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NALAS Newsletter

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achievements

Closer look to
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Forces

NALAS
e-Academy

Ongoing
Projects

Local
government
developments
throughout
SEE

Plovdiv 2015:
Annual Forum
of SEE local
authorities



Network of Associations of Local
Authorities of South-East Europe
Réseau des Associations de Pouvoirs
Locaux de l'Europe du Sud-Est

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Editorial



Dear reader,

The new, spring edition of NALAS Newsletter brings new, fresh energy of optimism and enthusiasm.

2014 concluded both challenging and successful twelve months for local governments of South-East Europe and NALAS. As of May 2014, our Region was hit by the worst ever floods, that made huge material damage and took victims. The situation in many municipalities was serious, villages were cut-off, roads and houses were destroyed by the floods and the land slides, while citizens were displaced. The consequences of these floods were severe and the recovery is still ongoing. In such difficult period, NALAS used the strength of its Network and mobilized urgent support for the municipalities hit by this disaster and their citizens, by their fellow municipalities throughout South-East Europe. As our Quick Response revealed, the reported support values around 250,000 EUR cash and 3,000 tons of goods.

We did not stop there. NALAS Board and the Association Development Task Force met to discuss competences and abilities of local governments in disaster preparedness and management, regional solidarity and local governments networking. Beyond the exchange among members, it was agreed that NALAS should develop a protocol for the role of LGAs in disaster response, work on improving the regulation on the role of LGs and LGAs in disaster management, improving inter-municipal and international cooperation in times of crisis, capacity building for LGAs in disaster management and creating a system of human resources exchange between municipalities.

The draft protocol has been prepared and will be shared at the upcoming NALAS Annual Forum of Local Authorities of South-East Europe, in Plovdiv, Bulgaria, from 16 to 19 May 2015. Amongst other exciting events, the Annual Forum will host the conference "Competences and Preparedness of Local Authorities from South-East Europe for Prevention and Risk Crisis Management" and will conclude with a declaration on the role of local governments in crisis management.

In this Newsletter, you will read about NALAS achievements in 2014 and plans for 2015, will learn about our successes and challenges, and will get familiar with important local government developments in South-East Europe, such as reforms of local government, fiscal decentralization, human resources management, capacity building, e-governance, etc.

Thank you for all your support to NALAS. It is highly appreciated and gives us a boost to go on stronger and braver.

Enjoy reading!

Djuro Bukvic
President of NALAS
President of the Association of
Municipalities in the Republic of Croatia
Mayor of Lukac Municipality, Croatia

NALAS KEY 2014

ACHIEVEMENTS



- NALAS established its e-Academy (<http://nalas-academy.com/>), which enables dissemination of relevant regional knowledge to each municipal employee in SEE, in the same time offering opportunity for an interesting, creative, step by step and self-paced learning.
- Three courses: Sustainable Land Use Planning; Street Addressing and Management of Cities; and Tool for Rapid Assessment of City Energy-TRACE were translated into three local languages and tested in partnership with four member LGAs.
- The third edition of the NALAS Fiscal Decentralization Indicators Report was published, updated with 2012 data and country overviews.
- The first NALAS Summer School on Local Governance and Intergovernmental Fiscal Relations was organized.
- The Quick Response service has been improved and now it provides a comprehensive report about the topic of interest, as well as follow-up steps, as needed. 13 Quick Responses were provided to 8 member LGAs.
- The Shadowing Program was used by three member LGAs, to increase their capacities in organization of services for members, utilization of EU funds and administrative supervision of local authorities.
- Task Force Guidelines were updated after a consultation process with hosts of Task Forces and Liaison Officers. It is expected that the new Guidelines will advance the effectiveness of the Task Forces and result with even better Task Force products.
- The Task Force on Water Management started cooperation with GIZ-ORF MMS and WB IAWD Program. Projects on Asset Management and Local Leader were launched.
- The Task Force on Energy Efficiency completed the Guidance Note on Municipal Budgeting and Financing funded by the World Bank.
- Network of focal points on Gender and Youth has been established, operational plan developed, GENiYOUTH municipal awards announced and infographic and poster were prepared to promote involvement of women and youth in local government issues. The project "Creating a knowledge base and developing the capacities of NALAS to promote gender responsive budgeting among its member associations", in cooperation with UN Women was launched.
- The EU-funded project "Assessing Territorial Attractiveness in SEE" has been completed.
- The NALAS position in SEE 2020 Strategy was further strengthened, through development of action plan and programming document.
- NALAS Network of EU Project Managers has been revived.
- Three events were co-organized by NALAS in cooperation with EC/TAIEX/LAF and the Committee of the Regions, on: fiscal decentralization, sustainable urban transport and gender equality and human rights.
- New, modern NALAS website has been launched.
- After the devastating floods of May 2014, the Network's emergency appeals resulted with immediate support to affected local governments of over 250.000 EUR and 3.000 tones of goods.



NALAS TASK FORCES

The five **NALAS Task Forces** in: Urban Planning, Energy Efficiency, Fiscal Decentralization, Water and Solid Waste and Sustainable Tourism are at the heart of NALAS, bringing together the best experts from the region, competent associations' staff and professionals employed in the local government administration, who are directly facing the consequences and challenges coming from policies and laws which define the system of local government. NALAS Task Forces have a key role in knowledge production and dissemination.

Key achievements of NALAS Task Forces in 2014 and plans for 2015

FISCAL DECENTRALISATION

- The third edition of the report "Fiscal Decentralization Indicators for South East Europe: 2006-2012" was produced including update of data for 2012 and country overviews;
- NALAS' first Summer School on Local Governance and Intergovernmental Fiscal Relations was held in Ohrid, Republic of Macedonia, 14-18 July 2014. The discussion among the directors of the associations and fiscal decentralization experts about the importance of the equalization systems was a key element of the Summer School, along the capacity building for the members of the Task Force. The video documentation of the event is available at: <https://www.youtube.com/watch?v=5omOv8tJw0U>

- The members participated at the seminar on fiscal decentralization organized by NALAS, the European Commission and the Committee of the Regions. They learned about the practices and models of fiscal decentralization in Member States also about the typical impact that EU pre-accession requirements have on municipal budgets;
- The report "Fiscal Decentralization Indicators for South East Europe" was updated with data for 2013 and country overviews of fiscal decentralization and national equalization mechanisms;

In 2015 the Task Force will promote the findings of the monitoring report, organize the second edition of the Summer School and produce the fifth edition of the monitoring report.

SUSTAINABLE TOURISM

- The position paper "SEE Tourism Goes Local" was disseminated at the IX General Assembly and other events of NALAS. The electronic version is available at NALAS website;
- The toolkit "Green Destination South East Europe" developed by the Task Force members.
- In 2015, the toolkit will be published and opportunities for capacity building activities related to the toolkit will be explored. The Task Force will produce a fact-sheet related to the Tourist Tax in South East Europe.

ENERGY EFFICIENCY

- Elaborated its activity plans for 2014 and until the end of NALAS strategic Plan 2013 - 2017
- Completed Guidance Note on Municipal Budgeting and Financing funded by the World Bank
- Started implementing the project Energy Efficiency in Municipal Associations EeMA managed by the Open Regional Fund Energy Efficiency
- Study tour in Dobrich with demonstration of local Renewable Energy Projects during its Task force Meeting

URBAN PLANNING

- Successful completion of the ATTRACT-SEE project funded by the SEE Transnational Programme
- The Host of the TF UP - the Association of Municipalities and Towns of Slovenia participated in the Meeting of the European Union Strategy for Danube River on Migration Management at Local Level
- Co-organised and participated in the TAIEX/LAF workshop on Sustainable Urban Transport in Brussels
- Defined the top-priority themes for exchange in 2015: municipal land ownership, land management and taxation; monitoring of spatial development in South-Eastern Europe; citizens' participation in the urban planning process.

SOLID WASTE AND WATER MANAGEMENT

- The Task Force developed its Annual Work Plan (June 2014 - June 2015) and a three years Work Plan (July 2015 - December 2017).
- Task Force members were actively involved in the development of projects supported by GIZ ORF MMS.
- Kick-off meeting of the project "Asset Management for Water and Sanitation Sector in South-east Europe", 25 March 2014 in Belgrade.
- Kick-off meeting of the project "Local Leaders in South East Europe: Lead for Change", 17-18 February 2014, Vienna.
- Six members of the TF took part in the 2014 Danube Water Conference on Water Services: From Challenges to Opportunities (8-9 May 2014 in Vienna), especially in the working groups on Asset Management and Working Group on Training.
- Participation of the NALAS TF members at the Second Working Group on Training as part of the Regional Dialogue Platform on 30 October 2014 in Vienna.
- TF members took active role in development of new projects on solid waste management "Solid Waste Management systems for rural areas with a link to green tourism and natural heritage" and "Solid Waste Data Collection in SEE". The kick-off meeting of the project "Solid Waste Data Collection in SEE" and its official launching took place in Belgrade on 16-17 October 2014 with active involvement of the TF members.
- As a part of the GIZ/ORF Regional Dialog Platform which is in its initial stage of establishment, cooperation of the NALAS Task Force on SW&WM and IAWD (International Association of Water Supply Companies in the Danube River Catchment Area) was initiated.

NALAS TASK FORCES



Interview with Mr. Emil Savov, a member of the Fiscal Decentralisation Task Force

” Keep pushing.
The common
goals of the local
governments
cannot be wrong “

Q: Mr. Savov, since 1996, NAMRB has won many battles related to the role of local government in Bulgaria and its fiscal autonomy. What are you mostly proud of?

A: Indeed, it is almost 20 years since then and 25 years since the democratic changes and modern local self-governance have been introduced. In terms of their importance for the development of fiscally autonomous municipalities, I would mark the following:

Maybe the most crucial achievement which is the base for all of the battles won, is the role of NAMRB in institutionalizing the policy dialogue with the central government, while the most sustainable way to achieve this is through legally binding rules and procedures. Let me give you couple of examples:

- The law requires the central government to negotiate with NAMRB two times per year during the budget cycle for the next year; first on the initial three-year fiscal projections and later on the draft central budget. The main topic of these negotiations are the transfers for the local governments – both the volume and the allocation mechanisms. So, we start the process with the Ministry of Finance, then with the Government and, finally, we defend our goals in the Parliament.

The **NALAS Fiscal Decentralization Task Force**, bringing together regional experts in local and intergovernmental finances who represent member Associations, is one of the most active NALAS Task Forces. In the past several years, this Task Force has managed to prepare four editions of the NALAS Fiscal Decentralization Indicators Report, unique of its kind, which has through the years grown into one of the most famous NALAS brands. In 2012 the Task Force organised the regional conference “The Future of Fiscal Decentralisation in SEE” and as of 2014, organizes a Summer School in Local Governance and Intergovernmental Fiscal Relations.

The National Association of Municipalities in the Republic of Bulgaria (NAMRB) is the host of the NALAS Fiscal Decentralization Task Force. Since 1996, this Local Government Association acts as the voice of municipalities in Bulgaria, representing their interests and acting as a corrective of the central government in regulating local issues. We have the pleasure to talk to **Mr. Emil Savov**, Deputy Executive Director of NAMRB and chair of the NALAS Fiscal Decentralization Task Force.

- Another example is the creation of a permanent place for dialogue with the central government on fiscal decentralization. In 2002 NAMRB convinced the Government to establish a Council for Decentralization as an advisory body to the Council of Ministers. The number of municipal and central government representatives is equal thus avoiding unilateral prevailing influences. Each Government since then continued both the functioning of the Council for Decentralization and, equally important, the objective Monitoring and Evaluation System which annually tracks the progress in fiscal decentralization.

The major fiscal achievement is the devolution of taxing powers to the local governments in 2007. Until then the Constitution had granted these powers to the Parliament. It took us two years of lobbying and advocating among the political parties to finally reach a non-partisan consensus on the matter. Bulgaria had to make constitutional amendments required by the EU membership so NAMRB used the political momentum to add the municipal taxing powers as one of the amendments. Since then the Parliament sets in the law a lower and upper tax rate limit for the local taxes and each municipality sets the tax rates within these limits. Despite this major change, local taxes are still 4% of all taxes collected in Bulgaria, which is very low compared to most European countries.

Q: In the last two years Bulgaria faces challenging political situation, having had five Governments since 2013. How this affects Bulgarian municipalities and how NAMRB helps as a buffer in the difficult periods?

A: These were difficult times mainly for the uncertainty a situation like this creates for the citizens, for the business and for the municipalities. It was almost impossible to persuade the central governments on anything beyond their short mandates. Preoccupied with immediate needs and measures, the central government declined acting on longer term objectives such as fiscal decentralization. The only stable layer of public governance were the local governments. As of the end of 2014 the approval ratings for the local government was 43% compared with 24% for the Government and 11% for the Parliament.

NAMRB refocused its efforts to maintain the stability of the overall regulatory environment and to avoid any deterioration of the financial situation of

the local governments. During this period, for example, the EU Commission stopped funding the main Operational Programs (OP), Environment and Regional Development, because of mistrust in the national managing and auditing systems. The municipalities are the main beneficiaries under these OPs; this was a real threat for the successful completion of the on-going municipal investment projects and for the enormous financial burden at local level if the expenses were not to be reimbursed. In this specific case, NAMRB and the central government joined efforts to first, improve these management systems, and second, to convince the EU Commission to shift the moratorium over the payments.

Q: NAMRB has a history of collaboration with the Government, the Parliament and the Ministry of Finance in improving the position of local government. What are your key lessons learned from this collaboration that you would like to share with your peer LGAs from NALAS network?

A: I have the professional privilege of being part of this history mostly as independent advisor (I joined NAMRB in 2011) and will gladly outline the key ingredients for the sustainable collaboration.

First, the LGA should be technically capable and financially independent. In order to be able to effectively negotiate with the central government, the LGA should have the expertise and the data for objective analyses and recommendations. I know that access to data is still a problem for some LGAs, but without that the LGA cannot be a credible negotiator. It is not necessary, and most probably – not financially possible, to hire all the appropriate experts that the LGA needs. What we, at NAMRB, did to overcome this, was to develop networks of municipal professionals. The networks are constant forums for discussions and valuable inputs for the common NAMRB policy agenda.

Financial independence is also a must – currently the membership payments form 40% of NAMRB's budget; the rest is external projects and we are fortunate that most of these projects directly support the institutional development and some core NAMRB's objectives such as decentralization. One piece of advice – never accept funding from the national central budget or at least examine all possible side effects. This is the easiest way to make the LGA dependant and further undermine its credibility as a strong partner.



►► **Second, what is the voice of the LGA?** It is a very hard task to unify the different interest among municipal politicians into one single LGA's voice. The voice should be only one i.e. once a non-partisan agreement among members is achieved on some specific issue, no other voices should be heard publicly.

Third, try hard to find allies. Depending on the issue and the local circumstances these could be academia, trade unions, business organizations, research institutions and NGOs, foreign aid agencies etc. Invite them at your LGA main events such as the General Assembly, but not as guests. NAMRB uses its General Assembly meeting for parallel topical discussion forums; jointly prepared and deliver with some suitable partner.

And last – keep pushing. The common goals of the local governments cannot be wrong, so use any opportunity to raise the voice and advocate for it.

Q: NAMRB has started a difficult internal debate for the elaboration of a new Act on Local Taxes and Fees. What are the key issues there? How do you expect that the Law will improve the financial performance of Bulgarian municipalities?

A: The basis for the debate are two agreements, signed in December 2014, with the Government and the Parliament in which expanding the fiscal autonomy is one of the two topics. This has been on our agenda for a long time, but now we have a formal commitment to go ahead. The main purpose of the new act is to widen the scope of the local taxes by introducing the following two:

- **Municipal Personal Income Tax (PIT) on individuals' earnings.** Our intention is to divide the currently central PIT (10%) into two taxes - one central and one local. We insist that the overall tax burden for the individuals should not increase but this is still an issue to negotiate with the Government. If we assume that the central PIT is set to 7%, then the municipal PIT might be set by each municipality within a range of 1%-3%.
- **Property tax on agricultural land.** This land is the only tax free tangible asset in Bulgaria. For many, mainly rural, local governments even a modest tax would generate sufficient additional revenues.

Our financial estimates show that these new taxes would double the revenues of the current local taxes but compared with EU countries, Bulgaria's share of local taxes of all taxes will still be below EU average.

The other changes aim at modernizing the administration of the current property taxes by removing outdated tax exemptions and getting the tax value closer to the market one. Another challenge is to introduce modern technologies, that will simplify the procedure for the taxpayers i.e. sharing local and central databases for the motor vehicles, for example, would eliminate the need for the taxpayers to declare acquisition or sale of vehicles.

Q: What do Bulgarian municipalities expect from the new EU Programming Period (2014-2020)?

A: NAMRB was and is still heavily involved with the programming for the new period – the two OPs mentioned above plus the Rural Development one are still in the process of negotiation with the EU Commission. Obviously these funds will again be the main source for municipal investments. This time there are two important differences:

- The EU buzz word is growth and this is the general direction of the programming. On the other hand Bulgaria cannot underestimate the increasing regional disparities and the specific needs of the population living in less developed regions.
- Grants versus financial instruments. The role of the grants decreases at the expense of the financial instruments which require additional administrative and financial capability at local level.

NAMRB's role in the process is to make sure that each local government will have access to some of the investment OPs and that the project submission and selection processes are transparent and fair.

Q: The FLAG fund has enabled the Bulgarian municipalities an easier access to the EU funds in the post accession period. How do you see its role in the future?

A: More than 2/3 of the Bulgarian municipalities use FLAG's services already and service their debt in a responsive way – no bad credits so far. FLAG will continue its traditional support for the next seven years. In the same time it plans to apply for being one of the implementers of EU financial instruments. The ultimate goal is to be able to offer all the variety of financing to local governments: short-term bridge loans, long-term financing, project funding and guarantees. FLAG will further develop its advisory activities for local governments with limited knowledge on long-term budgeting and debt management.



Q: As a host of the NALAS Fiscal Decentralization Task Force, how do you think this Task Force boosts Fiscal Decentralization throughout South-East Europe?

A: Maybe such a degree of direct impact is too ambitious for the Task Force: we are all professionals who share experiences and good practices, but the final decisions and efforts are within each LGA and the country politicians – both central and local. ***What we try to do best is to develop tools for objective analyses and comparisons that could be further used where the conditions are favourable.*** The Summer School, for illustration, is an excellent example for on-time, demand-driven capacity building activity. In 2015 it will be devoted to the Property Tax which, obviously, is of key interest for the local governments in SEE.

What we might further develop is inter-exchange of specific knowledge between LGAs. For example, NAMRB can assist any interested LGA in setting rules for negotiations with the central government or even assisting the LGA during such negotiations. We are from culturally deeply connected countries, so I am convinced that this type of direct assistance can be very efficient.

Q: How do you see your participation in the NALAS Task Force on Fiscal Decentralization? What does this mean to you personally and to your Association?

A: If you allow me a joke - ***the honour is entirely mine – first, to represent NAMRB and second, to meet such wonderful people and professionals.*** I wish these meet-

ings were held much more often. ***Fiscal decentralization is my professional karma and I feel the need to share and to receive back anything that might work elsewhere.*** For example, one very rewarding and challenging work is the annual publication of Fiscal Decentralization Indicators Report – a very valuable tool in the hands of both professionals and politicians. Each year the report improves as a result of the discussions in the Task Force and each edition is unique in terms of content. We also share how to better use this product in each of the countries. We at NAMRB traditionally distribute its Bulgarian version at the General Assembly meetings, and will do so this year in May.

NAMRB and I personally are very committed to what we do with our colleges from the Task Force.

NALAS should be warmly congratulated for being able to raise such a self-motivated and productive family of high-quality experts and local governance proponents.



FISCAL DECENTRALISATION



The fourth edition of the report “Fiscal Decentralisation Indicators for South East Europe” scans the state of fiscal decentralisation and points out at the obstacles

This winter NALAS published the fourth edition of the monitoring report “Fiscal Decentralization Indicators for South East Europe” reflecting the period 2006-2013. The report was once again produced with the great efforts of the members of the NALAS Task Force on Fiscal Decentralisation and the international expert, bringing many interesting analyses and findings relevant to regional, but also national perspectives in South East Europe. The report contains a general part which notes the trends in fiscal decentralization across the region but also a national analysis of the fiscal decentralization and equalization for each country of South East Europe from which NALAS members originate.

One of the main conclusions of this monitoring cycle is related to the global economic crisis of 2009 that hit many countries in region very hard, often producing ad hoc adjustments in intergovernmental financial arrangements that compounded the negative effects of the downturn for municipalities. In other countries, however, the global crisis had little effect and/or its impact was delayed. With a few exceptions, economic growth since 2009 has been slow, though in most countries, local government finances improved in 2010 and 2011. A few countries went into recession again in 2012 and 2013, eroding whatever modest gains municipalities achieved in the interim.

Local governments in South-East Europe still derive the majority of their revenues from general grants, conditional grants, and shared taxes. In most countries, own-source revenues account for between 30% and 40% of total revenues, a level similar to that of most OECD member states.

In a few countries of South East Europe local governments derive a very high share of their revenues from conditional grants which is limiting their financial independence. In many countries, unconditional grants are underutilized. This raises questions about the overall equity of their intergovernmental finance systems because it is through unconditional grants that equalization funding is usually provided to poorer jurisdictions.

In most countries of South East Europe, the Property Tax has been decentralized to local governments, and in most they have increased the yield of the tax. But with the exception of Montenegro, it still produces revenues equal to less 1% of GDP, the average for the EU. It is unrealistic to expect the Property Tax to yield anything like the revenue it does in North America (2-3% of GDP) and achieving EU norms will not radically improve the fiscal autonomy of the region's local governments. **Own-source revenues are disproportionately concentrated in capital cities and very strongly linked to the real-estate market—through land development fees, construction permits, and the Property Transfer Tax.**

The report also recommends that the efforts to increase the fiscal autonomy of local governments should focus on transforming the Personal Income Tax from a shared tax into a tax over which local governments have some rate-setting powers. This can be done by giving them the right to impose a surcharge above the rate set by the national government, as is already practiced in Montenegro and Croatia, or by dividing the PIT “space” between the national government and local governments, as is currently being considered in Bulgaria.

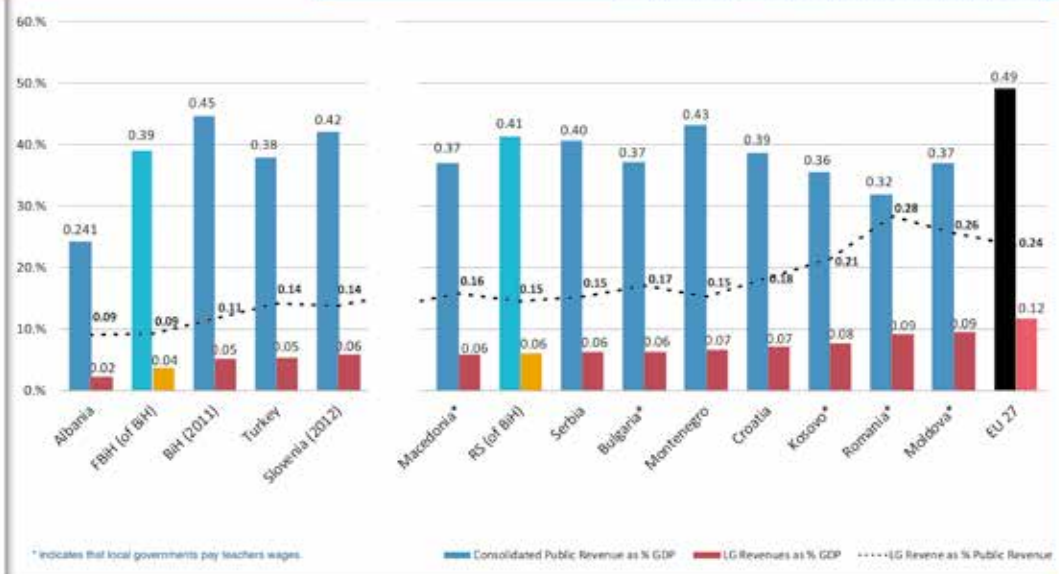
As in Romania and Kosovo, local governments in Bulgaria, Macedonia, and Moldova are fully responsible for financing and managing pre-tertiary education, including paying teachers' wages. In Romania, Kosovo and Moldova, however, between 20 and 25% of all public revenue goes to local governments (or 7.6 to 9.5% of GDP) – shares closer to the EU average – while local governments in Bulgaria and Macedonia are only receiving about 15% of all public revenues (or 6% of GDP). This strongly suggests that the national governments of Bulgaria and Macedonia are underfunding local governments in general, and pre-tertiary education in particular, and thus failing to meet their obligations under the European Charter of Local Self-Governments.

The situation in the rest of the region is harder to assess. Local governments in Turkey, Slovenia, RS (of BiH), Serbia, Montenegro and Croatia all have revenues equal to between 5.3 and 7.0% of GDP (14–18% of public revenues). This is low by EU standards. At the same time, local governments in Turkey, RS and Montenegro have almost no social sector responsibilities, while those in Serbia, Slovenia and Croatia maintain preschools and pay the wages of preschool teachers, a significant expense particularly in urban jurisdictions with high enrolment rates.

Finally, it is important to note that while the Chart provides much useful information about the overall importance of local governments within the group, it does not provide information about how these revenues are distributed across local governments, or about how much autonomy local governments have in actually spending them. Thus in some members of the group, funding that at the macro-level might appear reasonable may at the micro level be undermined by the concentration of revenues in a few jurisdictions. Similarly, regulatory or political constraints on the ability of local governments to actually control their revenues, as for example is clearly the case in Moldova, may render this picture misleading.

Chart 4

Local Government Revenue as Share of GDP and Total Public Revenue in 2013



In most of South-East Europe, local governments have not been assigned significant social sector functions. But in Romania, Bulgaria, Moldova, Macedonia, and Kosovo, local governments are fully responsible for financing pre-tertiary education, including paying teachers' wages. In most of them, there is evidence that local governments and/or schools are underfunded. In most countries, the "block" grants that local governments receive for pre-tertiary education remain highly earmarked and do not function as block grants which give local governments real discretion over how money is spent in the sector.

In most of the region, local governments are spending higher proportions of their income on investment than their counterparts in the EU, despite receiving significantly lower shares of total public revenue. Indeed, local government investment spending has been higher as a percentage of GDP over the last six years than in the EU itself. This means that municipalities in South-East Europe are working hard to make-up for the massive infrastructure deficits they inherited from the past. But while investment rates are generally high, it is likely that in many countries these rates are being driven-up by a few wealthier jurisdictions. Investment rates have also fallen over the last few years.

In a few countries, investment spending is well below the average for the EU, and still further below the average for the eight formerly communist countries that joined the EU in 2004. This is troubling given the neglected and underdeveloped state of network (environmental) infrastructure in the region.

Scarce investment funds tend to be spent on pay-as-you-build road projects and not on debt-financed, pay-as-you-use environmental facilities like waste water treatment plants because planning roads is simpler; construction can be delayed if money runs out; and because visible benefits can be delivered within a single election cycle. **Local governments need to radically improve their ability to prepare, plan, and cost-out complex multiyear investments – particularly in water, sewage and solid waste.**

EU funds are playing an important role in the modernization of local public infrastructure in new member states. In some countries, however, national policy makers seem to be using them as substitutes for transfers funded through domestic sources.

In most countries in the region, municipal borrowing remains a marginal phenomenon, though in a few some local governments are now having problems meeting liabilities incurred during the crisis. In a number of countries, the consolidated debt of the General Government has grown rapidly over the last few years and now exceeds the limits set by the Maastricht Treaty. Over the coming years, Ministries of Finance in these countries are likely to restrict the access of local governments to credit in order to preserve debt space for their national governments. This will undermine the ability of credit worthy local governments to use debt capital to finance major investments.

New censuses are producing technical and political problems because there are differences between the population numbers currently used to allocate intergovernmental grants and the ones revealed by the new censuses.

To download the full Report, please visit the Books section at NALAS website www.nalas.eu.

FISCAL DECENTRALISATION

Get ready for the Second NALAS Summer School on Local Governance and Intergovernmental Fiscal Relations: Reforming Property Tax

How it started...

Last year in July, in Ohrid, Macedonia, NALAS organized one of its most exciting events for 2014, the first Summer School on Local Governance and Intergovernmental Fiscal Relations. Some 30 participants took part in the Summer School and learned how to maintain and use large data sets of municipal revenue and expenditure data to conduct sophisticated analyses of their intergovernmental finance systems. *"Making a judgment what numbers mean is more of an art, then a science"*, said in his opening lecture Mr. Tony Levitas, one of the instructors of the Summer School, encouraging participants to develop their skills to make that art possible.

The Summer School discussed with renowned guest speakers and the leadership of local government associations how intergovernmental fiscal analysis can be used to engage national governments in concrete discussions of reform. Also, explored were different discourses of decentralization and equalization. The instructors and participants worked on developing arguments for decentralization in ways that create more political space for active equalization policies.

"I was impressed by the intense work during the first two days of the summer school", said Mr. Naim Ismajli, Mayor of Spilje, President of the Association of Kosovo Municipalities and Second Vice-President of NALAS. *"Fiscal equalization becomes even more urgent in our countries as we witness high concentration of capitals and investments in the capital cities where economies thrive and the local governments in less favourable, for various reasons, fiscal position struggle to provide for best possible quality local services"*.



At the end of the Summer School, participants received certificates of participation. In their evaluations of the Summer School, participants expressed highest satisfaction. In their opinion, the Summer School was very useful, helping them advance their skills, but also exchange with colleagues on relevant fiscal decentralization issues. *"I would like to thank NALAS for organizing this Summer School", said Ms. Zana Djukic, a member of the NALAS Fiscal Decentralization Task Force from the Union of Municipalities of Montenegro. "The data processing training was very useful, we gained a huge knowledge which for me is new and very useful for my future work. Also, the conference on fiscal decentralization and equalization provided an opportunity for comparing and learning from each other. I am specially proud that Montenegrin data has been used in the practical exercises of the training".*

Where do we go...

Inspired by the success of the first Summer School, in July 2015, NALAS and its Fiscal Decentralization Task Force will host the second edition of the Summer School, this time devoted to the most burning issue of Property Taxation. NALAS Quick Response mechanism has in the past six months alerted that virtually all NALAS members are facing new legislative initiatives in the area of property taxation, and that there is great interest both in understanding regional trends and in developing capacities to craft workable policies in what has become an extremely contentious area.

Thus NALAS' 2015 Summer School on Intergovernmental Fiscal Relations will focus at property taxation in regional and international perspective. The course will be designed for policy makers who need to understand the strengths and weaknesses of different property tax systems. The course will examine the theoretical and practical pros and cons of assigning the different components of property tax systems—registration, valuation, rate setting, billing, collection and enforcement—to different levels of government. Emphasis will also be put on the relative virtues of market-based and area based valuation strategies and on the political dimensions of tax compliance.

The course will be designed for 25-30 participants and will combine lectures with the analyses of case studies drawn from both the region and beyond. Participants will be provided with a set of core readings prior to the beginning of the course. They will also be expected to prepare—according to a template provided beforehand—a presentation of their country's property tax systems.

The Summer School topics will include:

- A Brief History of Property Taxation from Adam Smith to Fiscal Federalism
- Why the Property Tax has proved so difficult in the Developing and Transitional World
- An overview of the basic components of Property Tax Systems and how "upstream" and "downstream" responsibility can be divided between levels of government
- Strategies for Improving Property Tax Collection
- What Behavioral Economics tells about the Problem of Tax Compliance
- Embedded Strategies for making property tax compliance a social norm
- Mapping the Object of Taxation and Who is Responsible for Tax Payment
- Mapping Property Tax "upstream" and "downstream" Functions across levels of Government
- International Case Studies of Successful and Unsuccessful System Designs
- Mapping property tax functions across levels of government: Tax Policy (rate, relief) and downstream administration
- International Case Studies of Successful Tax Policy (rate, relief) and downstream administration
- Defining the functions of local property tax departments; hiring and training for those functions; and the use of IT technology
- Leadership, Commitment and the Organization of Property Taxation as a Technical and Political Problem for Mayors
- Enforcement Mechanisms and Strategies
- Incentivizing local property tax collection: recent experiences
- Plenary Discussion: Next Steps for Improving Intergovernmental Policy Making on Property Tax Policy and Implementation

For more information about the upcoming Summer School, please contact Ms. Natasha Ilijeva Acevska, NALAS Programme Officer, at acevska@nalas.eu.

TASK FORCES: SUSTAINABLE TOURISM

Interview with Mr. Marko Kos, Mayor, entrepreneur and member of the Sustainable Tourism Task Force



” The Mayor’s profession is not a job, but a way of life, the central square is my living room and the territory of the Municipality is the courtyard “

NALAS Sustainable Tourism Task Force is the “youngest” NALAS Task Force, aimed to encourage tourism development in South East Europe based on sustainability principles. The role of this Task Force is to promote tourism policy, governance and operations that respect and protect the environment and biodiversity and foster social inclusion, while creating employment and income earning opportunities and contributing to socio-economic growth. In the past year, the Task Force developed the Position Paper “SEE Tourism Goes Local” and the Toolkit “Green Destinations SEE”. The Task Force is hosted by the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina.

Mr. Marko Kos is a real asset of the NALAS Sustainable Tourism Task Force. He is a Mayor of the Municipality Sveti Kriz Zacetje in Croatia, but also a successful young entrepreneur, who has managed to bring together the local nature, culture, tradition, food and hospitality, and give them an added value by incorporating them in a unique agri-tourism offer.

Q: Mr. Kos, in the era of massive migration to the capitals you have decided to stay in the small Municipality of Sveti Kriz Zacretje and build your future there. Moreover, you have started a local sustainable tourism business. What was the main vision you had when you decided to do so?

A: Am I an entrepreneur? Both answers would be right, yes and no. I'm a small farmer who builds his agricultural and touristic business, conveniently called „Agro tourism“, on a solid basis inherited from ancestors. ***This household dates back in 1913, but today, along with small sized agricultural production, we operate as a small resort, wine shop, wine bar and accommodation.*** Why not agriculture? A good farmer has always been skilled, which is well obvious in old documents. I'm not an agronomist, I'm an economist with a university degree but all my knowledge and skills in agriculture came from various courses of education institutions and business opportunities I took from European Union funds and Croatian Ministries. I truly am a child of a rural region, and such a region always asks for additional incomes besides our regular full time jobs. Here- it is the farming.

The foundations of our agro tourism were established by my grandfather and continued by my father. Needless to say, great merits in this development goes to my father. There is a photo taken in the Mayor's office of Sveti Križ Začretje some 40 years ago. The very same office where I work as a Mayor now. The photo shows my granddad while being a governor of Poljoprivredna zadruga (a sort of agricultural cooperation). As far as I know, he was engaged in a line of political and social functions in Sveti Križ Začretje, therefore he was deeply engaged in the development of this area, but he was also present in the lives of the people who lived here. My father is a hardworking man of principles, sometimes even with almost military view on things. Now that he gradually pulls back, he grants me more room to continue, which is only the natural course of events. There are lots of things I could say, my granddad taught me to work, grandma taught me to manage things, sister taught me how to share, but my parents made me a man I am today. At this point, my parents are of the age when they can't work that hard any more, and isn't it the time for me to take over their responsibilities and duties, but also the responsibilities and duties to my society?



Q: What are the products that you are the most proud of?

A: ***Life here is for sure hard, but people are hardworking, filled with joy, land is fertile and it gives good yields, animals are our treasure,*** as my grandma always used to say. Croatian Zagorje is a region specific in diversity of products, but also in fragmentation of farm lands. In our production we strive to consider each factor of the biodiversity, we take care and appreciate all our crops and animals. Our pride is our wine, which is also typical of this region, but we also produce exquisite natural juices and cured meat products. ***Almost 80% of products we offer in our household are made within this household,*** which makes our agricultural engagement quite wide. We make wheat, corn, barley, grass mixtures to feed our animals – chickens, ducks, geese, authentic Croatian hens, pigs. We have our own orchards, gardens, wine yards. Yes, our manufacture is wide. In the spirit of our ancestors and long time tradition, we offer a harmony of tastes and smells created by combining food and beverages in a authentic Zagorje ambiance. We only offer what we make or buy from other trusted local farmers.

Q: How did the municipality help you in developing your business? Now, as a Mayor of Sveti Križ Začretje what do you do to support local sustainable tourism offer?

A: Today, the Municipality of Sveti Križ Začretje works on the principles of economic management within the legal regulations for the local self-government units. We do not operate as a political unit and if any issue cannot be attended by me, any of my colleagues will provide an answer. Our Municipality is not at all a small or insignifi- ➡



► cant unit of local self-government. In size and population, we are placed 5th in the Krapina – Zagorje County. We are one of the leading units in economic growth and new employment opportunities which open despite the crisis and problems we meet. The Municipality holds a unique geo-strategic position, spreading on the very entry to Croatia. We're some sort of the reception desk to Croatia. After entering the Croatia at Macelj border crossing and leaving the Krapina pass, there is a wide valley spreading right in front of you. Here, the urban core of Sveti Križ Začretje dominates on a small hill, which attracts tourists, business people or accidental passers. We are well covered with all the infrastructure we need, and the highway is our communication channel to the capital Zagreb on the South or to Western Europe on the North, both within 50 kilometers reach. **The location itself is a great asset, but professional team of the Municipality can provide all the help to any given investor or business person. That was the case with my household business. A good and proper analysis first and an investment to follow. A sort of helping hand to small investors, like me, are the subsidized loans and incentives granted by the Municipality, county, state or the EU.** The former Mayor recognized my ideas, together with the team of people who work here. Today, we honestly try to help our entrepreneurs the same way.

Q: What advice you would give to anyone thinking to start a sustainable tourism business?

A: This is a serious business which takes a lot of effort and sweat, and if you are not ready for blistered hands or only a few hours of sleep, don't even try. **Agri-tourism is a community of our family, four of us working all around the clock and cooperating in the household duties. When I'm not sitting in the Mayor's chair, I'm the cook, the waiter or the farmer, or even all rolled into one.**

Q: No doubt that South-East Europe offers huge, untapped tourism potentials. How do you see the future of this region on the tourist map of the World?

A: Until yesterday the population here was involved mainly in crafts and farming, and the tourism may be a new momentum for us, except for those by the seaside or mountains. Still, we begin to see the potentials of rural areas, the beauty of unspoilt nature and the quality of our home made products and we turn to tourists and learn to sell our quality product. In the development of the tourist site, there are numerous troubles you encounter with. First, there's always been a question whether is your local population ready to accept tourists here? It doesn't take much to have the guest feel uncomfortable or insecure. Having a lot of people around generates a line of problems. If there's undefined infrastructure, unsolved waste collection issues or if the country is politically unstable, the guest won't feel safe.



Q: As a member of the NALAS Sustainable Tourism Task Force, how do you think this Task Force can support development of sustainable tourism throughout South-East Europe?

A: Primarily by investing in personnel, then investing in destination sites, creating a solid economic environment which allows private entrepreneurs to invest without fear or too much risk, and finally, enabling the individuals to develop themselves and take the initiative in the tourist site development. Tourism is not a social security category, but a serious business. The quality and the constant in a product are the core of the development and then follows the serious work in promotion.

Q: How do you see your participation in the NALAS Sustainable Tourism Task Force? What does this mean to you personally and to your Local Government Association?

A: I'm just a small card in this group. I am relatively young, but all the experiences in rural tourism in undeveloped area I have felt on my own skin. I would like to take more time and convey all the positive and negative experiences to the other members of NALAS. **NALAS allows a good exchange of experiences and insight in other regions in order to realistically be able to see your position in the global tourism market.** The local government helps to create the conditions for investment by private entrepreneurs, local government does not create jobs. Sustainable Tourism Task Force is a relatively new group. The concrete progress we still have to achieve in our future work and to implement concrete projects on the ground.

Each association that works for the benefit of social development is to be congratulated if it gives concrete results. **For me personally it is a pleasure to be a member of this Network, but important thing too is that Sveti Križ Začretje represents Croatia in an European Network. Each member of the Network is important, each individual, every Mayor.** For me personally the Mayor's profession is not a job, but a way of life, the central square is my living room and the territory of the Municipality is the courtyard.



We are Europeans! NALAS work on EU issues intensifies

In the past year and with view to widen its services related with EU integration for the whole network, NALAS put special focus on the monitoring and implementation of SEE 2020 Strategy, EU funding and projects, and broad spectrum of activities that will deepen the EU dimension for NALAS and its members. The perspective is to contribute to EU integration targets for Local Governments and their associations at regional, national and local level. Using the potential of the Network and its existing mechanisms and structures was especially important. On one hand, a lot of opportunities have arisen for partnerships with donors and supporters of diverse background, and those should be utilised. On the other hand, NALAS replies to the growing necessity to indicate and mainstream its EU role as one of the regional actors who can make difference.

The NALAS Network of the EU Project Managers is on its way of revival and consolidation. It already gathered few times and provided strong input for the drafting of the exciting roadmap of NALAS EU activities. NALAS EU Integration Strategy, funding opportunities for local government associations and their members – the local governments; lobbying activities at EU – and assistance for lobbying at national level, partner search, networking and project application, upscaling successful pre- and co-financing mechanisms, learning from each other... Bring it on! South-Eastern Europe local governments and their associations together with NALAS have the unique opportunity to draw and shape the European future of the region.

GENDER AND YOUTH



Elbasan, Petrovo, Maribor, Ajdovscina and the Standing Conference of Towns and Municipalities – SEE Leaders in inclusion of women and youth in local government affairs

Women and young people are precious and indispensable part of local communities in South East Europe and it is therefore a responsibility of the local governments to implement activities that would include them in the local life as much as possible. Our region is already rich with excellent examples, but for many local governments it is still not easy to make the change as it often takes specific knowledge, policy approach and hands-on experience.

NALAS, as a network whose key value is knowledge exchange, has established the GENiYOUTH Municipal Initiatives - an award scheme for best practices with the purpose of fostering better flow of practical examples on how women and youth could be addressed at local level. Through an open collection process (October – November 2014) NALAS has documented and mapped 53 good practices from 10 countries of South East Europe implemented by local governments, local government associations and civil society organizations. A “good practice” was considered an activity that has provided solutions in the field of gender and youth at the local level, in the decentralization context, including an innovative approach in its design, implementation, methodologies, tools, etc. Various types of good practices were mapped with this exercise including examples of inclusion of women and/or youth in local government affairs, special activities for improving position of women/men, raising awareness on gender/youth issues and rights, gender mainstreaming, implementation of the European Charter for Equality of Women and Men in Local Life, gender sensitive budgeting, etc. All these practices are documented in a specialized publication so that they can serve as an inspiration for other local governments to learn, analyze and replicate and therefore accelerate the impact of the innovations of their peers.

All eligible practices were evaluated by an independent and professional Evaluation Committee which, based on clearly set criteria and evaluation rules, gave the highest grades to the following best practices: “Gender Responsive Budgeting and Participatory Budgeting” implemented by the Municipality of Elbasan, Albania; “Youth Bank” implemented by the Municipality of Petrovo, Bosnia and Herzegovina; “Co-creation of social spaces - for youth with youth” implemented by the Municipality of Maribor, Slovenia; “Gender Equality at Local Level in Serbia” implemented by the Standing Conference of Towns and Municipalities – National Association of Local Authorities in Serbia, and “Local Youth Strategy of the Municipality of Ajdovščina” implemented by the Municipality of Ajdovščina, Slovenia. NALAS also awarded Marmara Municipalities Union with a special recognition for achieving widest outreach for the GeniYouth municipal awards open call, also recognizing the municipality of Zeytinburnu as the most successful applicant from Marmara Municipalities Union, according to the results of the evaluation process.

NALAS cordially thanks: all Mayors who supported the activities for promotion of gender and youth in their local governments; dedicated municipal teams that worked with commitment and enthusiasm in the implementation of the good practices; NALAS Focal Points on Gender and Youth and NALAS Knowledge Management Assistants that contributed greatly to the successful collection of good practices. NALAS shows gratitude to the GIZ Project for Institutional Support to NALAS for their inspiration and support in the implementation of the overall activity.

In continuation we present the conclusions of the Evaluation Committee related to the practices of each GENiYOUTH winner:

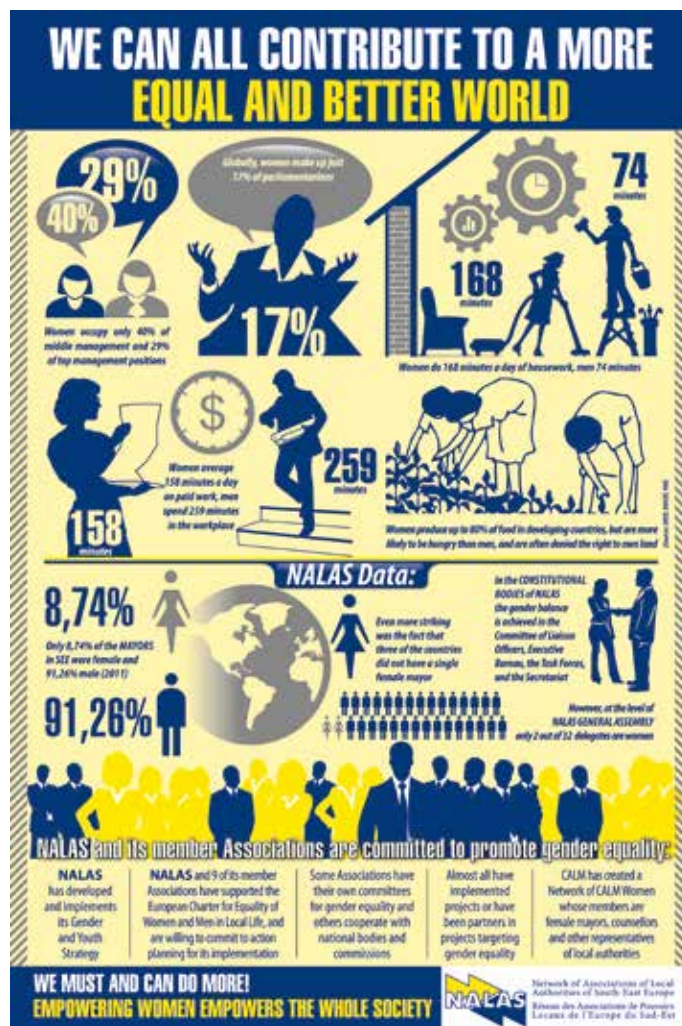
Municipality of Elbasan “Gender responsive budgeting” – shows real commitment by the municipality for inclusive and participatory decision-making process regarding the municipal budget. The action included many actors and succeeded to increase the number of women and youth actively participating in the budgeting process. Also, it provided increased percentage of the local budget with direct impact on the target group. The Municipality of Elbasan has been implementing gender participatory budgeting for four years. It shows political commitment to gender equality and sustainability of capacity building. The initiative is already seen as a model for good practice in Albania and can be replicated in other countries.

Municipality of Petrovo “Youth Bank” – this good practice exists since 2012 and provides a model for inclusion of youth in local community development. Through the establishment of a joint fund the space is used by the youth to develop new initiatives that are then presented to the municipality and funded by the municipal budget, supported by a local NGO. This enables youth to be included in the development of their local community as well as in the decision making process. It also allows implementation of priorities defined by youth and not only participation in decision making. In this way effects of participatory and innovative approach are visible. Some of the concrete activities implemented in the last three years are: equipping a sports hall, building children's playground, reconstruction of sports field, building greenhouse where people were thought about growing vegetables etc.

Municipality of Maribor “Co-creation of social spaces - for youth with youth” – the initiative helps associate young people with less desirable professions (carpentry, painting, masonry, electricity) for which there is demand in the labour market. Maribor also opened public spaces for youth and in this way supports their creativity and integration. The initiative improved the quality of life and fostered youth participation in decision-making processes at the local level, whereas contributing to a facilitated development of the local community based on the values of solidarity and non-discrimination. The actions show that as active citizens, young people can cooperate in order to contribute to their local communities as well as empower themselves by gathering experiences and knowledge for the improvement of their employment situation. The primary part of the program helped increase employability and employment, encourage volunteerism, intercultural cooperation and active participation of young people.

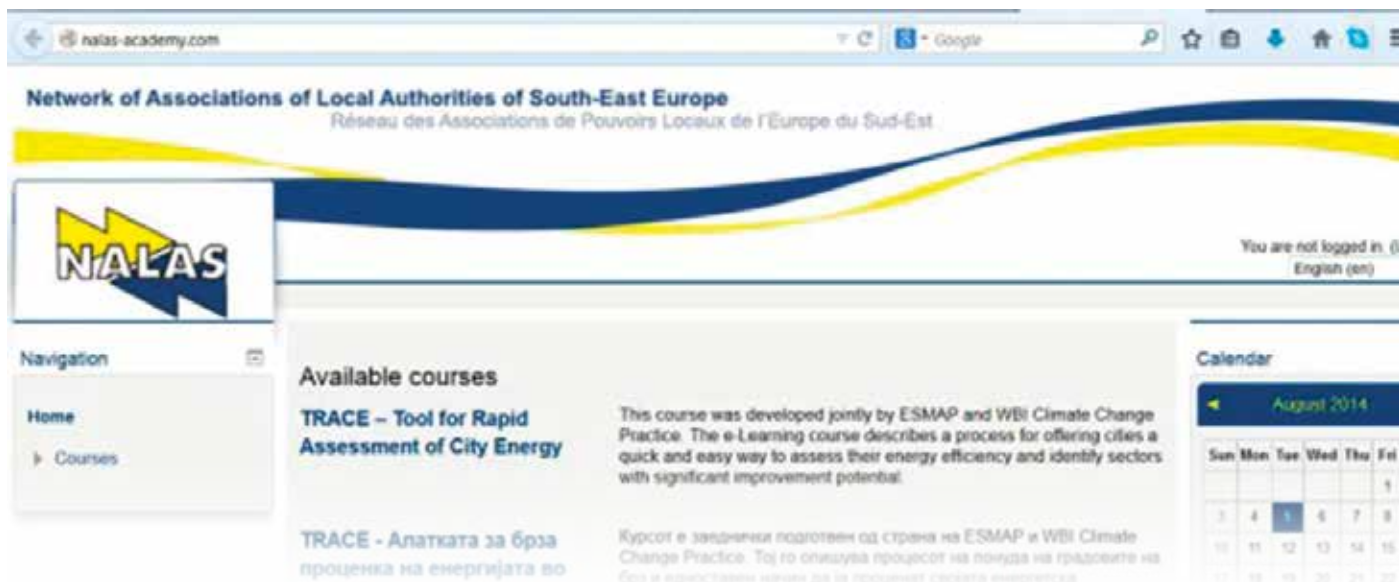
Standing Conference of Towns and Municipalities – National Association of Local Authorities in Serbia “Gender Equality at Local Level in Serbia” – shows a good practice in taking the initiative to promote gender equality and something that could be easily advocated by NALAS. The approach is systematic and provides capacity building, good practices exchange, technical assistance etc. and the most important objective is gender mainstreaming. This is the only project supporting local self-governments to improve their own capacities and practice at the policy level.

Municipality of Ajdovščina “Local Youth Strategy of the Municipality of Ajdovščina” – this initiative created a sustainable supportive environment for the development of youth policy and youth activities which are funded and have specific results. They actually motivate and involve young people on decision making positions and improved procedures in order to get more youth sensitive policies. As an effect of this Strategy a number of tangible products and measurable results were produced.



NALAS KNOWLEDGE CENTRE

NALAS e-Academy brings superior knowledge closer to local government employees



During 2014, NALAS Knowledge System has been enriched with the establishment of NALAS e-Academy (<http://nalas-academy.com/>), an online platform for development learning designed for local governments of South-East Europe. NALAS e-Academy provides a superb knowledge on topics relevant for local government professionals in the areas of urban planning, energy efficiency, municipal finance, water management, solid waste management and more. Taking advantage of new technologies, the learning experience provided by the NALAS e-Academy is affordable, innovative and practitioner-focused.

The first three courses to be offered by the NALAS e-Academy were developed in collaboration with the World Bank's e-Development Institute. These are: Street Addressing and Management of Cities, How to Use the Tool for Rapid Assessment of City Energy (TRACE) and Sustainable Land Use Planning.



In October 2014, NALAS conducted a training to prepare the team for the testing phase of the e-learning courses that started in November 2014. The training included the whole course structure: course staff, facilitators and technical support, coming from NALAS Secretariat and four member LGAs included in the testing phase: AAM, AAC, ZELS and AKM. The training provided overview of e-learning, NALAS e-Academy, each of the courses, roles and responsibilities, but also provided practical skills for the facilitators on how to deliver the courses, interact with participants and motivate them during all phases of course implementation. *"E-learning is the future of the professional development in municipalities. We believe in this and can't wait to see the first results"*, said the first NALAS e-learning team.

The testing phase was successfully organized from 3 November 2014 until 15 January 2015, with three groups of 24 participants that attended the following courses TRACE (ALB), TRACE (MK), SA (ALB). In the same time, German consultants, engaged by the GIZ Institutional Support to NALAS Project, conducted an e-Learning feasibility study that talked to all member LGAs and assessed the needs and interest for e-learning as a form of capacity development.

During 2015, NALAS will develop two new e-courses in "Introduction to Asset Management in the Water Sector" and "Gender Mainstreaming in Local Government".

ONGOING PROJECTS UPDATE

Local Leaders in South East Europe: Lead for Change

The project Local Leader in SEE: Lead for Change implemented by NALAS and seven Local Government Associations from Bosnia-Herzegovina, Macedonia, Serbia and Croatia is financially supported by GIZ through the Open Regional Funds, Modernization of Municipal Services (ORF-MMS).

The implementation of the project activities started in the first half of 2014 and was focused on preparation and conducting Training Needs Assessment (TNA) Study. The objective of this study was assessment of training needs of upper management staff (Mayors, water utility directors and heads of utility departments) for preparation and implementation of investment projects in the water and waste water sector. For that purpose, fifteen pilot municipalities and their public utilities on water from four project countries have been selected and included in the study.

The study has been led by the Regional Expert Mr. Sandi Zuljic from UNA Consulting, Bosnia and Herzegovina, who developed the methodology and the survey tools. The TNA survey methodology was presented to the project partners (LGAs, NALAS, and GIZ) at the project coordination meeting organized in Vienna on 30 October 2014. The project partners discussed and provided feedback to the proposed methodol-

ogy and survey tools, and defined roadmap and time schedule for the survey.

The survey was implemented with active involvement of the LGAs, that provided support to the Regional Expert with organization of the survey activities and the interviews with the representatives from all fifteen pilot municipalities and public utilities.

The draft of the conducted TNA Study and the preliminary findings were presented and discussed during the Focus Group Meeting organized in Belgrade on 27 February 2015 with presence of representatives from Local Government Associations and Public Utility Association from the region.

The TNA Study was finalized in March 2015 and outlines the specific training topics as a priority which should contribute to capacity building of upper management staff and which should fill the identified gaps in their knowledge regarding the investment projects in the water and waste water sector.

Based on TNA findings and identified priorities, five specific training topics will be selected and five regional specific training modules (curricula and training materials) will be developed within the project and delivered to the pilot municipalities and public utilities. ➡



ONGOING PROJECTS UPDATE

► Asset Management for Water and Sanitation Sector in South-east Europe

The aim of the project **Asset Management for Water and Sanitation Sector in South-east Europe** is introduction of Asset Management methods in pilot municipalities that will improve efficiency and transparency in managing water and sanitation infrastructures in SEE.



The implementation of the project activities was decentralized to nine Local Government Associations that are responsible for implementation of the national level activities in seven Western Balkan countries. Specific role was designated to SCTM to take the lead of the project management and to coordinate the project activities due to their previous experiences in the area of water management projects.

In the past period, the project was focused on the activities for raising understanding of the benefits of Asset Management methods among decision makers. These activities included conducting regional survey and preparation of analysis of asset management practices in the region, presentation of the best practices of asset management from the European Union countries and development of a Toolkit on Asset Management.

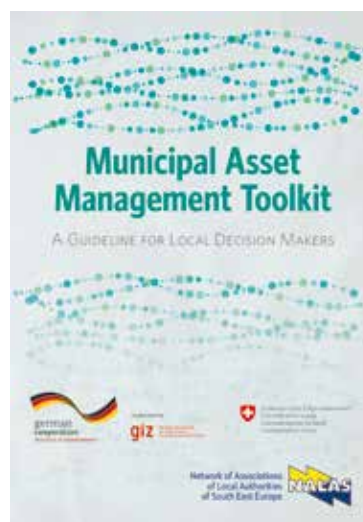
Hydro - Engineering Institute Sarajevo (HEIS) from Bosnia and Herzegovina was contracted for implementation of these activities following the open call for consulting companies published by SCTM. In addition, nine National Experts have been hired by the LGAs for conducting the national survey activities and for preparation of national reports on existing asset management practices in the project countries.

HEIS developed and presented the survey methodology and instructions to National Experts for conducting the national surveys at Round Table organized on 26 September 2014 in Belgrade. The information and findings from the National Reports, based on the surveys conducted in 32 municipalities and their public utilities, have been sublimated by HEIS in Regional Report on Asset Management Practices.

The Report of International Asset Management practices in EU gives overview of several approaches to Asset Management (PAS 55, AWARE-P, and the Common Framework for Capital Maintenance in UK Water Utilities) and presents case studies from water utilities in Portugal and water utilities in UK.

The Municipal Asset Management Toolkit was prepared as Guidelines for Local Decision Makers and brings general information about the objectives and benefits of Asset Management and provides instructions how to implement the asset management plan and asset information management strategy.

These three products will serve as a base for implementation of the next project activities for designing and establishing a regional web-based database and web-based modules for asset management and for development of e-learning module on Asset Management that will become part of the NALAS E-Academy.



Opinion: The Reform of the Local Self-Government in Croatia - How and When?

by Vesna Fabris, AoM



Croatian public is divided over the question whether there are too many municipalities, cities and counties in the country: is the structure of the local and regional self-government too complex and consequently inefficient? Are there too many officials and employees because they are needed or are they a by-product of a system that leans towards political corruption and party clientelism? The number of local units increased compared to the past and this fact very often resulted with lower capacity of some of them to practice public affairs and satisfy the needs of citizens. The territorial division and huge fragmentation of the local self-government units together with the lack of their mutual cooperation present therefore a great problem for Croatia as a whole.

By default, with the assumed too large number of local self-government units also goes the numerous and expensive administration. That is the opinion not only of the citizens but also of the European Commission which is permanently requiring reduction of bureaucracy at all levels of governance. The EU claims that the country needs to downsize the fragmentation and overlapping of the responsibilities through rationalization and precise framework of decision making at all governing levels. Lately, one can often see media reports on extreme examples of irrational governance: there are municipalities with so low revenues that

they need to use state aid for the salaries of the mayor, the deputy and one or two employees. It is pointless to argue upon the existence of such local self-government unit given the fact that its only purpose is to secure a work place for a few members of some political party instead to care for the interests of its citizens and community. Really, sometimes the local government shows considerable insensitivity to changing circumstances and crisis... The number of cities in Croatia since 1993 increased from 69 to 128 (which is an increase of 85.5%), 70 new municipalities were established, 59 former municipalities at the same time attained the status of a city. The average number of inhabitants of today's city is 17.260, which is an average reduction of 10.863 compared to the situation in 1993.

Opposite to extreme examples of very poor municipalities, there is the interpretation that hundreds of settlements, hamlets and villages would not get paved roads, water supply and sewerage systems for decades if they would physically and politically remain on the political margins of a larger town or city. Accepting the general remark that we should strive to greater decentralization because it induces further development of democracy in modern society which Croatia claims to be, there are plenty of other reasons for going into deeper reform. The only conclusion based on common sense is that it cannot be justified to maintain a system that is not sustainable and that represents a mere transfer of money and political power to lower levels of governance. The reform of the local self-government must be based on sustainability and rationality, which means that every local community has to be enabled to define its status, rights and obligations in accordance with its total capacities.

Different parts of the Croatian public scene often wage war using the arguments from foreign countries as an example. Some of them give examples with small number of local government units (such as Denmark that has dramatically reduced the number of LGs using financial state aid during the period of transition). Others on the other hand list countries with equal if not larger number of LGs that are efficient and cost-effective despite the number. The argument of fiscal decentralization needs to be acknowledged. There are increasingly loud remarks that central government should seek to reduce arbitration and budget funds allocation (that have often been distributed to party members, family and friends for years), because in that way the state enables the survival of unsustainable LG units.





►► Supporters of this concept, coming mostly from developed areas, argue that the central government should enable every local unit to get as much power as they can induce from their financial and other capacities. Some indigent simply want to survive with (unconditional) state help and scream about serious political and economical repercussions if they „disappear“.

How to reconcile the differences? It is a difficult question. Decentralization and territorial reform remain, for more than a decade, the main task for the authorities, up to now without proper results. Even though the subjects related to the reform of the local and regional self-government are regularly present on the agenda of the Government, the process of decentralization has not been elaborated in a comprehensive, clear, coherent and interdisciplinary manner, nor has it homogeneously been incorporated into the various sectoral strategies. Because of this Croatia is still in the group of highly centralized countries. Furthermore, corruption is recognized as one of the hottest issues, especially at local level, as stated in the draft Strategy for Development of the Public Administration by year 2020. The European Commission mentions that management of the state administration in the Republic of Croatia represents the main burden for entrepreneurship. Some reports for 2013 have ranked Croatia as second most corrupted EU member state. However, it is said that the downward trend is noticeable at national level, but it remains a problem at the local level. (http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/index_en.htm - Competitiveness report country chapter Croatia).

In August 2014 in the Republic of Croatia there were 576 units of local and regional self government: 428 municipalities and 127 cities, 20 counties and the City of Zagreb, with a special status of a capital. Still, despite several attempts for decentralization, Croatia is one of the most severely centralized countries in Europe, along with Greece and Slovenia. It can be seen in the proportion of all 576 local budgets, including the City of Zagreb, in the general public consumption. This share since the 1990s is ranging between 10 and 15%. Average EU is far beyond that – the share of local governments in public spending is 35%, while the strongest decentralization is functioning in Scandinavian countries.

(Ivan Kopriv, PhD, <https://administratiopublica.wordpress.com/2014/10/06/sto-prvo-provesti-teritorijalnu-reorganizaciju-ili-decentralizaciju/>)

Constantino Longares Barrio: Reform of Public Administration and EU Funded Assistance, the strategy followed by the European Commission when providing assistance to the reform of public administration in Croatia, conclusions:

“Assistance to Croatia in the public administration sector was earmarked in 2001... It would be important that the decentralization process was based on the outputs of expert advice provided by the projects, instead of political decisions. In general, we could say that the process of decentralization in Croatia has suffered from a top-down approach and lack of strategic vision up to now. The time has come to change this into a more bottom-up driven reform and forward looking vision... In a context of difficult economic conditions, countries in transition tend to rely mostly on donor’s funding when they want to undertake public administration reforms, so this was also the case of Croatia...

The element for success that needs to be highlight is the presence of a high degree of ownership by the beneficiary. Public sector reforms can be imposed or demand driven. In order to be successful, the beneficiary must feel the need for reforms. This has not always been clear in Croatia...

Today, a long time advocated comprehensive public administration reform strategy is still pending decision by the Government... Although there has always been political will for reforms, the speed of decisions may have sometimes been too slow. This may be due to the resistance from professional lobby groups to budgetary implications of the reforms. There is, in general, a need to improve the comprehensive vision based on a bottom up approach for that reform.”

(Magazine Hrvatska javna uprava (2008.), No. 1., page 5–17)

A guide to Territorial Reform in Albania

By Aida Cacaj, AAC

Background...

While Albania does not have a long tradition of democratic local government, the territorial-administrative division does have historical roots. Between 1920 and 1938 during the periods of parliamentary republic and constitutional monarchy, although mayors and commune chairmen were appointed by royal decree, the division into prefectures, districts, municipalities and communes grew to resemble today's arrangements.

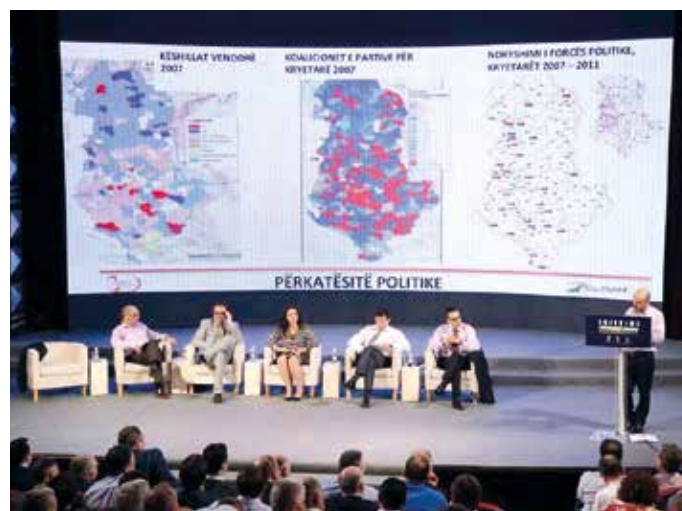
Politically autonomous local authorities with elected mayors and council members were created with the reforms of 1992. These gave the 313 communes and 65 municipalities greater powers (though without commensurate administrative and fiscal autonomy), while 36 district councils played a coordinating role.

Local government prior to reform...

The current division dates from the reforms of 2000, which established 374 local authorities and gave them extensive responsibilities. The reforms also created 12 regions (with the same boundaries as prefectures) as the second tier of decentralised government. Regional councils are elected indirectly by and from among members of local councils. District councils were abolished, although the 36 districts remain as sub-divisions of regions and administrative units for certain ministries.

Administrative-territorial reorganisation is provided for explicitly in the law on the organisation and functioning of local government. However, by Albania's Constitution, changes to the law on administrative divisions of the Republic must be approved by three-fifths of all members of Parliament. Thus even voluntary mergers involve an onerous procedure of preparation and consultation. Since 2000, there has only been one such merger, between Bushat and Barbullush communes in 2003, and the circumstances for this were exceptionally favourable (the two having been a single unit in the past).

The situation as prior to reform was colourful as reflecting the diversity of the local government units, in



service provision, human capacities, funds available and geographic conditions. On one hand there are big municipalities and communes which manage to do quite well on responding to citizens' needs (including here lucky communes with vast natural resources and developed tourism), and on the other hand the rest with a small population, sometimes with large surfaces to cover that lacked the human resources, and cost efficiency of the service provision was not in their favour per financial means available.

To give a concrete picture of such diversity, the population size varied from one thousand inhabitants to several hundred thousands, all having the same duties and responsibilities toward their communities. While in well consolidated economies, i.e. France that is quite famous for the fragmented local government, this would not impose a problem, in Albania it did considering the developing economy, the high informality of the market, and poor infrastructure and not consolidated foundations of local democracy.

The main service areas of the local governments have been subject to continuous regulation, demanding more from the local power as in e-procurement, urban planning, waste management, etc. mostly not followed by the required resources to meet such standards as set by national legislation infringing the principle of financial sufficiency as clearly provided by domestic laws. Although, it has to be mentioned that the local governments did not perform quite well in taxes and tariffs collection, mostly on land and property tax, relying on the grants from the central government, grants that in total did not increase significantly over these years.

►► The need for reform...

During the last 12 years, there have been on and off discussions about a possible reorganization of local governments; discussions led by politicians from right and left wing and at times supported by international donors on technical studies. In general, there was a positive climate to support such reorganisation, even from Mayors, based on difficulties under the current conditions.

Widely accepted, the arguments in favour of the reorganisation of local governments are the demographic changes during the last 10 years due to migration and emigration, as the 2011 census showed a decrease of the overall population. The second argument is the fragmentation of the local governments, which also brought fragmentation of services interfering with the possible success of decentralization. Adding to this argument is the variety of the local units in terms of population, surface, capacities etc. The third argument relates to the insufficient level of service provision to the citizens.

In 2012, the Association of Communes with the support of Swedish experts published a study on a possible reform, including five possible options, study which was later used by the Government on conducting the reorganisation. It was the current Government, made of a coalition of left wing parties that took the initiative based on its political programme. What has appeared to be a general support till then diminished with the opposition posing conditions to participate in the reform preparations, and Mayors and local communities that were not supportive of changes proposed to their respective units.

The Government and the Ministry of Local Affairs that led the process had three main objectives related to the territorial administrative reform. Those objectives aimed at local governments' enhanced administrative, professional, and technical efficiency to **deliver better services** for citizens and their improved ability to dedicate skilled members of staff to specific services; enhanced good governance at the local and regional level; efficient service delivery and **effective collection of taxes and fees** by local governments; greater ability to promote local economic development; and avoidance of policies that disregard and hinder the development of neighbouring communities; and **empowering local and regional governments** by decentralizing more functions and competencies and allocating more public funds to them. Larger local government units will have more opportunities to take part in international cooperation projects; absorb more funds from EU and other donors; and enjoy larger bargaining power vis-à-vis the central government, as well as a greater scope for inter-municipal cooperation.



New local governments...

In July 2014, the Assembly approved the new territorial administrative division, with 61 municipalities in first level, not making any changes to the second level of 12 regions. The new municipalities came from existing 58 municipalities and 3 communes made of minorities. The main criteria implemented on the new map included a population at a minimum of 30.000 inhabitants (excluding the three municipalities of ethnic minorities), the new government unit should be a functional zone, consisting of a territory with a dense and frequent interaction between inhabitants and institutions for economic, social, development and cultural purposes.

The new map will enter into effect with the local elections of 21 June 2015. The preparatory work for the functioning and organization of the 61 municipalities continued with the preparation of the new Decentralization Strategy 2015-2020, till now a draft.

A special attention was paid to the existing communes and their future. Amendments to the Organic Law were prepared and approved, providing for the transformation of communes into administrative units within the big municipalities. These administrative units will serve as a one-stop-shop for the administrative procedures, will be located in the actual communes' offices and will have their staff as part of the staff of the municipality. The functioning of the administrative units will be led by the Administrator, a political representative appointed by the Mayor. There are remaining issues to be solved about the sta-



tus of these administrative units, as these will be the closest link of the local government to the citizen.

What's next?...

During the process, the Association of Communes has stressed that territorial reform alone is not a sufficient condition for effective decentralisation. In particular, further reforms to ensure the adequacy, transparency, predictability and fairness of local finances will be necessary. Territorial reform will help in as much as it should lead to a small increase (on average) in local revenues and cost efficiency, but these effects are in our estimation an order of magnitude or more below what is required. More importantly, perhaps, territorial consolidation will lower one important obstacle to greater financial decentralisation, namely the perception that higher transfers would be wasted on small and inefficient local government units.

AKM prevents reduction of municipal own source revenues of around 10 million euro

The Ministry of Local Government Administration with a draft regulation had planned to remove conditioning of annual motor vehicles tax collection with other municipal payments, such as the property tax payment. In this way, according to the estimates of municipalities, the level of property tax collection would have been reduced significantly.

As a reaction to this, the Board of the Association of Kosovo Municipalities in a meeting with the Minister of Local Government Administration Mr. Lubomir Mariq has expressed the concern of municipalities and requested that this Regulation shall not be approved. Following the reaction, the document was not processed further.

According to the draft regulation, the annual motor vehicles tax collection cannot be conditioned by other municipal payments, unless the motor vehicle changes the ownership. In this way the space of municipalities for infrastructure investments and provision of efficient public services for its citizens through tax collection will be narrowed. In addition, the removal of this conditionality will be incompatible with the country's policies for creating financial stability for municipalities. Every year a very significant amount is collected by municipalities from property tax. Only last year over 16 million were collected, and according to estimates the losses of municipalities, if this administrative instruction is implemented, would exceed the amount of 10 million euro annually.

Two big successes of the Association of Albanian Municipalities



The Constitutional Court rejects as unconstitutional and in violation of the local autonomy the decision took by the National Council of Territory in August 2014

This decision of the Constitutional Court as well as the previous decision for the competencies of the National Urban Construction Inspectorate confirms once again that the above-mentioned acts are taken by usurping and violating local government autonomy and legal and constitutional provisions.

Unfortunately, the disregard of these decisions of the Constitutional Court, the ongoing government practices that are fully contrary with these decisions and laws and constitutional provisions that stipulate the autonomy of local government, have affected and continue to severely damage possibilities of local government to provide services and investment for the citizens. These illegal practices of the Government have a direct impact on the deterioration of the economic situation in blocking public and private investment in local economies and have significantly deteriorated economic situation of citizens by increasing unemployment and deteriorating basic services.

Although the Constitutional Court overturned the decision to suspend the building permits, they still remain blocked. This is because although the new urban law is in force since 1 October 2014, the Government continues to not meet the bylaws disabling in this way law enforcement.

The Association of Albanian Municipalities urged the Prime Minister to meet legal and constitutional obligations and to stop illegal practices and unconstitutional infringement and violations of local autonomy.

Repealed the decision of the Government for “harmonization of local planning instruments according to the new administrative-territorial division”

The Constitutional Court of the Republic of Albania, on 15 January 2015 reviewed the case involving the parties: Association of Albanian Municipalities and Council of Ministers; National Council of Territory

Scope: The resolution of the competences between the Local Government (Municipality of Tirana) and the Central Government (Council of Ministers / National Council of Territory).

Review of compliance with the Constitution and the European Charter of Local Autonomy and abrogation of an act that is the cause for the emergence of conflict, the Decision No. 1, dated 22.08.2014 of the National Council of Territory for “Harmonization of Local Planning Instruments according to the new Administrative-Territorial Division”.

Suspension of the decision No. 1 of the National Council 22/08/2014 Territory, until completion of the review by the Constitutional Court.

The Constitutional Court, after examining and analyzing the claims of the applicant, interested parties are objections, the decision dated 15.01.2015, based on Articles 131 and 134 of the Constitution of the Republic of Albania and the Law No. 8577, dated 10.02.2000 “On organization and functioning of the Constitutional Court”;

Decided:

- Approving part of the application.
- Repeal the decision No. 1 22/08/2014 National Council of Territory “For Harmonization of Local Planning Instruments according to the new Administrative-Territorial Division”.

“E - building permit” - the first “export tool” of ZELS

The Association of Units of Local Self-Government of Republic of Macedonia – ZELS, continuously, for many years, is strengthening the support for its members, 81 unit of local self-government, in acquiring the title “e-municipality”. That contributed ZELS and the local authorities in the country to become leaders in the region in the use of electronic applications to provide services to citizens. From this year the experience in one of ZELS’ electronic services, the e-building permit, will be delivered to the appropriate institutions and local authorities in the neighbouring Serbia. Interest for this electronic tool has also been expressed by other countries from the region, such as Montenegro and Kosovo, which got acquainted with the usefulness of the software application for the municipalities. Therefore, the e-building permit is the first “export tool” of ZELS into local authorities of the countries of the region.

Supported by the GIZ Open Regional Fund, during 2015 ZELS will implement a new project “Dissemination of the e-building permit system in South-East Europe”. This officially launched the process of capacity building in the Republic of Serbia for the implementation of the electronic application in local authorities in the country. The project will define the operational structures and work processes of the system in Serbia, and will establish a system of training for users. It will also define a plan for bringing the legal and institutional framework for Kosovo and Montenegro with recommenda-

tions about the possibilities for implementation of electronic tools and designation of focal points in other countries of South East Europe and preparation of recommendations for the implementation of regional promotional campaigns.

At the time when all countries of the region are undertaking intensive activities to attract investors, this system allows a drastic reduction of time for obtaining a building permit and provides electronic delivery of documents from any part of the world. By applying the e-building permit system, municipalities in the Republic of Macedonia have significantly increased their efficiency in the execution of one of the entrusted responsibilities, dramatically reducing the time for issuing the building permit, and all this contributes to local economic development. Since April this year, the software will get additional qualitative changes that will contribute to further facilitating the application and simplification of the whole procedure.

ZELS has established a centralized management system for e-services, which is placed in the administrative building of ZELS, therefore providing the municipalities great financial and administrative savings, through savings on procuring hardware and software, as well as maintenance. In addition, ZELS, via its training centre, provides trainings for the use of all electronic tools. All these activities are grounded in the ZELS Strategy for ICT development for the period 2011-2015.



ЗЕЛС - Асоцијација на Јединици на Локална Самоуправа
REPUBLIC OF MACEDONIA
ASSOCIATION OF LOCAL SELF-GOVERNMENT UNITS

ИНФОРМАЦИОНЕН СИСТЕМ ЗА ПОЛУЧУВАЊЕ

Welcome to the information system E-APPROVAL FOR BUILDING.

This system provides efficient, transparent and consistent means of acting of all competent authorities and entities on the latest standards, as well as possible on the basis of your submitted application.

Through this system you can submit:

- 1st Application for approval for construction, extension and upgrading
- 2nd Request for extension during construction
- 3rd Request for change of location
- 4th Application for approval for use of construction
- 5th Application for approval for the reconstruction
- 6th Application for approval for extension
- 7th Application for approval for adaptation
- 8th Application for approval for preliminary work
- 9th Application for approval of a permit
- 10th Request for issuing a decision on a request for a new accessory building permit

Information System allows the submission of all documents only electronically starting from electronic filing and signing the necessary documents by the developer, electronic provision and signing of acts in procedure, electronic reporting and the provision of necessary information and documentation from other involved entities and electronic delivery of documents in the proceedings.

For each stage where your system will be automatically notified via e-mail and/or independent system of mail delivery and automatic notification sent through short message service (SMS).

Thank you for your trust.

ZELS
Ministry of Transport and Communications

an approval for building

Remember me Login

Forgot Password? Register

Legislation and guidelines

- 1. RULES OF THE MANAGER OF IMPLEMENTING THE PROCEDURE FOR OBTAINING APPROVAL FOR BUILDING (E-APPROVAL FOR BUILDING) (PDF, 2014)
- 2. EXERCISES INSTRUCTIONS FOR SUBMITTING BY SUBMITTER (PDF, 2014)
- 3. EXERCISES INSTRUCTIONS FOR SUBMITTING BY SUBMITTER (PDF, 2014)
- 4. EXERCISES INSTRUCTIONS FOR SUBMITTING BY SUBMITTER (PDF, 2014)
- 5. Regulation Approving the Regulation on the content of projects, planning projects, the manner of implementation of the project by citizens and users of electronic services (PDF, 2014)
- 6. RULES FOR CHANGES AND ADDITIONS TO THE RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 7. RULES FOR CHANGES AND ADDITIONS TO THE RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 8. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 9. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 10. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 11. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 12. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
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- 17. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 18. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 19. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)
- 20. RULES FOR THE CONTENT OF THE PROJECT (PDF, 2014)

Towards Sustainable Municipalities by Consolidating Local Public Finances



Most of the Montenegrin municipalities are facing difficult financial situation which is characterized by high level of indebtedness and outstanding liabilities, causing a great number of problems in municipal functioning and performance of the obligations determined by law. The reasons that caused the growth of arrears and debt of local governments, especially after a period of the investment boom in Montenegro are primarily: economic and financial crisis; abolishing or significantly reducing individual sources of income of local governments; and a high rate of public spending at the local level. Local self-government is an important segment of public spending and essential factor in the overall macroeconomic stability. Thus, it is needed to establish more intensive cooperation between all partners in creating a stable and sustainable municipal funding. The Government of Montenegro has shown readiness to help municipalities that demonstrate willingness and determination to solve the increased financial burden.

Reprogramming of the Tax Debt of Municipalities

Difficult local financing situation was the reason that the Ministry of Finance organized meetings with representatives of local governments and the Union of Municipalities in order to establish measures to redress the situation. In addition, the Government of Montenegro considered the issue of sustainability of local public fi-

nances, and the Communication on the Status of Public Finances and Number of Employees at the Local Level was adopted by the end of the last year.

In order to overcome the existing situation, an inter-governmental working team was established, made up of representatives of the Ministry of Finance, the Union of Municipalities and local governments. The working team elaborated the debt status for each municipality, which has a debt to public revenue, in the order of their reprogramming. Also, the working team has defined and referred to the Government for consideration the proposal that part of municipal debts should be converted through functional properties in order to unburden the public finances of local governments, which was approved by the Government.

Thereafter, the Executive Board of the Union of Municipalities considered the Information on the Financial State of Local Governments and the Proposal of Measures prepared by the Working Group priory formed by the Board. Bearing in mind the reasons which have led municipalities in this situation, the Executive Board concluded that the resolution of this problem must be comprehensively approached, in order to ensure the sustainability of the system of local government financing. In this regard, the Executive Board has endorsed the Proposal of Measures to overcome the difficult financial situation in local self-



government units. The essence of the Proposal is the following:

- 1) The obligations of local governments in terms of downsizing the number of employees and undertaking activities aiming to more efficient collection of own revenues;
- 2) The obligations of the Ministry of Finance and other government bodies regarding the improvement of legislation in the sector of local governments financing; and
- 3) The common responsibilities of local self-government units and state administration bodies in order to settle the significant debts of local governments - reprogramming of tax debt of municipalities.

The Proposal of Measures was submitted to the Government of Montenegro, the Ministry of Finance, the Ministry of Interior and the Taxation Administration Authority for further consideration.

The inter-governmental working team continued to work on defining criteria for reprogramming the tax debt of municipalities. As a result of these activities, the Information of the Municipal Debt Reprogramming for each municipality was prepared based on taxes and contribu-

tions for employees with determined state of tax debt on 31/12/2014. The Information was adopted by the Government of Montenegro.

Based on the Information, above-mentioned activities of the inter-governmental working team and the Proposal of Measures of the Union of Municipalities, the Government has approved the reprogramming of tax debt for all municipalities that are beneficiaries of the Equalization Fund for a period of 20 years, while for other municipalities the re-payment period is determined for five years.

Contracts for tax debt reprogramming will be signed between the Ministry of Finance and local government units, while the rights and obligations arising from the assumed debt between municipalities and public institutions and companies founded by municipalities will be regulated by mutual contracts. The Ministry of Finance has prepared and submitted to local governments Draft Contracts with the proposed schedules of payment of re-scheduled obligations. While determining the schedules of payment, the starting point of the Ministry of Finance was the request of the Union of Municipalities and local governments that the amount of the monthly instalments in the first years of repayment should be lower, in order not to jeopardize the ongoing liquidity of local governments and the normal functioning of their organs, institutions and public enterprises established by them. ➡

➤ Improvement of Legal Framework related to the Local Self-Government Financing

The Union of Municipalities welcomed the Government's efforts undertaken in the field of rehabilitation of local public finances. However, in order to ensure that the measures will not have one-time effect, it is necessary to establish an adequate legal framework that will provide sustainable sources for local government finances. In this regard, the Union of Municipalities in 2014 launched number of legislative initiatives.

(1) The activities for preparation of the Bill Amending Law on Local Self-Government Financing are on-going and it is expected to be completed by the second quarter of 2015. The Union of Municipalities, through its representatives in the Working Group submitted number of proposals for changes to the Law, whose main objective is to determine the models that will provide substitution for the revenues of local governments abolished by the earlier legal changes. In this regard, it is proposed that the new legal provisions should: establish a higher percentage of income from shared revenues to municipalities; determine accurately the particular provisions which implementation practice has shown certain deficiencies; enact by-laws whose adoption is a necessary condition for the introduction of certain local government revenues (fees for protection and improvement of the environment, tax on uncultivated agricultural land, etc.); the need to streamline the involvement of the newly established municipalities that do not have sufficient fiscal capacity in the allocation of funds from the Equalization Fund, and others.

The Union of Municipalities particularly pointed to the problems that local governments encounter when providing the funds for pre-financing in the implementation of EU financed projects. In that sense, it initiated amendments to the Law on Local Self-Government Financing in the way of introduction of a "Revolving Fund", with the aim to create borrowing mechanism for funds necessary for pre-financing of 10% contribution for these projects.

(2) An initiative for establishing a mechanism for strengthening municipal absorption capacities related to IPA funds was launched at the Council for Improvement of Business Environment, Regulatory and Structural Reforms of the Government of Montenegro. The Council recommended the Ministry of Finance to consider the possibility for establishing a "Revolving Fund", in the phase of amending the Law on Local Self-Government Financing.

(3) In the light of the announced reforms in the field of spatial planning and construction, the Union of Municipalities also submitted to the Council the initiative for establishing a sustainable system of construction land management and financing of local governments as a prerequisite for creating a favourable business environment, which presented the possible consequences of the revocation of construction land fee to the stability of local finances, whose repeal was planned for 2016, in accordance with the conclusions of the Government of Montenegro. As a result of this and similar initiatives, directed towards maintaining construction land fee as a source of financing own affairs of local governments, the Government of Montenegro adopted the conclusion that this fee is retained in the system of local finances by 2020. Until that deadline, the Government should find adequate substitute income.

(4) The Union of Municipalities was actively involved in the preparation of the Amending Law on Property Tax through the participation of its representatives in the working group for preparation of the law; proposals and suggestions for improvement of the existing legal solutions; giving opinions on the draft law, as well as the preparation and submission of amendments to the Bill Law to the Committee on Economics, Finance and Budget of the Parliament of Montenegro.

The Parliament adopted the Amending Law on February 2015, including a significant number of Union's suggestions, proposals and amendments, primarily referred to the definition of terms of "taxpayer", "secondary residential building" and "construction land that is not devoted to its planned purpose"; determination of certain tax exemptions; tax levying for the real estate rolled in the investors financial books as "stocks of finished products", or "construction in progress" after determined deadline; penalty provisions; deadline for the application of the law, etc. All these changes should lead to a higher percentage of levied tax. The Union of Municipalities devoted a special attention to the provisions related to increasing the lower rates of property tax from 0.10% to 0.25%. Although it is assumed that the increase in the lower rates will lead to increased income from the property tax, the Union of Municipalities and local governments are concerned that it will reduce the payment capacity of taxpayers and thus increase tax evasion, which will ultimately have the opposite effect than expected.

(5) Related to legislation which can improve the system of local governments financing, the Union of Municipalities has submitted to the Parliament of Montenegro the Initiative for Bill Law on Communal Services

and Bill Law on Legalization of Informal Buildings to be added under urgent procedure on the Parliament's session agenda. The new Bill Law on Communal Services has been in the Parliamentary procedure since October 2011. It contains significant set of innovative solutions in terms of provision of communal services and their financing. Among other things, the Bill introduces a communal fee for the joint consumption communal services financing and investment and ongoing maintenance of equipment and resources needed to provide these services, which are now financed from the local budgets' current revenues, and which is one of the causes of the high level of local governments' outstanding liabilities and indebtedness.

The Bill Law on Legalization of Informal Buildings has been in the Parliamentary procedure since September 2012. Regulating the status of informal buildings is of the particular interests for local governments, having

in mind that under the Law on Local Self-Government and the Law on Spatial Planning and Construction, they regulate construction land and create conditions for the buildings construction, as their own affairs. In addition, the fees income set forth in the Bill Law (land development fees, regional water supply system construction fees in the municipalities on the Montenegrin coast and the legalization fee) would have a significant impact on the improvement of local governments' financial situation. In the last period, the Ministry has intensified activities related to the revision of the above-mentioned Bill Laws, in which the Union of Municipalities has been actively involved.

The Union of Municipalities of Montenegro will also in the future devote considerable attention to this component of the local public finances, with the aim of creating a sustainable local government able to respond to the growing needs of its citizens.

Network of Municipal Project Managers

The Union of Municipalities of Montenegro established the Network of Municipal Project Managers, within the framework of the EU financed project "Technical Assistance to Local Self-Government Reform in Montenegro, phase II". The Network has been established and it operates with the support of the Technical Assistance Team.

The main purpose of the Network is to create a platform for permanent exchange of experiences in projects implementation, mainly financed through EU funds. At the same time, it will support peer-to-peer learning, where the managers with more experience will transfer knowledge to others. Finally, the Network will be assisted to develop common project ideas and motivated to implement projects in partnership, thus obtaining higher absorption capacities.

The members of the Network will use their knowledge to help the Union of Municipalities and its members in



programming of EU funds, as well as in management of the approved projects. For the time being, the Technical Assistance Team will support technically and administratively the functioning of the Network, while the Secretariat of the Union of Municipalities, supported by the most active members of the Network, will take over the organization after the end of the Technical Assistance project.

E-PODEM: the largest investment in municipal capacity for management of European projects

More than 870 municipal officials were trained at the European Institute of Public Administration. The value of the technical equipment provided to municipalities under the project is over 3 million EUR.

E-Podem is among the key projects of the National Association of Municipalities in the Republic of Bulgaria (NAMRB). Its main objective is to expand the municipal capacity for successful elaboration and implementation of EU funded projects. What sets it apart from other similar projects is its integrated approach. The project invests simultaneously in:

- **Software coverage** - NAMRB developed and implemented an electronic system for the elaboration and management of projects available for all municipalities. Modern technical solution and positioning of the system in "cloud" infrastructure, allows timely maintenance and quick systematization of the necessary data for municipal projects;
- **Technical provision** - for effective work of the system NAMRB provided office equipment and hardware for all municipalities with total cost of over 3 million EUR. Supplied were scanners, servers, workstations and other devices, which guarantees that municipalities will be prepared for the introduction of complete electronic application and reporting of projects. Electronic signatures for employees engaged in communication with the Managing Authorities of the programs were also provided;
- **Human resources and educational policy** - over 870 local experts responsible for the implementation of European projects participated in thematic trainings. Experts in European projects had the opportunity to expand their knowledge for the new programming period 2014-2020 as follows: environmental experts - European requirements in the field of water protection and waste management; Secretaries of municipalities - trends in European public administration; Specialists in public procurement - a new European



Municipal Resource Coordination Center, Gergini, Gabrovo
Credits: NAMRB

requirements in the field; Financial experts - the financial management of European projects.

- **Visibility and transparency** – a special public module, allowing access to complete information about elaborated, implemented or in the process of development European projects was developed as a part of the electronic system. Technical provision of the module is guaranteed with video screens and kiosk terminals for each of the municipalities. The goal is to make information available to citizens. They were provided by NAMRB.
- **Expert and consulting support** - NAMRB built target internal unit, which is fully committed to the European municipal projects - Municipal Resource Coordination Centre. Staff of the Centre provide the necessary expert assistance to municipalities, contribute to the improvement of communication with the responsible state institutions and prepare consensual municipal positions and proposals on all issues related to the successful implementation of European projects. The entire range of services is positioned near to the communities as the Centre is located in the geographical centre of Bulgaria, in the City of Gabrovo. At the same location is situated the training centre of the local authorities, where the conference block and accommodation create ideal conditions for the organization of trainings, workshops and discussions.



*More than 870 municipal officials were trained at the European Institute of Public Administration.
Credits: NAMRB*

Results of e-Podem

Established municipal capacity and conditions for electronic submission and report of municipal European projects

Developed centralized electronic system for management, implementation and report of projects in all municipalities

Created conditions for improved visibility and awareness about European projects of municipalities

Effective functioning Municipal Resources Coordination Centre

Continuously development of databases with good municipal practices and technological solutions

Results of e-Podem

Numbers:



Upgrading the results

To organize two national forums on the opportunities and challenges of municipal European projects



To prepare and disseminate thematic edition of the 2014-2020 programming period and planned investments in the municipalities



To continue to invest in improvement of the technical provision of the municipalities as extended support to regional administrations and municipalities of Sofia, Plovdiv and Varna



To expand the activities and services of municipal resources Coordination Centre



To furnish a computer lab at the Centre for Training of Local Authorities, which will allow for interactive workshops, networking and distance training

UPCOMING

SEE local governments exchange at the 2015 Annual Forum of SEE Local Authorities

NALAS, NAMRB and the City of Plovdiv are happy to welcome you at the amazing event that we organize this May! **16-19 May 2015**, in Plovdiv, Bulgaria, the **Annual Forum of Local Authorities** will be held.

The event will include:

- Site-visits to successful projects of the City of Plovdiv
- Business fair
- Municipal projects market
- NALAS General Assembly Meeting
- NAMRB General Assembly Meeting
- Award Ceremony for the GENiYOUTH Municipal Initiatives for involving women and young people in the activities of the local authorities
- Award Ceremony for the European Label of Good Governance
- Conference: Competences and Preparedness of Local Authorities from South-East Europe for Prevention and Risk Crisis Management

Plovdiv is the place to be

Plovdiv, the European Capital of Culture 2019, is a remarkable city. Known as the oldest living city in Europe, it offers impressive history, culture, architecture and art. Along come the modern investments in the city, EU projects, industrial zones, e-governance, which make this city a nice place for living, but also a great example to learn from. The 2015 Annual Forum will provide an opportunity for networking among South-East Europe municipalities, learning from each other and showcasing case studies and best practices in sustainable local development.

The National Association of Bulgarian Municipalities is one of the strongest NALAS member associations. It has been established in 1997, and since 1999 it unites all 264 municipalities in Bulgaria. NAMRB has extensive experience in organizing large-scale events and international cooperation. In 2005 NAMRB has established NAMRB-Aktiv Ltd, specialized in event management and consultancy. During the event, NAMRB will organize its Annual Meeting, with over 500 Mayors and delegates.



New NALAS website brings SEE local government issues closer to everyone



Striving to improve every day, to the benefit of our members, we are happy to present to you the new, modern, comprehensive and refreshed NALAS website. The new website follows the latest trends in web design, offering an easy to use, rich in content and informative platform for knowledge exchange on local government issues in South-East Europe.

At the NALAS website, you will read about recent developments in the local government arena throughout South-East Europe, will have access to NALAS Knowledge Centre, will make the use of NALAS products, tools and literature and will be able to get to know NALAS services designed for its members. Also, by visiting the website you could learn all about NALAS' institutional background, and you will get fresh information about our activities and achievements.

Visit www.nalas.eu, add it in your favourites and be with us on daily basis. As always, we remain available for your ideas and suggestions.



Who we are?



NALAS is a network of associations of local authorities of South East Europe. The Network brings together 16 Associations

which represent roughly 9000 local authorities, directly elected by more than 80 million citizens of this region. The NALAS Secretariat, based in Skopje, is responsible for the overall coordination and the implementation of the activities.

NALAS was created in 2001 following the first Forum of Cities and Regions of South-East Europe (Skopje, November 2000), organised by the Congress of Local and Regional Authorities of the Council of Europe. The Network was established under the auspices of the Stability Pact for South Eastern Europe (Working Table 1) and the Council of Europe. During the first years, NALAS functioned as an informal organisation with regular meetings, seminars and training programmes. In July 2005 NALAS became an officially registered association with its seat in Strasbourg. The NALAS Secretariat was established in March 2007.

NALAS promotes the process of decentralisation in cooperation with central governments and international organisations, considering local self-government as a key issue in the current process of transition affecting the various countries in South-East Europe. NALAS builds partnerships in order to contribute to the reconciliation and stabilisation process in the region and henceforth contributes to the process of the European integration of the whole region.

NALAS initiates and carries out regional initiatives for its members and helps the associations to become viable representatives of local authorities vis-à-vis central government. NALAS aims to provide services to local governments for the benefit of the citizens in the region and wishes to develop itself as the knowledge centre for local government development in South-East Europe, recognised among all relevant stakeholders.

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*If you want to contribute to the next issue of NALAS Newsletter,
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