on the “right foot,”
• How to conduct a cooperative study,
• How to keep the enthusiasm going,
• How to identify the “stakeholders,”
• How to effectively communicate with the participants,
• What to include in project reports,
• How our Office can help,
• Website references,
• Agencies that can provide assistance,
• How to develop a “mission statement.”

Legal Authority
Article 5-G of the General Municipal Law (§§119-m through 119-oo) provides broad authority for “municipal corporations” and “districts” to cooperate with each other in carrying out their respective responsibilities. The term “municipal corporation” is defined in Article 5-G to include any county outside the City of New York, a city, town, village, board of cooperative educational services, fire district, or school district. A “district” refers to a county or town improvement district for which the county or town in which the district is located is required to pledge its faith and credit for indebtedness contracted for purposes of the district. Subject to the statutory requirements of Article 5-G, any combination of these entities is authorized to enter into cooperation agreements. In addition, other sections of law may provide authority for cooperative projects in specific areas (e.g., General Municipal Law, Article 5-B, relating to the provision of common water supplies). We recommend that you contact the Division of Legal Services of the State Comptroller’s Office (518-474-5586) early in the process if you have questions as to the source of authority for any cooperation agreement.
What can we cooperatively perform?

Fundamentally, a municipal corporation or district may participate in a cooperation agreement only for the performance of those functions that it is empowered to perform individually. Each participant in the agreement must have statutory authority, independent of Article 5-G, to perform the function that is the subject of the cooperation agreement.

How do we get started?

Local governments should perform a “needs assessment” in order to determine if an existing function can be provided more cost effectively or more efficiently through a cooperation agreement. Finding a partner for a cooperation arrangement can be accomplished by contacting neighboring local governments that already provide the function or that do not provide the function but wish to do so. After finding a partner, the next step is to jointly study whether the cooperative arrangement is feasible.

I. Recommended Practices

There are many practices that could lead to a successful cooperation agreement. The following practices were developed by the Governor’s Center for Local Government Services of the Commonwealth of Pennsylvania. These practices are included in their publication entitled *Intergovernmental Cooperation Handbook*. The entire publication can be obtained from Pennsylvania’s Department of Community and Economic Development electronically via the Internet ([www.inventpa.com](http://www.inventpa.com)).

Start off on the “right foot”

Many intergovernmental cooperation efforts have been initiated, and promptly failed, because well-intended local officials did not lay a solid foundation for their cooperative efforts. If a program starts off on the “wrong foot,” the lion’s share of the effort is spent trying to get back in step, rather than proceeding with the program. Focusing on a good start will form the solid foundation necessary for success.

Be inclusive

Frequently, cooperative efforts start with a small core group. Since a new idea may be developed carefully, it is often the tendency of such a core group to keep the effort to themselves until the plans are fully designed. While well-intended, this closed effort may have the appearance of excluding municipalities and other officials who are outside of the core group, even though such exclusion may not be intended. This exclusion could create animosity and resistance toward the cooperative program that may otherwise have considerable merit. Therefore, it is better to be inclusive right from the start. A self-selected group may be viewed with suspicion by those not included. Let all potential participating municipalities and municipal officials have an opportunity to contribute to the development of the idea, or at least in the selection of a core working group. A program developed with the presumption that certain municipalities will participate and others might be included later if interested, may be perceived in effect, as excluding the latter group. By including all potential
participants right from the start, a cooperative program often has a better chance for success (See Part IV, “Stakeholder Identification,” for additional information).

**Involv[e] elected officials**

Often the impetus for a cooperative program comes from a planning commission, a recreation board, a community group, municipal staff or a local official. It is very important that the involvement and support of the appropriate elected officials be obtained early in the process, even if the initiating group is to do the initial work to develop the program. Otherwise, a great amount of effort can be wasted on developing a program that may not get the required approval, including approval for funding, from the key decision-makers, the elected governing board.

**Involve municipal staff**

Cooperative programs are often perceived as impacting the responsibilities of municipal employees and sometimes even on the continuation of their jobs. In some cases these impacts are real; jobs may be lost and/or responsibilities altered as a result of a proposed cooperative agreement. In such cases, any collective bargaining agreements should be reviewed to determine whether they contain provisions pertinent to the proposal. Municipal officials should involve the affected employees whenever appropriate, and consider whether modifications to any collective bargaining agreements would be needed to implement the proposal.

**Start with an easy project**

In an area where there is a potential for a number of cooperative programs, it is best to start with a basic project. A less complex project exhibits consensus among the participating municipalities, usually involves limited financial risk and may have a greater potential for success. If such an opportunity exists, it is an excellent way to start off. The municipal officials can see firsthand the benefits of a successful effort and build future cooperative efforts on this solid foundation.

**Communicate effectively**

Many good ideas for intergovernmental cooperation fail because of poor communication. If all participating municipalities and officials are not kept fully informed, the decisions about a cooperative program may be made on the basis of assumptions and perceptions rather than facts. Newsletters, well-documented budgets, minutes of meetings and regular reports by municipal representatives are all good ways to communicate. It is best to use more than one method of communication so the messages are reinforced. Regular reports from municipal representatives are very important, but should not be relied upon as the sole means of communication. (See Part V, “Communication,” for additional information).
Maintain a cooperative spirit

A positive, supportive attitude toward cooperation is often a key to success. It can make officials much more willing to try a program, to give it a chance to work. In this section, we will illustrate some elements characteristic of that cooperative spirit.

Be proactive

Cooperation generally does not come to communities that are not proactive. A cooperative spirit leads municipal officials to seek out opportunities for cooperation. When potential cooperative programs are identified, the proactive community pursues the opportunity with its neighbors and works actively to develop the programs into success stories.

Be flexible

There is seldom one absolutely right way to organize a given program for an activity. There are numerous ways to organize intergovernmental cooperation programs. If municipalities are inflexible in this regard, a program might not get started or may be less effective. Cooperation relies on give-and-take. Municipal officials should maintain openness to different solutions for different problems and may need to compromise along the way. Since the municipalities will be neighbors for many, many years to come, there may be numerous opportunities to gain mutual benefits if a little flexibility is invested now.

Be patient

Despite various pressures for prompt action, cooperative efforts usually take time and should be approached with patience. As we noted earlier, it is often best to start off with a basic activity rather than plunging directly into a major sewer plant or departmental consolidation program. A cooperative program also often takes longer to organize than an individual municipal program simply because there are more people involved and more approvals required. A patient, step-by-step approach, with plenty of time for each step, should lead to more long-term success.

Think regionally

Municipal officials frequently face decisions about new, expanding or changing municipal services. If you ask yourself, “Is there a regional solution to this problem?” for every issue raised in municipal government, you may be surprised at the number of times the answer is “Yes.” Remember, to maintain a cooperative spirit you should think regionally about the problems your municipality faces.

Brief newly elected officials

The spirit of cooperation should be handed down to successor governing boards. Officials who initiate cooperative efforts are often enthusiastic supporters of regional programs and have a strong cooperative spirit. As those officials leave office, however, their replacements may have little familiarity with the cooperative programs
or with the underlying spirit needed for continuing support and participation. These newly elected officials should be briefed about the cooperative programs and the spirit of cooperation on which they are based. These officials may bring new perspectives and questions.

**Proceed with care**

As a municipality proceeds to develop and support intergovernmental cooperation, it should do so with caution. A headlong plunge into uncharted waters may be risky. Instead, a careful, thorough approach is often successful. In this section we will offer some suggestions on how to proceed with care.

**Study options thoroughly**

There are numerous ways of organizing and funding intergovernmental programs. If the study is undertaken with diligence and a spirit of cooperation, it can lead to a more effective program. A thorough analysis and presentation can provide officials of the prospective participating municipalities the information needed to support the program. Remember, incomplete information may elicit a negative response.

**Select realistic programs**

A companion to thoroughness is realistic expectations. A cooperative program that sounds great in theory but has little chance of success may not be worth pursuing. Those considering cooperative programs should have a sense of what is feasible from both a practical and a financial perspective. As an example, an attempt at joint purchasing that seems to follow the principles of bulk purchasing, but does not include the critical quantity thresholds necessary to effectuate anticipated savings through economics of scale, may end up not achieving all expected goals. A realistic assessment of the possibilities in practice as well as in theory is needed to build a successful program.

**Pay attention to the little things**

Often, a terrific idea is presented and is quickly agreed to in principle by all participants. This is only part of the process and this should be followed up by a specific written document outlining the details —”dotting the i’s and crossing the t’s” — to minimize the potential for ambiguity because of misunderstandings. Insistence on working out these details in advance should be taken as a commitment to the longterm success of the program.

**Watch out for the ease of informality**

When participants easily agree to an idea for a cooperative program, there is a tendency to accept the agreement informally as initially stated. This is the seemingly easy way to start a program: no documents, no formal actions, no lengthy debates about details. Agreement in principle is all that is needed. Article 5-G requires the governing body of each participant to approve the agreement by resolution (GML § 119-o[1]). Unless the statutory requirements are followed, there is no agreement.
Again, insistence on proper procedures should be encouraged as a commitment to the long-term success of intergovernmental cooperation.

**Allocate costs fairly**

Ideally, the cost of providing a cooperative service is less than the cost of each municipality providing the same service independently. In this section we will suggest how to sort out the possibilities and help make your choices work.

**Focus on cost savings**

A cooperative program should be a win/win situation for all participating municipalities. Each municipality should win, saving money through the cooperative approach, or achieving some other benefit through the cooperation agreement. If each municipality accepts and recognizes this principle, an equitable allocation of all costs of a cooperative program can be achieved more readily. A formula or approach that produces a winning situation for all participants in a cooperative program is a prime candidate for consideration. Often, a combination of several methods is the best compromise (e.g., population, use of service, ratio of full valuation of real property, etc.). All municipalities should gain from the cooperative approach rather than one municipality gaining at the expense of others. If the municipalities focus first on the overall cost savings, then the equitable allocation of costs can be worked out. In other words, accept a reasonable compromise giving your municipality a fair cost savings when compared to the others. If all participants compromise fairly, then financial inequity should not be a problem.

**Share total costs**

As noted, when a cooperative program is established, it is important to identify and share associated costs. If there are hidden costs that arise at a later date, participants may be soured because they were unaware of the entire cost from the start. For example, the failure to recognize and share total program costs could arise in contract programs where one or more municipalities purchase a service from another. A provider municipality may start by offering the service at a cost that does not take all aspects of the service into consideration, such as overhead and support costs. Once this is realized and the cost increases drastically, problems will occur. Sharing the total costs from the start is a good way to insure fairness and avoid problems later on.

**Set up a positive cash flow**

Before beginning a cooperative program, a system assuring timely payment of municipal shares must be established. This system should provide payment in a way that does not impede the efficient operation of the program. The need for prompt payments from each of the participants for their respective shares should be addressed in the cooperation agreement. Lack of cooperation in this respect may cause dissension and problems. Ideally, the participants will establish and stick to a payment schedule that insures a positive cash flow for the cooperative program.
Avoid over-dependence on grants

State and federal grants are sometimes available to help offset the cost of cooperative programs. In some cases, such grant funds may even have a priority ranking for regional projects. While these grants can be instrumental in helping start a cooperative program, it may be a mistake to start a program simply because the funding is there. A cooperative program should be started only after analysis determines it is financially feasible once the “seed” funding is terminated. In this way an over-dependence on grants can be avoided.

Deal directly with problems

Since intergovernmental programs are voluntary and cooperative, municipal officials may believe the programs are also fragile and unable to survive problems. As a result, a considerable effort is expended in attempting to avoid problems. While planning to avoid problems is meritorious, participants also should be prepared to address problems directly. A program that is so fragile that it shatters when faced with a problem is probably not a very sound one. In fact, the process of addressing and resolving problems often can be used positively to strengthen programs. In this section, we will discuss some of the problems frequently faced in cooperative programs.

Learn from failures

If an attempt at a cooperative program fails, municipal officials may become discouraged. This reaction may shut off many opportunities for future cooperation. Municipal officials should use the failed attempt as a learning opportunity and try to make the next effort more successful by planning to deal with the problems that led to the earlier failure.

Address “turf” issues

The term “turf” is generally used to describe the area of responsibility of a person or organization. Potential “turf” issues should be identified as part of the process of developing the cooperative program. Municipal officials or employees who perceive a threat to their turf from a cooperative program may become resistant to the cooperative efforts. Once these issues are identified, a strategy for addressing the concerns can be implemented. Many of these issues can be resolved or their impact minimized.
Respond directly to challenges

There are several challenges frequently asserted as arguments against intergovernmental cooperation. These challenges should be directly responded to as suggested:

**Challenge:** A cooperative program is just another level of government.

**Response:** A cooperative program pools the resources of the participating municipalities to provide those particular cooperative services in the most effective way possible. There is no additional governmental entity created.

**Challenge:** A cooperative program is a duplication of services.

**Response:** Absolutely not. In fact duplication, if any, exists when each municipality provides the same service.

**Challenge:** A cooperative program means a tax increase.

**Response:** A tax increase may or may not be needed to provide the services.

However, generally, a cooperative approach should minimize costs. It is the service, not the cooperation, that requires funding.

**Challenge:** A cooperative program means we’ll be (1) dominated by the largest municipality or (2) dragged down by the smallest.

**Response:** Since intergovernmental cooperation is voluntary, it should be engaged in only if the governing board of each participant determines it is of benefit to that municipal corporation.

II. Conducting a Cooperative Study

Inter-municipal cooperation can be as simple as two towns sharing a piece of highway equipment. But often, the issues are more complex and it may be desirable for the governing boards to conduct a feasibility study to determine if cooperation is mutually beneficial. While the scope of each inter-municipal cooperative effort will vary from study to study, there are certain basic steps that generally are necessary to the success of a cooperative venture. We recommend that the following steps, or similar measures, be taken as appropriate:

**Develop a Mission Statement and Goals**

Often local officials will have focused their early thoughts and efforts on certain organizational options for providing services (e.g., consolidated water operation, joint operation of a resource recovery facility) rather than focusing on what they may be truly hoping to accomplish (e.g., more efficient and cost-effective services). If the “goal” for the study remains merely an organizational option, the study may be very narrowly focused and it may be difficult to achieve success. More than likely, what you hope to achieve has a broader purpose. Therefore, it is paramount to the success of the study that a clear, specific and attainable mission statement and set of goals
(both long-term and short-term) be established. The governing board(s) or CEO(s), as appropriate, should designate a group to develop the preliminary mission statement and goals (see Appendix D for developing a mission statement). The group’s focus should be on the problems that require study and the objective of the study. Once the group has developed the mission statement and goals, they should be presented to the governing board(s) or CEO(s) for consideration. If more than one municipality is involved in the study, this could be done at a joint meeting. Throughout the study, the mission statement and goals should be used as a guidepost for decisions made on recommendations or specific courses of action. The “3 Es” test can often be used to determine if a proposed idea or arrangement meets the established goals or objectives:

1. **Economy** – Will the proposed cooperative arrangement reduce the current program’s costs?
2. **Efficiency** – Will the proposed cooperative arrangement improve the current delivery of program services?
3. **Effectiveness** – Will the proposed cooperative arrangement allow local governments to deliver needed services that are qualitatively improved or that each would find difficult to provide individually?

The group should be formed as an intergovernmental relations council pursuant to General Municipal Law §239-n. Among other things, an intergovernmental relations council is empowered to make surveys, studies and conduct research programs to aid in the solution of local government problems and provide a forum for local governments to explore and develop areas for municipal cooperative activities.

After you have decided on the mission and goals for the study and the process to be used to achieve them, it is important to accomplish some early successes if possible. The quick, successful completion of one or two basic projects can help convince everyone that the mission and goals are attainable and that the agreed upon process works. Without these early successes, the project may seem overwhelming to some participants, especially when it involves many complex issues.

**Decide upon viable options that exist for accomplishing the mission and goals**

After developing the mission and goals, a list of viable options that will enable participants to achieve the mission statement and goals should be developed. For example, if one of the goals is to make service delivery more efficient and cost-effective, some viable options might be to: (1) consolidate the services with other municipalities and perform them on a joint basis, (2) have one municipality perform the services for the other municipalities, or (3) designate a “lead participating municipality” to perform coordinating and administrative functions for the cooperative activity. To simplify the process, a list of viable options could be developed by the group assigned to developing the mission statement and goals.
However, if the list is not prepared by the governing board(s), it should be ratified by them before proceeding. As the study proceeds, one or more of these options may be determined to be no longer feasible or other viable options may be identified and added to the list. The identified options should be viewed as a means of accomplishing the mission statement and goals and not as an end unto themselves.

**Agree on a process to accomplish the mission statement and goals**

After you have decided upon a mission statement and goals, you should design a study process to achieve them. Some issues that should be considered include: the makeup of the “steering committee” (this group directs the study’s efforts and reports back to the governing board(s) and CEO(s)), whether sub-groups should be used to study individual services, how the progress of the study will be communicated, whether reports will be issued and, if so, the format of these reports, time lines for completing the study’s various stages and whether to use outside consultants to assist with the study and potential funding sources. Some of these issues are discussed more fully below:

- **Identify “stakeholders.”** To help gain acceptance of recommendations resulting from the study, it is imperative that all major “stakeholders” (any individuals or groups that are impacted by, and can directly or indirectly influence the implementation of the recommendations of the study) are identified and that they or their representatives have an opportunity to participate in the study process. See section IV, “Stakeholder Identification,” for further assistance.

- **Identify “Steering Committee.”** An important component for a study is often the establishment of a steering committee that will receive, review and evaluate relevant information, and make recommendations to the governing board(s) or CEO(s), as appropriate. The steering committee should not be too large, but it should include key people with the necessary authority to direct the study. Steering committee members should plan to attend several meetings to help accomplish the study’s mission and goals.

- **Identify whether sub-groups are needed.** Depending upon the scope of the study, it may be necessary for the steering committee to commission smaller sub-groups for the purpose of studying discrete service areas or issues. Requiring the steering committee to study several diverse issues and/or services simultaneously may be time-consuming.

- **Decide whether outside consultants are needed.** In addition to drawing from the knowledge and skills of various local officials and community members, it may become necessary to employ the assistance of an outside consultant. This is often necessary when technical knowledge or expertise in a service area is needed to effectively study operations. In addition, an outside consultant could be used for more general types of services (e.g., to critique the study process and/or produce the report for certain service area sub-group studies) depending on the size of the study and the available resources. If local officials decide to employ an outside consultant, issues including compliance with each participant’s procurement policy and procedures, and an agreement to share
costs must be considered. To minimize costs, explore options that already exist. For example, some state agencies will provide technical consulting assistance without cost to local officials (see Appendix B for a listing of some of these agencies).

- **The governing boards, working together with the steering committee, should create a proposed budget for the study.** Some of the items that should be included in this budget are funds needed for consultants, surveys, or mailings. Potential funding sources for the study should also be detailed in the budget. To minimize the impact of the study’s budgeted costs on taxpayers, the steering committee should identify potential outside funding sources to supplement any municipal appropriations. Potential outside funding sources for the study include gifts from non-profit foundations and federal or state grants. For instance, “Efficiency Study Grants” may be available to school districts through the State Education Department.

- **Develop an organizational chart.** In a complex study, developing and using an organizational chart can help the members of the various study groups understand the study process and agreed to channels of communication. The organizational chart should be developed early in the process and made available to all members of the study and the community’s identified stakeholders (see Appendix C for an organizational chart example).

- **Establishing a project time line.** Time lines are often essential in order to fulfill management’s desire to complete the project in a timely fashion. Is there a “drop-dead” date by which the local officials need to get this project finished? The time line should be realistic enough to allow for a quality study, while considering these realities. Failing to set a project time line may make the study unnecessarily time-consuming and may cause participants to lose focus.

**Watch for “striking moments”**

There are often times during a study when an opportunity arises which makes it more feasible to study a particular area or idea. Such events are called “striking moments.” Once identified, these striking moments can make the difference between an idea and recommendation being accepted or rejected. It’s important to remember that these striking moments can often be small windows of opportunity, which can quickly close if a study group does not capitalize on them. Striking moments can be present at the beginning of a study (often they may be the reason for the study), identified during a study, or expected to appear in the near future. An example of a striking moment is:

> A town’s five-year lease on its municipal building is due to expire next year. Village officials have recently approached them about sharing office space at the new village complex.
Complete the study

Using the established process, the steering committee will be able to oversee the completion of the study’s work. The steering committee should receive periodic reports on the study’s progress from any sub-groups, monitor time lines and evaluate results and recommendations. If service area sub-groups are used, the steering committee should standardize the progress and final reports submitted by the sub-groups to ensure that the information needed to accomplish the mission statement and goals is developed. The steering committee will be responsible for issuing an oral and/or written report to the governing board(s) and CEO(s), as appropriate, when the work is completed. Developing this overall report may be time-consuming, especially when the various results and recommendations of service area sub-groups are considered, (see Part VII, “Report Writing” for additional assistance) but can be critical to the project’s success.

III. Keeping the Momentum

In order to maintain enthusiasm throughout the entire process, it is important to keep the initial momentum constant. The following are some ways that you can help keep the momentum strong:

- **Schedule Frequent Meetings.** The steering committee should meet at least monthly and maintain regular contact with each other and any subcommittees.

- **Circulate Agendas Prior to Meetings.** Whenever possible, a tentative agenda should be circulated prior to scheduled meeting dates to allow the group to come prepared to discuss relevant issues. Always allow enough time for input to be received back from the group and changes to be made if necessary (i.e., additional agenda items).

- **Keep Meetings Short and Within Specified Time Frames.** Whenever possible, project meetings should be short (two hours maximum) and productive. Consider using a skilled facilitator at the meetings to help ensure that they stay short and to the point. A skilled facilitator does not always mean a paid consultant. Look for current employees who are trained in facilitation techniques.

- **Set a Date for the Next Meeting.** An excellent method of maintaining momentum is to schedule the next meeting as the last agenda item. The group should be encouraged to come to meetings equipped with personal calendars and/or schedule books so that dates may be set for future meetings.

- **Keep Records and Minutes, and Circulate Them.** Designate a record keeper or minute taker at each meeting. Copies of the minutes should be circulated to the group (and any stakeholders deemed necessary) as soon as possible after a meeting to allow for comment and to remind the group of action items and assignments.

- **Communicate with Stakeholders.** Communication is vital to maintain momentum. Stakeholders must be brought in at the beginning of the process and kept informed of the project’s progress throughout the study, even if they do not actively participate. Failing to keep the stakeholders informed and not providing them a forum for input may increase the risk of stakeholders
developing a negative opinion of the steering committee recommendations. Once the stakeholders have formed a negative outlook about the project, it’s less likely that the study’s recommendations will receive a fair hearing (See Part V, “Communication” for further assistance).

- **Encourage Patience and Flexibility.** While this may sound simplistic, you should encourage everyone to be patient and flexible throughout the study. Often the sponsors of a study (i.e., governing boards) will have already decided that the topic in question is a “good idea.” Without patience and flexibility, the sponsors may become frustrated with a process that they see as unduly time-consuming and going off in “unnecessary” directions. Obviously, the enthusiasm of the project sponsors is vital to ensure momentum.

**IV. Stakeholder Identification**

Stakeholders can be defined as any individuals or groups that are impacted by, and can directly or indirectly influence, the implementation of the study. It is important to note that the identification of stakeholders is often an evolving process. As a study group considers additional options for achieving its goals, it may also identify additional stakeholders. The following is intended to assist study groups and local officials in identifying stakeholders:

- **Members of Governing Boards of Municipalities.** Very often, the members of a governing board will sponsor a study and appoint a study group/steering committee to make recommendations. While these sponsoring boards are certainly stakeholders, other governing boards that are not sponsors may also be stakeholders. For example, if two village boards resolve to study ways to more efficiently deliver services to their taxpayers, the results could be a recommendation to discontinue the village’s provision of one or more services, and let the town(s) provide the services. In this example, the town(s) would be greatly impacted and thus their governing board(s) becomes a stakeholder. By not involving all necessary governing boards early on, you risk spending a great deal of time developing recommendations that may not get approval from key decision-makers.

- **Key Employees and/or Department Heads.** As the study group begins to review various functional areas of local government operations, the need for input from key personnel and department heads becomes crucial. A very important component of any study is identifying potential pitfalls or barriers associated with various options considered during a study. The people involved in the daily operations of each particular functional area are best suited for identifying these problems and posing potential solutions. In addition, these same people are often the ones being asked to implement any changes that come about as a result of the study. For these reasons, their involvement from the very beginning can be vital to the overall success.

- **Municipal Attorneys.** It is important for governing boards to keep their local attorney(s) informed throughout the study to insure that the group’s initiatives are in compliance with all applicable laws. In addition, since studies often
result in the need for an inter-municipal agreement, an attorney should be involved in the preparation of such an agreement.

- **Local Community Groups and Organizations.** Many local service organizations, such as a chamber of commerce, are comprised of business people who may be impacted by the recommendations. In addition, many of these organizations are made up of people with valuable business and management skills and resources that could be beneficial to the study.

- **Local Community Members.** Since some of the study committee’s recommendations may result in actions that are subject to either mandatory or permissive referendum, it is important that the community be involved and kept informed throughout the study.

- **Municipal Employee Union or Labor Representatives.** Since many actions will affect public employees who serve local governments, some mechanism must be fashioned early on to fully analyze the effects that any recommendation may have on collective bargaining and Civil Service requirements. This can be accomplished by including employee representatives on the general study committee or by setting up a separate labor-management committee. While it is important to be mindful of not forming too large a study group, experience has shown that only those truly interested will endure the many hours of meeting and development time necessary to complete the charge of the study group. For that reason, it is important to make all study group members aware that studies such as these may involve a large time commitment. Through attrition, a seemingly too large of a group will sometimes be reduced to a more manageable size early on in the study. (See Appendix E for a form designed to assist study groups in identifying stakeholders).

### V. Communication

Effective communication is crucial to the success of any study. If all stakeholders are not kept fully informed throughout, the result is often that decisions are made based upon assumptions and perceptions rather than facts. Communication can come in many forms including departmental memos, newsletters, minutes of meetings, newspaper articles and public information forums. The following is intended to demonstrate a chronological approach to employing effective communication tools throughout a study:

1. The minutes of Village A’s board meeting document the board’s desire to contact Village B regarding a cooperation/consolidation study aimed at providing better services to area residents of both villages at the lowest possible cost.

2. Village A and Village B decide upon a joint meeting to discuss the potential study and each prepares a public notice for the local newspaper announcing the time, date and purpose of this public meeting (all future meetings are announced in a similar way).
3. After the first joint meeting, copies of the minutes are distributed to key village personnel and union representatives in both villages (minutes of all future meetings are distributed in the same fashion). In addition, since it was mutually decided at this meeting to go further with a study, a copy of the minutes attached to an introductory letter is sent to other neighboring municipalities that might be impacted by recommendations coming out of the study (i.e., town, school district, county). The letter should identify the study’s sponsor (both village boards), members of the study group/steering committee appointed thus far and ask the other municipalities for a show of interest in participating (if they should be asked).

4. If a decision is made to divide the study group/steering committee into smaller groups or teams to further study specific functional areas (police, fire, highway, etc.), a member of the study group/steering committee should be appointed to serve as a liaison to each team. The liaisons should serve as a conduit for communicating between the team and the study group/steering committee. Each functional area team should keep minutes and, since some items of study are applicable to several function areas (e.g., buildings, employee benefits, etc.), it is often beneficial for the teams to distribute copies of their respective minutes to each other.

5. Functional area teams should be given a deadline for reporting back to the study group/steering committee and they should all employ a similar format for their final reports. Once these reports have been received, the study group/steering committee should announce a time (or times) for this information to be presented to the public. These public forums can serve as an opportunity to educate and inform the public as to what the study group/steering committee has learned so far, and give the public an opportunity to voice their opinions and concerns. These public information forums are often crucial to the success of any recommendation(s) that require public referenda (mandatory or permissive) prior to implementation.

6. After receiving all necessary reports from each functional area team and input from the public, the study group/steering committee should make their final recommendation(s) to the study’s sponsors (i.e., both village boards) in a written report. A copy of this report (or detailed summary) should also be made available to the public allowing for sufficient time for public input prior to any final decisions being made by the study’s sponsor(s). Open communication throughout any intergovernmental cooperation/consolidation effort can help insure that the merits of the study group’s recommendations will be recognized by the intended audience.

VI. Transitional Meeting

The transition is the point at which the study has been completed, and the implementation process may begin. A transitional meeting should be conducted when the time comes to implement the cooperation proposal. The transitional meeting should occur after the steering committee has taken its report to the participants’ governing boards, and has gained approval on one or more items. If the study does not unveil any opportunities for improvement through cooperation or if approval has not been gained in order to proceed, then a transitional meeting will be unnecessary. All
members of the steering committee, sub-groups, and any individuals who will be involved in the implementation phase should attend the transitional meeting.

The following should occur at the transitional meeting:

- Introductions.
- Presentation of the history of the study, accomplishments, pitfalls, and results (to be made by one of the steering committee members).
- Discussion of the implementation phase. It may be beneficial to put together an implementation team in order to keep the momentum of the study going, and to help ensure success. To give the team a starting point, an overall objective and three to five short term goals to work on throughout the year as they relate to implementation should be established.
- Reach consensus on an implementation team:
  - Is a team needed?
  - If so, who will participate?
  - What positions will be necessary?
  - Who will be the team leader?
  - What are the ground rules?
  - Schedule next meeting of the implementation team (when, where) and establish a regular meeting schedule (discuss the importance of sending notices to the team, having an agenda and goal, and scheduling the next meeting).

VII. Project Reporting

Project reports are discretionary based on the situation/needs of the local governments. Reports are a means of capturing important information. For example, if a study is done on a particular type of cooperative activity and the study clearly shows that an activity would or would not be a good idea, it is important to document this information for future reference.

There are other advantages of preparing a report as well, including, but not limited to:

- Communicating results of the study, report recommendations and/or other outcomes of the study,
- Making the results less susceptible to misunderstanding,
- Making the results available for public inspection, and
- Facilitating follow-up to determine whether report recommendations have been implemented.
The format of the report should be adapted to meet the needs of the audience. Items that should be considered in developing the format should include, but are not limited to:

- Introduction - Background, Objective or Purpose, Scope and Methodology,
- Executive Summary - Results of Study, Recommendations, Cost Saving Ideas and/or Outcomes of the Study,
- Issues Needing Further Study (i.e., if there are such issues, and if it is appropriate, they should be disclosed along with the reasons why the issues need further study), Recognition of Key People/Organizations who were involved with the Study, and
- Proposed Legislative Changes (i.e., such proposed changes should be mentioned if needed to effect a cooperative activity).

The report should be complete, accurate, objective, timely and as clear and concise as the subject matter permits. The information contained in the report should be made available for timely use by management of the participating local governments.

VIII. Implementation

The decision as to whether to implement any of the recommendations resulting from a cooperative study rests with governing board members. When a study results in recommendations that each governing board agrees to pursue, an implementation committee or team may be appointed. Some key issues for this group to consider include:

- How will the costs and revenues be allocated among the participants?
- Which chief fiscal officer will have custody of funds for the cooperative service?
- What will the scope of the cooperative service be?
- How will potential liabilities be handled?
- Who will own property and employ staff?
- Who will be responsible for financial reporting requirements and what will they be (internal and/or external)?
- Will implementation of the idea require a referendum or can you simply seek citizen input?
- What is the best time to begin implementation?

With the assistance of an attorney, the above issues and all the terms and conditions of the agreement should be formulated into an inter-municipal cooperation agreement. In addition to the issues discussed above, the agreement should address such things as contract term, procedures for proposing amendments and terms and conditions relating to termination of the agreement.
IX. Conclusion

As your municipal responsibilities become increasingly complex and demanding, you should constantly seek out the best ways to provide the services needed by your communities. Part of the solution to this challenge can be intergovernmental cooperation. Cooperation is in the future of many successful local governments. The question only you can answer is whether it is in the future of your local government.

X. How Can the Office of the State Comptroller Help?

In keeping with our desire to make the best use of our available resources while better serving local governments, the Office of the State Comptroller (OSC) has developed a service called Cooperation and Consolidation Consulting Service, or 3CS. 3CS is designed to help local officials eliminate duplication of effort and provide necessary services more economically and effectively, as well as to help remove any organizational and administrative barrier to economic growth through (a) cooperation within a local government (b) cooperation between two or more local governments or (c) consolidation. 3CS is available to any New York State local government whose governing board has demonstrated a commitment to study ways in which to deliver more efficient and costeffective services to its taxpayers. Requests for this service will be evaluated by each Regional Office and decisions regarding which municipality will receive this service will be made based upon available staff resources at the time of the request.

What Type of Help Can We Expect?

Throughout the cooperative study, OSC staff can assist the study group in a number of ways including:

- Identifying a process and viable options that may exist for accomplishing the mission and goals,
- Facilitate and/or attend meetings to offer technical assistance concerning finance-related issues,
- Share best practices compiled by our Office from other studies conducted by other municipalities, and
- Identify other agencies or resources that may be able to offer some expert assistance to the group.

These studies can be time intensive requiring many hours to be spent during and after meetings and can sometimes last for many months before any decisions or recommendations are made. In an effort to make the best use of our available resources so that we can offer this service to all local governments, OSC staff will not be able to commit to long periods of on-site field work similar to that spent during audits or SMART Reviews. It may be necessary for the local government(s) to enlist the aid of local officials, employees, and other outside agencies or consultants to perform much of the laborintensive work associated with studies such as these.
APPENDIX A

COOPERATION-RELATED WEBSITES

(These addresses are provided for informational purposes only. Each local government must ensure that its agreement is in compliance with all applicable laws, rules and regulations.)


www.dos.state.ny.us/lgss/inter.html - Inter-municipal cooperation guidelines (single document).

www.dos.state.ny.us/cnsl/newsl5g.html - Inter-municipal cooperation guidelines (single document).

www.state.ia.us/government/iitt/fullreport/ggfintoc.htm - Local government strategies.

NYS Department of State Phone: (518) 486-9888
Office of Local Government Services 1-800-367-8488
41 State Street
Albany, NY 12231 Contact: Varies by topic
Offers assistance on planning and zoning. Cooperates in the Self-Help Program, which assists small governments with water and wastewater projects.

NYS Legislative Commission on Rural Resources Phone: (518) 455-2544
Legislative Office Bldg.
Albany, NY 12247 Contact: Ron Brach, Executive Director
Addresses issues of importance to rural areas of New York State.
NYS Tug Hill Commission Phone: (315) 785-2570
317 Washington Street
Watertown, NY 13601 Contact: Robert Quinn, Executive Director
Provides a variety of technical assistance to local governments.

Association of Towns of NYS Phone: (518) 465-7933
146 State Street
Albany, NY 12207 Contact: Tom Bodden, Manager of Research
Assists towns with research and information on cost sharing and cooperation.
NYS Department of State Fire Prevention and Phone: (518) 474-6746
Control Office
41 State Street
Albany, NY 12231 Contact: Varies by topic
Offers assistance to municipal fire protection providers in looking at shared services and consolidation.

APPENDIX B – AVAILABLE RESOURCES
AGENCIES, ORGANIZATIONS, & CONSULTANTS
Offering Assistance to Local Governments on Issues of Consolidation and Cooperation
NYS Division of Criminal Justice Services Phone: (518) 457-6101
Bureau of Municipal Police (518) 457-1595
4 Tower Place
Albany, NY 12203 Contact: Ken Post
Provides assistance to municipal law enforcement agencies in setting up shared police services.

APPENDIX C – AVAILABLE RESOURCES
AGENCIES, ORGANIZATIONS, & CONSULTANTS
Offering Assistance to Local Governments on Issues of Consolidation and Cooperation
Cornell Local Roads Program Phone: (607) 255-8033
416 Riley-Robb Hall
Cornell University
Ithaca, NY 14853-5701 Contact: Lynn H. Irwin, P.E., Director
Provides assistance to local governments on consolidation/cooperation issues related to highways.
New York State Conference of Mayors Phone: (518) 463-1185
119 Washington Ave.
Albany, NY 12210
Provides general information to member villages on cooperation and consolidation efforts around the State.
University of Buffalo Institute for Local Phone: (716) 829-3777
Government and Regional Growth
Beck Hall, Building 9
University of Buffalo
3435 Main Street
Buffalo, NY 14214-3004
Created in 1996 with the support of the NYS Senate Committee on Local Government, the Institute
works on demonstration projects that show the benefits of local governments sharing or consolidating functional services and operations.

APPENDIX D – MISSION STATEMENT

What Should Be in a Mission Statement?
The statement should clearly state what your organization seeks to accomplish. This section of the mission statement usually includes two phrases:

- a statement that indicates a change, such as to increase effectiveness, to decrease waste,
- a statement that identifies a problem or condition to be changed.

An example would be “to increase efficiency in the provision of solid waste management services in the village and town.” In defining purpose, focus on an outcome rather than the means to accomplish the goal.

Activities
This section sets forth the activities the municipalities choose in order to pursue their mission. For example:

- to cooperatively provide for refuse collection services,
- to educate the public concerning the provision of this service on a cooperative basis.

You may wish to elaborate on this statement by adding the words “by” or “through.” For example: “To cooperatively provide for refuse collection services by jointly contracting with a service provider.”

Values
Values are beliefs that the participants share and endeavor to put into practice. Examples of values include: a commitment to efficient services to taxpayers; a commitment to the prudent use of municipality resources.

How To Prepare a Mission Statement
There is no one way to state the collective goals of the participants. It is important, however, that a consensus be reached. A free and open discussion can give the group confidence that the mission statement will include a consensus of common ideas. After having a group discussion concerning global concepts, it may be beneficial to designate one or two individual group members to draft an initial statement to be disseminated to the group for comment.