



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

# NALAS Annual Activity Report

## January – December 2008

24 November 2008



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Réseau des Associations de Pouvoirs Locaux de l'Europe du Sud-Est

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Tirana, 24 November 2008

# List of Abbreviations

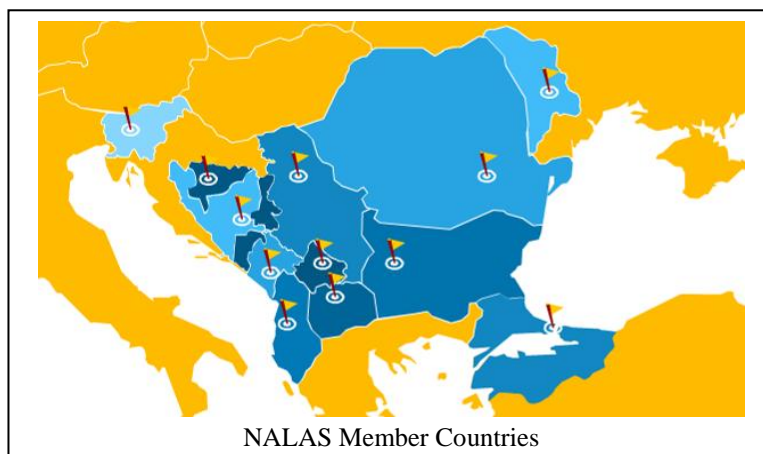
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|         |  |
|---------|--|
| AAM     | Association of Albanian Municipalities   |
| AKM     | Association of Kosovo Municipalities   |
| ALVRS   | Association of Towns and Municipalities of Republic of Srpska                      |
| CLO     | Committee of Liaison Officers  |
| FALR    | Romanian Federation of Local Authorities   |
| FEDRE   | European Foundation for the Sustainable Development of the Regions                 |
| LOGIN   | Local Government Information Network   |
| NALAS   | Network of Associations of Local Authorities of South East Europe                  |
| NAMRB   | National Association of Municipalities in the Republic of Bulgaria                 |
| NLAMM   | National League of Associations of Mayors from Moldova                             |
| SCTM    | Standing Conference of Towns and Municipalities                                    |
| SOGFBiH | Association of Municipalities and Cities of the Federation of Bosnia and Hercegov. |
| SOS     | Association of Municipalities and Towns of Slovenia                                |
| TF AD   | Task Force on Association Development  |
| TF FD   | Task Force on Fiscal Decentralization  |
| TF EE   | Task Force on Energy Efficiency  |
| TF SWM  | Task Force on Solid Waste Management   |
| TF UP   | Task Force on Urban Planning   |
| UMM     | Union of Municipalities of Montenegro  |
| UMMR    | Union of Municipalities of the Marmara Region                                      |
| ZELS    | Association of the Units of Local Self-government of Republic of Macedonia         |

# 1. Synopsis: NALAS Action Plan 2006-2008

## 1.1 Purpose

NALAS promotes the process of **decentralization** in co-operation with central governments and international organizations, 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 stabilization 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.

## 1.2 Strategic objectives

Four priorities are defined by the NALAS Strategic Plan, among which the first 2 have been addressed in the Action Plan 2006-2008:

1. The development of the NALAS in the next 4 years into one of the main knowledge centers on local authorities issues in South Eastern Europe through exchange and collection of experiences among and educational activities for NALAS members.
2. The establishment of ad-hoc expert groups on at least one priority topic every year in order to influence the policies of donors and central governments from South Eastern Europe in that given topic, in line with the principles of the European Charter of Local Self Government.
3. The identification, design, securing of donor funding, and coordinating of the implementation of at least four common projects for NALAS members in the next four years on the priority areas of the NALAS for this period (at least one common project every year).
4. The development of a communication strategy for NALAS in order to become more visible to donors, local authorities, central governments, international NGOs and sister associations in the next 4 years

## 1.3 Planned results for the years 2006 - 2008

The results planned by NALAS Action Plan 2006-2008 are the following:

- Establish two new task forces per year over the period 2006-2008, i.e. a total of six
- Create the Knowledge Center
- Establish the NALAS Executive Office

## 2. Summary of the main 2008 achievements

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### **NALAS has strengthened and broadened the network:**

- Membership base has been broadened. The Union of the Municipalities of the Marmara Region (UMMR) has joined NALAS on May 2008.
- Leadership (Presidents and General Secretaries) of the member Associations approved and promoted NALAS policy recommendations (e.g. joint declaration on municipal budget negotiations).
- A growing participation of local experts in the NALAS Task Forces has been secured. Level of expertise has increased. The local expertise coming from the NALAS members is expressed through 22 concrete Task Force projects of which 8 are being executed.
- Formal and informal relationships among technical staff levels of the member Associations is established and improved. Information Technology, Public Relations, Project Management and Training Officers of member Associations met for the first time and exchanged experiences. Beside the concrete results of each meeting, this also creates a platform for further networking activities.
- All members have been increasingly more active in the network activities.

### **Institutional Development**

- The Strategic Plan for the period 2009-2012 has been developed. The draft is presented at the General Assembly in 24 November 2008.
- A business plan with several scenarios for a sustainable funding scheme is being developed to achieve long-term sustainability.
- Membership fees paid by all NALAS members for the first time since NALAS exists.
- The NALAS secretariat's human capacity has been upgraded with competent program officers who are leading the Task Force activities.
- The new office in Skopje within the House of Municipalities provides visibility for NALAS towards key local government stakeholders. Mayors, ambassadors and international delegations visiting ZELS now also stop by at the NALAS office.

### **Political lobbying / International Visibility**

- A strategic partnership is established with the Council of European Municipalities and Regions (CEMR) through a mutual membership status.

- A written proposal for strengthening the relations with the Congress of Local and Regional Authorities of the Council of Europe is submitted and processed within the Congress structures, a subject of review at the autumn 2008 Plenary Session.
- NALAS is recognized as an important actor and has actively participated in international initiatives such as the Forum of local and regional authorities of the Mediterranean.
- NALAS took part and influenced the content of the declaration of the International Conference “Towards Sustainable Training Systems and Effective Capacity Development in Local Government”. This contribution is based on the results of the NALAS workshop on “The role of associations in training delivery to local authorities”, that was held in March 2008.

### **Quick Response capacity**

NALAS members started to use a new NALAS service “Quick Response” which is described and accessible through the NALAS website <http://www.nalas.eu/ad/quickresponse.aspx>

Several concrete requests were addressed:

- Based on the proposal of the Romanian Association (FLAR) a training course on project cycle management and access to IPA EU funds was realized.
- The Association of Montenegro (UOM) requested support in developing their National Training Strategy. NALAS responded with a quick survey and workshop which resulted with a comprehensive publication on training systems which included the survey report.
- The Association of Kosovo Municipalities (AKM) being involved in drafting the inter-municipal cooperation legislation in Kosovo, requested information from NALAS. NALAS provided resource materials from Macedonia, Bosnia, Bulgaria and Moldova.

### **Knowledge Center**

- The platform for the Knowledge Center is developed. It consists of IT infrastructure, a knowledge repository and tools for knowledge management.
- The Knowledge Center already offers public services, like a front-end website, necessary information for the activities of the task forces, produced documents and database of experts.
- An Interactive Map of the region with key Local Government data from different sectors (training, finances, urban planning, etc) is also being developed.
- In addition, member-only services offer tracking of project activities, forum and directory.
- 2 published products: "How to lead successful budget negotiations with the national government?", "Role of LGAs in South East Europe in Training Delivery to Local Authorities", "NALAS Annual Report 2007" are being printed.

- Each Task Force has produced and has regularly updated an Inventory of common problems in the region for the area of interest (local finances, urban planning, solid waste management, energy efficiency).

#### **Task Force on Fiscal Decentralization**

- 2 meetings held in 2008 gathering 10 respectively 15 experts from 10 countries.
- Association leadership (presidents and executives) developed a joint declaration which reflects the position of the network on the role of LGAs in negotiating better fiscal framework with the central government. Municipal Budget Negotiation publication has been completed.
- National Reports on the status of the Property Tax Administration have been collected and a comparative analysis developed.
- National report on the current practices in the region in estimating the costs of the municipal services is in progress.

#### **Task Force on Solid Waste Management**

- 9 associations nominated new members of this Task Force.
- 1 meeting held in 2008 – 17 persons participated at the meeting.
- Common problems and priorities agreed.
- 5 project proposals identified and drafted.

#### **Task Force on Urban Planning**

- Two pilot municipalities selected: Sukth (Albania) and Prijedor (Republic of Srpska / Bosnia and Herzegovina);
- Memorandum of Cooperation signed with each pilot municipality, staff has been allocated for work on the pilot projects;
- Five site visits, some combined with task force meeting took place in 2008;
- Laws that deal with informal settlements have been collected in the pilot municipalities;
- Urban planning laws are being collected for analysis.

#### **Task Force on Energy Efficiency**

- Task force established on 14 February 2008;
- Two task force meetings took place, bringing together energy experts, municipal officials and other practitioners from 10 member countries;

- Energy challenges in the South-East Europe have been identified and task force priorities have been set to address some of those challenges;
- One comprehensive project idea has been developed, with broad coverage – affecting citizens, local authorities, states and international organizations;
- Contacts with possible new partners established; joint activities and close cooperation likely with the United Nations Economic Commission for Europe, the Regional Cooperation Council and the Regional Network for Efficient Use of Energy and Water Resources for South-Eastern Europe.

### **Association Development for NALAS members**

Several new initiatives have been developed upon members requests

- Shadowing Program available at <http://www.nalas.eu/ad/shadowing.aspx>  
It provides opportunity for on job training. One association has started to use it by sending its staff member to reside in the NALAS Secretariat.
- 4 workshops have been organized on training, IT, PR and project cycle management (see above). As one of the results a number of project ideas were developed which will be the bases for network activities in the future (assessment of level of decentralization in NALAS member countries, inclusion of minorities at the local level, local strategies on sustainable tourism development, website hosting / development for “weaker” Associations, IT standards for local government, PR events, etc).
- Peer-Review program is being developed. This includes organizational assessment and development of capacity building plan through a peer-to-peer advice from colleagues of other associations from the network.
- NALAS activities on EU Integration issues have been identified.

### **Regional Cooperation**

- There are Pilot activities in Urban Planning sector in different municipalities in the region: e.g. Urban Integration of Informal Settlements in a municipality in Albania and the other in Republic Srpska of Bosnia and Herzegovina. A system of inter-country exchange of experiences is being developed.
- Task Forces gather experts from NALAS member countries. They work jointly in identifying common priorities.

# 3. Detailed 2008 Activity Report

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## 3.1 Administration

### 3.1.1 Financial Management – “QuickBooks”

NALAS has introduced the “QuickBooks” software to manage the NALAS accounts as of January 2008. This internationally recognized financial management tool is now able to track each expense, tag it with each source of revenue, produce up to date / real time reports which prevent any possible inaccuracies during reporting. All past NALAS expenditures from the previous 2006 – 2007 period have also been recorded in this new system.

### 3.1.2 Financial Audit

Based on the NALAS contractual requirements with the current donors, but also as an effort to build transparent financial management process, an external auditing company was engaged to audit the NALAS finances for the period July 2006 to December 2007. Five (5) international auditing companies from the official Macedonian Government list were invited to make an offer based on the specifications explained in the NALAS Call for Proposals. Three (3) Audit Companies made a formal offer: KPMG, Deloitte & Touche and Ernest& Young of which the latter offer was accepted as the cheapest one (3600 euro) while the other offers amounted above 5000 euro for the service. The audit procedure took place during March and the final Report was submitted on 31 March 2008.

The findings of the Audit Report are positive. This audit marks one of the first relevant evidences that the NALAS internal financial system grew in a very short time frame and is prepared to meet the international accounting standards while processing the funds needed to implement the NALAS activities and reach the goals set in the strategic plan.

### 3.1.3 New Office Space

NALAS moved to new offices located within the new ZELS building “House of Municipalities” which was built with European Agency for Reconstruction funding. This possibility was announced during the CLO meeting in Strasbourg when the NALAS Executive Director was authorized by the CLO to search for new office until the ZELS building is put in function. The new NALAS office space is 20 minutes drive from the Skopje center, but, it costs less than the previous centrally located building and it provides more office space and visibility for the NALAS Secretariat. Moving to new offices, NALAS had to change also the telephone numbers and the address which is now Zenevska bb. Many relevant delegations and guests have been visiting the NALAS new premises during 2008.



Swiss Ambassador visits NALAS



New NALAS Office at ZELS House of Municipalities

### 3.1.4 VAT Refund

Both SDC and GTZ grant support to NALAS have been registered within the Macedonian government, at the Secretariat of European Affairs for applying exemption from payment of VAT. This made NALAS eligible for VAT refund. The requests for VAT refund will be submitted by the end of 2008 and the refunded amount will be registered in the NALAS accounts as deducted expenses and used for implementation of NALAS activities as planned in the annual work plan.

### 3.1.5 NALAS Internal Rules and Procedures

The NALAS Executive Bureau approved the proposed content of the NALAS new Internal Policies and Procedures and authorized the NALAS Executive Director to develop the first draft and present it to the CLO.

The Executive Bureau advised the Executive Director that the Internal Policies should consist of two main parts: one part covering the personnel management and operation of the Secretariat for which the CLOs should be informed; and the second part should specify the work of the General Assembly, the Committee of Liaison Officers and the Executive Bureau. The latter part should be approved by the CLO.

## 3.2 Activities of TASK FORCES

The reporting period is marked with intensified work of Task Forces in producing and implementing specific projects. The leadership of specific projects was assumed by NALAS members who took the full responsibility in project implementation. First results of these activities were produced and discussed with NALAS members' top leadership. Five (5) Task Forces were put in place in 2008 and specific projects were designed to guide the future work of the Task Forces. For several projects funding was secured and implementation started. In the reporting period, in addition to regular Task Force meetings, several meetings of groups of local and international experts took place to guide the work and provide input for specific TF projects. The status of all current projects is shown in the table below:

| Project Title  | Group                   | Host Association | Lead Association | Funds   | Budget    | Status             |
|--|-------------------------|------------------|------------------|---------|-----------|--------------------|
| AD1: Quick Response                                    | Association Development | ZELS             | NALAS            |         | 40.000,00 | on-going           |
| AD2: Shadowing Program                                 | Association Development | ZELS             | NALAS            |         | 20.000,00 | on-going           |
| AD3: Peer Review                                       | Association Development | ZELS             |                  |         |           | project idea       |
| AD4: EU Integration                                    | Association Development | ZELS             |                  |         |           | project idea       |
| EE: Case Studies on Energy Efficiency                  | Energy Efficiency       | AKM              |                  |         |           | project idea       |
| EE: Developing Municipal Plans on EE                   | Energy Efficiency       | AKM              |                  |         |           | project idea       |
| EE: Energy Efficiency Standards/Awards                 | Energy Efficiency       | AKM              |                  |         |           | project idea       |
| EE: Raising Awareness on Energy Efficiency             | Energy Efficiency       | AKM              |                  |         |           | project idea       |
| FD 1: Pilot Cost Estimation of Municipal Services      | Fiscal Decentralization | NAMRB            | NAMRB            | GTZ/ORF | 41.000,00 | on-going           |
| FD 2: Improvement of Local Property Tax Administration | Fiscal Decentralization | NAMRB            | SCTM             | GTZ/ORF | 85.000,00 | on-going           |
| FD 3: Budget Negotiation                               | Fiscal Decentralization | NAMRB            | NAMRB            | SDC     | 20.000,00 | on-going           |
| FD 4: Local Borrowing                                  | Fiscal Decentralization | NAMRB            | FLAR             | GTZ/ORF | 94.000,00 | proposal submitted |
| FD 5: Municipal Finance Database (Phase I)             | Fiscal Decentralization | NAMRB            | NALAS            | LGI     | 30.500,00 | proposal submitted |
| SW: Cost Estimation of Solid Waste Management Services | Solid Waste and Water   | SCTM             | NLAMM            | GTZ/ORF | 67.000,00 | proposal submitted |
| SW: Efficient Landfill Management in SEE               | Solid Waste and Water   | SCTM             | AKM              | GTZ/ORF | 85.000,00 | proposal submitted |
| SW: Landfill Sitting                                   | Solid Waste and Water   | SCTM             | SGOFBIH          | GTZ/ORF | 60.000,00 | proposal submitted |
| SW: Municipal Solid Waste Management Database          | Solid Waste and Water   | SCTM             | SCTM             | GTZ/ORF | 77.000,00 | proposal submitted |
| SW: Recycling Potential in SEE                         | Solid Waste and Water   | SCTM             | UOM              | GTZ/ORF | 67.000,00 | proposal submitted |
| UP 1: Urban Integration of Informal Settlements        | Urban Planning          | SOS              | SOS              | GTZ/ORF | 81.478,00 | on-going           |
| UP 1: Pilot in Sukth                                   | Urban Planning          | SOS              | AAM              | GTZ/ORF | 80.700,00 | on-going           |
| UP 1: Pilot in Prijedor                                | Urban Planning          | SOS              | ALVRS            | GTZ/ORF | 82.200,00 | on-going           |
| UP2: Urban Economics                                   | Urban Planning          | SOS              |                  | GTZ/ORF |           | project idea       |

### 3.2.1 Task Force on Solid Waste Management

#### Meeting



TF on SWM re-started with its activities with the organization of its fifth meeting, held on 10-11 April in Sarajevo. The meeting was dedicated to presentation and review of previous results, as well as to development of new project ideas. The experts from the Federation of Bosnia and Herzegovina, Republika Srpska, Macedonia, Montenegro, Moldova, Serbia and Kosovo participated at the meeting.

#### Projects

The projects developed by TF SWM members are the following:

- Municipal Solid Waste Database
- Cost Estimation of Solid Waste Services
- Recycling potentials in SEE
- Landfill siting
- Landfill management

After the meeting of the Task Force on Solid Waste Management, the experts from the associations that were identified as potential leaders of the projects developed full project proposals, with support of NALAS Secretariat. The draft project proposals were commented and approved by the NALAS Committee of Liaison Officers on its meeting held in Chisinau on 23-24 May 2008. The improved proposals and full budgets have been developed and submitted to Open Regional Fund of BMZ / GTZ for possible funding.

### 3.2.2 Task Force on Fiscal Decentralization

#### Meetings



The Task Force on Fiscal Decentralization (TF FD) was expanded with 5 new members in this period. Almost all NALAS members are now represented by competent national experts. The fourth meeting was hosted by the Association of Towns and Municipalities of Federation of Bosnia and Herzegovina and was held on 6-7 April in Sarajevo, while the fifth meeting was held in Pomorie, Bulgaria, on 5-7 June, in the framework of the Bulgarian Annual Conference of Municipal Finance Officers, organized by NAMRB. Both meetings were devoted to the presentation of the first results and current activities of the projects implemented, as well as to the development of new project ideas. Additionally, the members of the TF FD had the occasion, during its last meeting, to learn more about the situation in the field of local finances in Bulgaria, and to exchange experiences with over 300 of Bulgarian Municipal Finance Officers.

## Projects

### 1. Budget Negotiations



The project on Budget Negotiations is being implemented by NAMRB: the project started with a **survey** on legal framework and practices in NALAS countries and 7 associations replied to the questionnaire. Based on the inputs received, the **guidelines** on successful budget negotiations between LGA and the Ministry of Finance were developed by the NAMRB expert team. The guidelines were discussed at TF FD meetings, reviewed and commented by the International Expert and will serve as the basis for development of training programs for LGA leaderships, LGA staff and municipal experts,

and media.

The guidelines consists of recommendations on legal provisions which put the LGA in good negotiation position vis-à-vis the Ministry of Finance, a description of negotiation procedure and a sample Memorandum (Protocol) of agreement and differences as a final paper which documents the outcomes of the negotiations.

The developed guidelines were presented at the *Introductory meeting of NALAS members' Presidents and Executive Directors*, held on 28-29



NALAS Members Presidents Agreed on "Declaration on Budget Negotiations"

June in Budva, Montenegro. The presidents and executive directors of 11 NALAS members shared their experiences in budget negotiations and adopted the conclusions and recommendations for follow-up activities (*see Annex 1*).

After adding the inputs and comments from the Budva meeting into the final document, the Editorial Board constituted of the NAMRB, NALAS, TF FD and independent experts reviewed and approved the final version of the guidelines, which is now being published and translated into all local languages.



*The NALAS Fiscal Decentralization Task Force lead by the expert team of the National Association of Municipalities of the Republic of Bulgaria (NAMRB) completed a project on the assessment and improvement of negotiations between the local government associations and the relevant partners in the national government. The overall goal of this project was to improve the local governments' negotiation position during fiscal planning and budget implementation process. More specifically the project aims to improve the responsiveness of intergovernmental transfers on municipal priorities, to make grant allocation more transparent and more predictable and to establish clear fiscal equalization system.*

*The procedural rules of budget negotiation between the National Association of local governments and the Ministry of Finance are extremely significant tools in achieving fiscal objectives and protecting municipal interest in the course of drafting the annual national budget act. The Budget Negotiation guidelines are now available on the NALAS Knowledge Center and will be soon translated in all local languages.*

## 2. Improvement of Property Tax Administration

The project aims to develop country reports on local property taxation, the existing legislation, an inventory of government programs, identify common issues in NALAS member countries, prepare a standard manual on property tax collection and prepare proposals on critical components of capacity development programs for NALAS members.

The contract between GTZ local office and SCTM as the leading association was signed beginning of May. Meanwhile, the launching workshop with local experts involved in the project was held on March 17, when the outline of the country reports was discussed and agreed upon. Based on the outline, and with support of the international expert, the local experts from 8 countries prepared their country reports which describe the situation of property tax administration in the country. Capacity development program and guidelines for improvement of the property tax administration in NALAS countries are now being prepared. The project is planned to be completed by the end of December 2008.

## 3. Municipal Cost Estimation

The project aims to develop a clear template / methodology for calculating the real total costs (including direct current expenses, overhead costs and capital investment) of specific municipal services. This cost estimation template could be used in many ways: during budget negotiations, for designing fiscal equalization mechanisms and at the very local level for calculating the total costs of services.

The contract between GTZ local office and NAMRB as the leading partner was signed in the first half of April. The local experts from 6 countries were appointed by the associations, and the questionnaire prepared and sent to the experts. The information gathered will help in formulating the methodology for the cost estimation of 3 municipal services: schools, kindergartens and building permits, which will be tested in around 24 municipalities from the region.

## 4. Municipal Finance Database

This project aims to design and to develop local government financial and service performance database for local government associations. Based on the assessment of available information sources in selected countries, the project will assist NALAS member association for developing data collection, importing, conversion, management, maintenance and updating systems.

The project on municipal finance database was discussed on TF FD meeting in April, and modified, according to the fact that ZELS got support from USAID to establish its own database. Based on that, NALAS applied to LGI-OSI for financing of the regional component of the project, while ZELS will be used as a pilot to test the methodology and give advice to the others. The application to LGI- OSI was approved in October.

## 5. Local Borrowing

The project aims to develop a consolidated overview of the current municipal debt legislation framework with all elements which contribute to the development of municipal capital markets within NALAS member countries; produce a guide for borrowing that include matching priorities with funding needs and sources, capital project timeframes, and detailed project financing plans.

The project was submitted to Open Regional Fund for funding and is initially approved. The Romanian Federation of Local Authorities (FALR) will lead the project. The implementation should start till the end of the year.

## 6. Municipal Program Budgeting

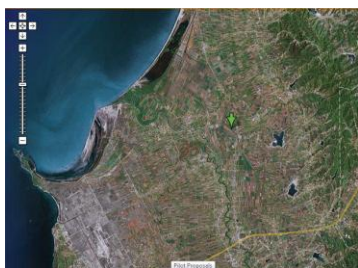
The new idea of municipal program budgeting was presented by AKM, as well as their experience in the process. At the last TF FD meeting held in June, it was proposed to monitor the system in several municipalities from the region and develop case studies. Based on the experiences, new ideas for follow-up activities would be developed. At the same time, the comparative analysis of the various experiences from different countries can be made.

### 3.2.3 Task Force on Urban Planning

The NALAS Task Force on Urban Planning consists of eight regional urban planning experts representing member associations. In 2008 the NALAS Task Force on Urban Planning focused on the kick-off of its first project: Urban Integration of Informal Settlements. The duration of this project is expected to be about 1.5 years and its first part (points 1 and 2 of the operational plan) are planned to be completed within 7 months from the beginning.

The first part of the project involves two pilot municipalities, collection and analysis of existing laws and a collection and analysis of existing informal settlements.

NALAS visited three of the proposed pilot municipalities.



*Municipality of Sukth (Albania):* Between 29 and 30 January 2008, NALAS visited relevant organizations in Albania, such as the Durres Office of the Agency of Legalization, Urbanization and Integration of Informal Buildings and Zones, the Municipality of Sukth, the Advisor of the Prime-Minister for Urban Planning and the Agency of Legalization, Urbanization and Integration of Informal Buildings and Zones. A report from this visit is available at: <http://www.nalas.eu/events/2008-01-26-UP1inAlbania/UP1MeetingsinAlbania.pdf>



*City of Banjaluka (Republic of Srpska, Bosnia and Herzegovina):* On the 19 February 2008, NALAS visited the City of Banjaluka and held meetings with the Mayor of Banjaluka, the Head of UP department and with the Department for Legalization. A report of this visit is available at: <http://www.nalas.eu/events/2008-02-19-UP1inRS/UP1MeetingsinBanjaLuka.pdf>

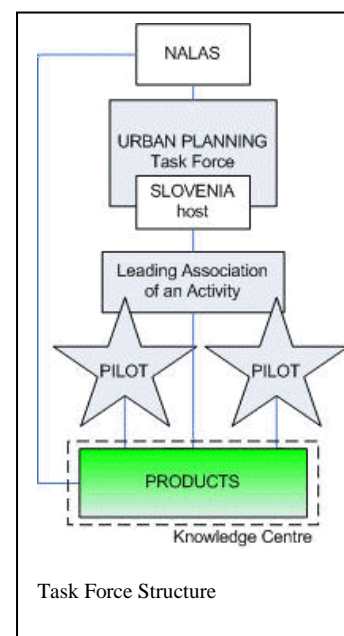


*City of Prijedor (Republic of Srpska, Bosnia and Herzegovina):* On the 20 February 2008, NALAS visited the City of Prijedor to assess their situation in regards with the legalization of informal settlements. A report of this visit is available at: <http://www.nalas.eu/events/2008-02-19-UP1inRS/UP1MeetingsinPrijedor.pdf>

[02-19-UP1inRS/UP1MeetingsinPrijedor.pdf](http://www.nalas.eu/events/2008-02-19-UP1inRS/UP1MeetingsinPrijedor.pdf)

The reports from the site visits were shared with the Task Force and it was concluded that Sukth and Prijedor are most appropriate pilot municipalities for the UP1 project.

Following the approval of the pilot municipalities, contracts were prepared for the Association of Albanian Municipalities, Association of Towns and Municipalities of Republic of Srpska



and Association of Municipalities and Towns of Slovenia. The contract with the Association of Albanian Municipalities was signed in mid March 2008 and the contract with the Association of Towns and Municipalities of Republic of Srpska was signed in May 2008.

The Albanian association swiftly advanced with the hiring of Ms Franka Paloka as a project officer and Mr Kadri Gega, as a technical coordinator. A kick-off meeting followed to mark the beginning of the activities in the Municipality of Sukth. A report is available at: <http://www.nalas.eu/events/2008-04-10-UP1/>



A kick-off workshop was organized, together with a task force meeting in Prijedor and Banja Luka. This meeting marked the beginning of the project activities in the Municipality of Prijedor, by signing a Memorandum of Cooperation between Municipality of Prijedor, Association of Towns and Municipalities of Republic of Srpska and NALAS. A delegation from Albania, including Mr Yrjan Hasani, Mayor of Municipality of Sukth, was also present at the meeting. A report is available at: <http://www.nalas.eu/events/2008-06-10-UrbanPlanning/>

A report is available at: <http://www.nalas.eu/events/2008-06-10-UrbanPlanning/>

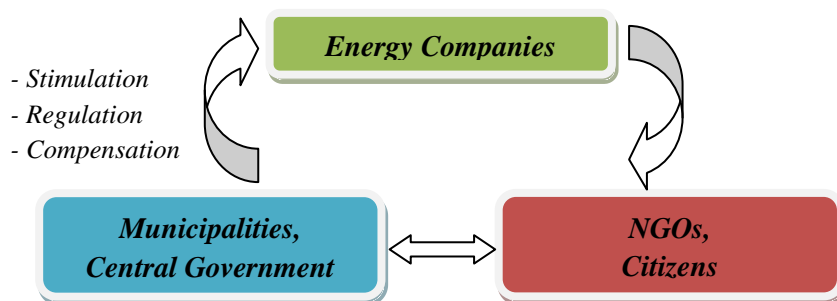
The Association of Towns and Municipalities of Republic of Srpska hired Ms Anita Zrnic as a project officer and Ms Jelena Hrgar, as a technical coordinator.



A Memorandum of Cooperation between the Municipality of Sukth, Association of Albanian Municipalities and NALAS was signed on 9 September 2008, which marked the beginning of field activities of the project. Areas of special interest for the urban planning and integration of informal settlements in Sukth were also visited.

### 3.2.4 Task Force on Energy Efficiency

The NALAS Task Force on Energy Efficiency is an emerging task force. As energy efficiency is an interdisciplinary field, this task brings together energy experts, municipal energy managers, mayors and other professionals who contribute together in mitigating the energy problems by proposing *changes in the legislation, collecting best practices, encouraging better use of the available energy and employing renewable sources of energy.*



*Role of local and regional authorities and central government in mitigation of energy challenges*

During this reporting period the NALAS Task Force on Energy Efficiency focused on discovering of challenges and priorities and on the development of its first project idea. The developed project contains a comprehensive set of interdisciplinary activities taking place over a time period of over 2.5 years. Relevant partners in the energy sector were identified and important institutional link were established with UNECE,

Regional Cooperation Council (RCC), RENUER, etc. In addition FEDRE and Energy Cities, being NALAS associate members, are both an important asset for the future more intensive involvement of our network in this important sector.



The first meeting of the NALAS Task Force on Energy Efficiency took place in Prishtina on 15-16 February 2008. NALAS gathered experts on energy efficiency to meet and discuss the rapidly increasing energy challenges in South East Europe. The group will try to mitigate the problem by proposing changes in the legislation, collecting best practices, encouraging better use of the available energy and deploying renewable sources of energy.

The group identified the challenges of the energy efficiency sector in South East Europe:

- Current Legal framework is incomplete and partially contradictory;
- Existing laws are not being implemented / enforced and many by-laws are missing;
- Local energy strategies or plans are missing; there is no baseline data on current energy consumption;
- Municipal district heating companies are overstaffed and undercapitalized with under-qualified management structures;
- Energy prices are normally subsidized. Low prices encourage waste of energy and discourage many reasonable energy efficiency investments;
- Collection rates (per cent of paid bills for delivered services) are unsatisfactory;
- Air pollution from energy production is significantly above EU-standards;
- Use of Renewable Energies is minimal due to lack of technical knowledge, missing legal provisions and subsidized prices for energy generated from fossil fuels;
- Public awareness is low, specifically concerning the economic and environmental dimensions of energy efficiency;
- Scientific capacity and expertise, which could be addressing the above deficits, is missing – especially regarding the legal and economic dimensions.

The task force developed four initiatives that may be developed into future projects. A report is available at <http://www.nalas.eu/events/2008-02-15-EnergyEfficiencyTaskForceMeeting/>



NALAS TF on Energy Efficiency was represented at the European Climate conference in Rovigo during 2-4 April 2008. A report is available at <http://www.nalas.eu/events/2008-04-02-ClimateChangeConference/>

NALAS also participated at the meeting titled “Towards Europe’s sustainable energy future... Local authorities are ready to act!” – organized by Energie-Cites and the County of Cork in Ireland.



The second meeting of the Task Force on Energy Efficiency took place in Geneva on 21 and 22 September 2008. Energy experts, municipal officials and university professors discussed energy challenges and planned for activities in response to some of those challenges. The meeting extended a visit to the United Nations office in Geneva to meet with the United Nations Economic Commission for Europe. The energy challenges in the South-East Europe are not much different than in the rest of Europe. However, South-East Europe also suffers from severe economic and environmental problems caused by the inefficient and polluting energy systems in place. A report and the project idea are available at <http://www.nalas.eu/events/2008-09-21-TFEE/>

### Project Idea

Having identified the challenges and the current capacity of the NALAS network, the NALAS Task Force on Energy Efficiency developed future project activities that could address some of the challenges and promote innovative use, reuse and conservation of energy. The proposed project would have two closely connected components. The first component would focus on conducting **pilot activities** within the NALAS members and the second component would consist of **crosscutting activities**.

*Pilot activities:* It is envisioned that one municipality per each region or association would get involved in one pilot activity. The pilot activities would have to bring tangible results and be both efficient and effective for the selected municipality. It would also have to meet the energy view of the municipality and the responsible local government association. The identified pilot activities are *Low Energy School Building with Public Awareness Component, Heating and Cooling with Renewable Sources and Street Lighting*.

*Crosscutting Activities:* The crosscutting activities would focus on the policy reform needed to support implementation of innovative energy strategies and on disseminating the knowledge gathered from the pilot projects. The crosscutting activities would bring citizens, local authorities, energy companies and investors together to spread knowledge on current trends and activities and encourage joint action for achieving better energy efficiency. The crosscutting activities will include: *Compilation of model municipal policies and state regulations, Best Practices (pilot experience), Energy Efficiency Event / Fair at each country, International conference and networking*.

#### 3.2.5 Task Force on Association Development

The Task Force on Association Development met only once this year in Chisinau on May 23, 2008, revised its plan of operation for 2008 and worked on the first draft of the new NALAS vision and mission statements, which will be part of the NALAS strategic planning 2009-2012. Several AD TF initiatives, which were previously agreed, have been implemented in the reporting period. The main activities were focused on developing the network at the staff level of member associations, introducing the Shadowing and the Quick Response program, while some preparatory work was done for the Peer Review that will start in 2009 in coordination with the Center for Expertise of the Council of Europe.

Several Task Force activities were implemented and 4 NALAS professional networks were established: of Training Officers, Public Relations, Information Technology Officers and Project Managers.

#### *First NALAS IT and PR Meeting in Ohrid, 6-8 July 2008*



In an effort to network its member associations on multiple levels, NALAS gathered Information Technology (IT) and Public Relations (PR) staff of the member associations in Ohrid, in the period of 6-8 July 2008. In addition, the meeting was an effort to establish new communication channels for exchange of information between NALAS Knowledge Centre and the member associations.

During the workshop, both PR and IT groups identified common needs and proposed future activities to be implemented by NALAS: in the field of PR, advanced workshops with practitioners as lecturers will be organized, existing PR literature will be collected and made available to NALAS members, regional awards for municipal PRs and journalists will be organized, and similar. A Working Group that will lead the process of developing a NALAS Communication Strategy was established.

On the other side, the IT staff discussed the information technology needs of the associations and identified several priorities: standardization and certification, education, access to professional information, development of joint technical solutions.

### *Shadowing Program*



The Shadowing Program was developed as a result of the work of the Association Development Task Force. Staff of a stronger association may go to a weaker association to provide technical assistance, or staff from a weaker association will go to a stronger one to observe and learn on the job. This Program makes possible for the NALAS members' staff to acquire on-job training from his/her fellow colleague from another NALAS member who is more advanced in a certain LGA performance area such as policy development, coordination of policy committees, member services, newsletter, PR, IT, etc. The program covers travel and accommodation costs.

During the reporting period, the application procedures and the structure of the shadowing program have been developed and then approved by the CLO at the meeting in Skopje on 6 March. All information about the program and the application form is available on the NALAS website: <http://www.nalas.eu/ad/shadowing.aspx>

The Program has been launched on 31 March 2008. The first participant of this program is Mr Ion Beschieru from NLAMM who stayed at the NALAS Secretariat for 3 (three) months but also exchanged frequently with his colleagues from ZELS. The main benefits from Mr Beschieru participation at the shadowing program are the following:

- The base for the NLAMM web site has been developed (still under construction, at <http://www.lnapm.md>). With the support of NALAS staff, an open source Content Management System was implemented. Now this is being tested and if it proves to be a reliable and efficient platform, it can be recommended to other Associations and to municipalities to be implemented.
- New contacts with LGA's and donors have been established, during the meetings organized at NALAS secretariat office and during other events he participated.
- Learnt from the ZELS' experience, during discussion and meetings with ZELS staff and during the ZELS events he attended;
- Has been involved in daily activity of NALAS secretariat, preparing drafts, being in contact with member associations and gathering data for NALAS Knowledge Center.
- Statutes samples of the Associations from SEE have been collected, which can be used by NLAMM to improve its Statutes.

So far, only few other NALAS members announced their interest to apply for the Shadowing Program. The Association of Towns and Municipalities (ALVRS) is one of them, and the preparation of the coaching program in cooperation with the Standing Conference of Towns and Municipalities (SCTM) is in process.

### *Quick Response Program*

The Quick Response service is another new program developed by the AD Task Force and it is focused on developing the NALAS capacity to respond quickly to NALAS members' requests. All NALAS members are eligible to request NALAS support in dealing with an important policy issue in their country. NALAS mobilizes all knowledge and experience available to meet the needs.

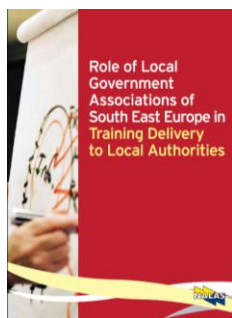
During the reporting period, three specific requests came from the NALAS members and different activities have been organized as a response. The first demand came from the Association of Municipalities of Montenegro, which was in the process of preparing national training strategy.

#### Workshop: Role of LGAs in training delivery to local governments

The NALAS workshop on the Role of associations of local governments in training delivery to local authorities was held on 6-7 March 2008 in Skopje.

The purpose of the workshop was to allow exchange of experiences between NALAS members, as well as with sister associations from other countries that have experience in providing training to local authorities: besides experiences from South East Europe, participants were introduced to good and bad practices of Austria, Lithuania and the Council of Europe.

As the preparatory activity, NALAS prepared a survey report on its members' training activities and capacities, while all NALAS members were invited to share with the others their case studies and training material produced. The final Training Survey Report comprises answers of 11 NALAS members.



Many topics were discussed at the workshop, such as: development of the National Training Strategy, training curricula, models for delivering training, as well as possible funding sources, involvement of other partners and the role of the central government in training delivery at local level. Common problems on these topics were identified and possible solutions proposed.

Based on the case studies and workshop discussions, a publication with experiences and recommendations on the role of LG associations in training delivery has been published. See: NALAS website....

NALAS took part and influenced the content of the declaration of the International Conference “Towards Sustainable Training Systems and Effective Capacity Development in Local Government”. This contribution is based on the results of the NALAS workshop on “The role of associations in training delivery to local authorities”.

#### NALAS PCM Training, held in Ptuj, Slovenia, 16-17 July 2008

The second activity under the Quick Response program was organized as a response to the initiative of the Romanian Association FALR to help pre-accession countries in developing their knowledge and skills to use EU funding. A NALAS workshop on Project Cycle Management was organized on 16-17 July in Ptuj, Slovenia, in cooperation with Oikos, Slovenian Consultancy Company. The event was hosted by the Slovenian Association of Municipalities (SOS). The participants were representatives of NALAS member associations' staff responsible for project preparation and implementation. The purpose of the workshop was to get acquainted with the Slovenian experiences on the use of EU funds, as well as to learn through tips and tricks on programming, funds available, preparation of project proposals and budgets according to the EU rules, as well as on the establishment of winning consortia.

During the workshop, representatives of NALAS members developed 3 ideas for joint projects on:

1. Assessment of level of decentralization in NALAS countries,
2. Development of sustainable tourism at local level in SEE, as well as on
3. Institutional inclusion of minorities at local level in SEE.

Finally, the participants listed some of the additional topics in the field of project management that should be discussed at the future meetings, such as: exploring opportunities for LGAs to use different EU funds - with special focus on cross-border programs, project management tools, EU regulations on public procurement, etc. With this event, NALAS established its network of LGAs' Project Managers that will facilitate communication and joint actions among members.

### Inter-Municipal Cooperation

In September 2008, within Quick Response program, NALAS received a request from Association of Kosovo Municipalities, which was involved in the process of drafting a new Law on Inter-Municipal Cooperation (IMC), to collect laws and excerpts on IMC from NALAS member associations.

Taking into account the limited time framework, the members were contacted by phone, e-mail and several laws, draft laws and excerpts on IMC were collected, translated and sent to AKM.

NALAS secretariat also secured the participation of a representative of AKM to a workshop on Inter-Municipal Co-operation (IMC), co-organized on 27-30 October 2008 in Bratislava by the Council of Europe, Open Society Institute/Local Government and Public Service Reform Initiative and UNDP Bratislava Regional Center.

## **3.3 Knowledge center**

### *3.3.1 Purpose*

This project addresses the first medium term objective of NALAS and establishes the means that enable NALAS to become an efficient "topic oriented knowledge centre". The idea is to gather and disseminate documents and information on the member associations and local authorities in SEE in general, and to focus also on topic-oriented material drawn from the NALAS task forces' productions.

The strength and the focus of the Knowledge Centre is the content – or the knowledge – itself. Especially important is the knowledge found in cross-border analysis, comparisons and best practices. In addition, equally valuable is the collection of challenges common for the region, as well as any implemented and or proposed solutions.

The NALAS Knowledge Centre gathers products of the NALAS task forces and working groups and produces value-added content that complements available products that are considered important, but may be overlooked for some reason. Some examples may be:

Documents produced by the task forces;

Interactive products that complement important toolkits and documents produced by other sources;

Simulators comparing various proposed or implemented models in one country with data from a number of countries;

Database of experts;

EU integration related documents.

### *3.3.2 Planned results for this reporting period*

Knowledge Centre system consisting of IT infrastructure, a knowledge repository, tools for knowledge management and activities that identify, create, represent, and distribute knowledge for reuse, awareness and learning.

### 3.3.3 Indicators of success

The main indicators for success of the **Knowledge Centre**:

- Increase in number and diversity of the “regional focal points”;
- Increase in hits on NALAS Web Site;
- Increase in the dissemination of “packages for new Councilors”;
- Development of concrete collaboration between the Associations;
- Linkages established with different partners, evidence of how many times NALAS is contacted and/or consulted by various international and regional stakeholders.

### 3.3.4 Activities and results during the reporting period

The NALAS knowledge centre is emerging. Even though the system is still not complete, there are significant developments and new services are being constantly introduced.

The general web site has been expanded rapidly at [www.nalas.eu](http://www.nalas.eu). It integrates the front end of the knowledge centre and targets a broad audience: member associations, partner organizations, task forces (as special case), potential members, partners, donors and central authorities.

The web site was first presented on the NALAS Committee of Liaison Officers Meeting in Strasbourg in May 2007. Ever since then it attracts a steadily increasing number of visitors, fulfilling at least one indicator for success.

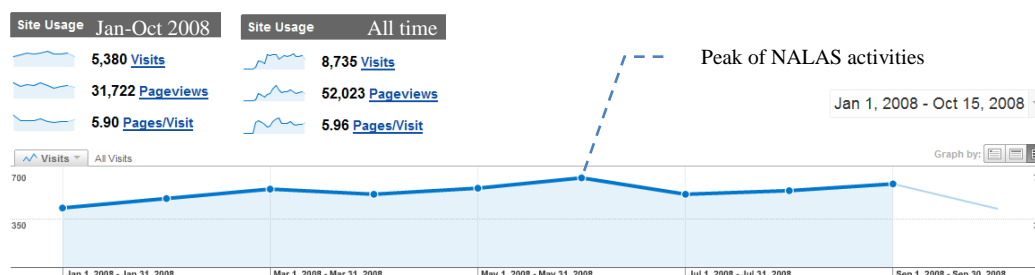


Chart 1: Number of visits between 1 January 2008 and 15 October 2008

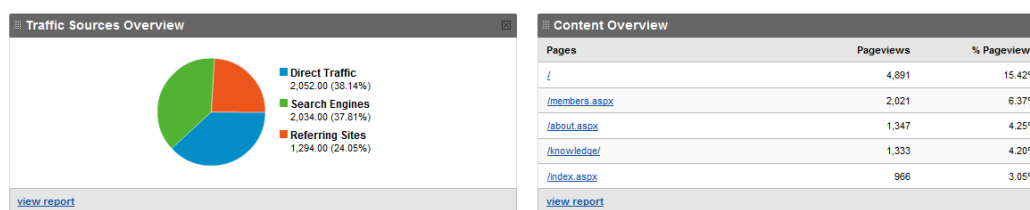


Chart 2: Sources of traffic

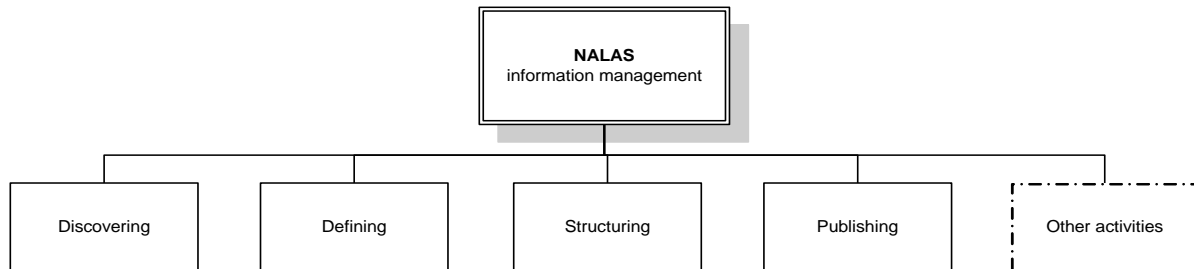
Chart 3: Most popular pages

During the reporting period, just over a third of the users came to the web site and knowledge centre directly – either by typing the web address, or from their bookmarks. Approximately 38 per cent of the visitors were directed to the NALAS site from a search engine, an increase from 35 per cent previously and 24 per cent were referred to NALAS from another web site.

The front page of the NALAS website contains most recent and most important information, so, naturally, it is the most popular place for the users. The third chart shows that the list of members and the knowledge

centre are the second and third most important pages of the site (/index.aspx presents the front page, just like the / entry in the chart).

The information management processes have been defined as follows:



During the reporting period, the Knowledge Centre was categorized into *five topics* corresponding to the field of activities of the task forces: association development, energy efficiency, fiscal decentralization, solid waste management and urban planning. Each topic category contains gathered knowledge important for the work of the task forces and knowledge products generated by the respective task forces. Currently all topic-oriented knowledge stored in the repository is public.

In an effort to access knowledge stored in other libraries, NALAS developed mechanisms for content syndication. This effort resulted with an automatic retrieval of content from the Local Government Information Network (LOGIN), managed by the Local Government and Public Service Reform Initiative (LGI). Each search enquiry in the NALAS Knowledge Centre is automatically submitted to LOGIN and the results are shown along the locally stored knowledge. Similar forms of collaboration are planned in the future with libraries at the Council of Europe and OSI.

Beyond the topic-oriented knowledge, the Knowledge Centre started offering member services, currently limited to a telephone directory and project management information shown at [www.nalas.eu/intranet](http://www.nalas.eu/intranet). The “Shadowing Program” and the “Quick Response to Members” are also administered from the intranet.

| Project Manager   | Group                   | Countries         | Funds provided by | Proposed Value | Accepted Value | Due Date   | Resources                              |
|---|-------------------------|-------------------|-------------------|----------------|----------------|------------|--|
| UPD 1: Pilot Cost Estimation of Municipal Services      | Fiscal Decentralization | Bulgaria          | OTD/ODP           | 40000          | € 40,000.00    | 31/12/2008 | Project description Project budget     |
| UPD 2: Improvement of Local Property Tax Administration | Fiscal Decentralization | Bulgaria          | OTD/ODP           | 20000          | € 20,000.00    | 31/12/2008 | Project description Project budget     |
| UPD 3: Budget Negotiation                               | Fiscal Decentralization | Bulgaria          | NALAS internal    | 40000          | € 0.00         | 07/05/2007 |  |
| UPD 4: Local Borrowing                                  | Fiscal Decentralization | Bulgaria          | NALAS internal    | 40000          | € 0.00         | 07/05/2007 |  |
| UPD 5: Municipal Finance Transfer                       | Fiscal Decentralization | Bulgaria          | OTD/ODP           | 0              | € 0.00         | 07/05/2007 |  |
| UPD 6: Urban Integration of Informal Settlements        | Urban Planning          | Albania, Slovenia | OTD/ODP           | 0              | € 87,200.00    | 07/05/2007 | Project description Project budget ADD |
| <b>Total = € 213,200.00</b>                             |                         |                   |                   |                |                |            |  |

Chart 4: Project Management

| Activity   | Working Group | Country           | Budgeted | Actual | Begin Date | Due Date |
|--|---------------|-------------------|----------|--------|------------|----------|
| UP 1: Formation of Project   | AMM, SOS      | Albania, Slovenia | 0        | € 0.00 |            |          |
| UP 1.1: Identification of Project Partners                                 |               |                   | 0        | € 0.00 |            |          |
| UP 1.2: Selection of 2 suitable project sites                              | AMM           | Albania           | 0        | € 0.00 |            |          |
| UP 1.3: Establishment of Project Structure                                 | AMM           | Albania           | 0        | € 0.00 |            |          |
| UP 1.4: Framework Conditions   | SOS           | Slovenia          | 0        | € 0.00 |            |          |
| UP 1.5: Identification of ongoing or finished projects                     | SOS           | Slovenia          | 0        | € 0.00 |            |          |
| UP 2: Completion of legal framework of reference in member nations         | SOS           | Slovenia          | 0        | € 0.00 |            |          |
| UP 2.1: Analysis of legal requirements by intern, org. and EU stipulations | SOS           | Slovenia          | 0        | € 0.00 |            |          |
| UP 2.2: Determination of legal requirements by country                     | SOS           | Slovenia          | 0        | € 0.00 |            |          |
| UP 2.3: Assistance in preparation of an urban development plan             |               |                   | 0        | € 0.00 |            |          |

Chart 5: Urban Planning Tracking Sheet

A database of experts was developed to promote local experts and experts with significant experience in the NALAS member countries. The database is available at [www.nalas.eu/experts](http://www.nalas.eu/experts).



Chart 6: NALAS Database of Local Expert

During April 2008, NALAS invited companies to submit offers for a middle-range server that will perform a number of duties, such as active directory, (intranet) web server and file server. The server was obtained in June and it is a DELL PowerEdge 2900 server with Quad Core Intel Xeon E5310 processor 2GB RAM, 3x73GB disks and a PowerVault 110T tape drive.

## 4. External relations

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A number of *applications for membership* have been submitted to NALAS during the reporting period. CEMR has applied for mutual associate membership; The Union of Municipalities of the Marmara Region of Turkey has applied for full membership; ALDA has invited NALAS to become its honorary member. All of the above initiatives have been completed positively and membership statuses has been approved by the Committee of Liaison Officers.

Meetings of the *Working Group of Local and Regional representatives of South-East Europe (GTSEE)* were held in Ohrid and Skopje, on 14 and 15 April 2008. Participants of the GTSEE meetings, which were chaired by Ludmila Sfirloaga (Romania, SOC), discussed among other issues the draft report about NALAS which should be presented by the Rapporteur Mr Andrej Petrov at the Congress autumn plenary session.

*The cooperation with CEMR and the Austrian Association* has resulted in developing a joint conference titled “European Perspectives for Local Governments in South East Europe” scheduled for 6-7 November 2008. A preparatory meeting was held at the CEMR office in Paris where the first conference agenda was drafted and responsibilities divided. The conference included plenary sessions but also small group discussions with the main focus on EU legislation. The topics were related to the current activities of the NALAS Task Forces. A joint declaration has been promoted.

*VNG proposed a joint program with NALAS* to be funded by the Dutch government. This issue has been also discussed by the NALAS Executive Bureau at the last meeting held in Istanbul on 29 April 2008. The discussions are ongoing between the NALAS representatives and the officials from the Dutch Embassy in Belgrade.

*The Union of Local Authorities in Israeli* invited NALAS to attend their International Conference celebrating the 70th anniversary of the establishment of ULAI. NALAS was presented by the vice – president Mr Vladimir Moskov and the Executive Director Mr Kelmend Zajazi. ULAI showed great interest in future cooperation with NALAS.

*The First World Conference on City Diplomacy* took place at the Peace Palace in The Hague between 11 and 13 June 2008. Titled "The role of local governments in conflict prevention, peace building and post-conflict reconstruction", it focused on the role local governments play in promoting dialogue, building mutual trust and delivering services, in cooperation with national governments, international organisations and civil society. NALAS was represented by the President and the Executive director. Around 400 participants in total coming from 70 countries attended, including the city government leaders of Kabul, Sarajevo, Gaza City, Medellin, Kigali and Freetown.

*Cites Unies France* invited NALAS to present its activities at the Seminar on the Western Balkans that was held on 15 May 2008 in Paris. The purpose of the meeting was to motivate French local authorities to foster cooperation with municipalities of Albania, Montenegro, Macedonia, Bosnia and Herzegovina, Serbia and Kosovo. The participants also received the contact information of all NALAS members. The possibilities for cooperation were discussed with the representatives of French Ministry of Foreign and European Affairs, *Mission opérationnelle transfrontalière* (active mainly in the field of trans-border cooperation), French Water Academy, *Le Courrier des Balkans* (French electronic media on the Balkans), National Association of Towns and Regions of Art and History, as well as with local and regional French authorities present at the meeting. Cites Unies France is interested in signing the Memorandum of Cooperation with NALAS, which would support permanent exchange of information and development of joint activities.

*InWent*, financed by German Government, organized a preparatory workshop on 13-14 March 2008 in Ohrid, with the purpose to define activities to be implemented within the Program of support to SEE

countries in the process of the European Integration. NALAS representative participated actively in formulation of priorities and activities to be implemented, such as a study visit to Brussels for LGA leadership, training of LGA EU Officers, as well as Municipal EU Training of trainers.



*The First Forum of Local and Regional Authorities of the Mediterranean* was held on 22-23 June in Marseille. More than 500 representatives of local and regional authorities and other stakeholders participated at the event and exchanged their views on the role of local and regional authorities in the future of the Mediterranean region. The elected representatives, more than 140

present, adopted the Declaration to be presented to the heads of state and governments who met on 13th July to launch the new Union under the French EU Presidency. This Declaration represents the initiative of local and regional governments from the region to start with the implementation of Barcelona process: creation of the Union for the Mediterranean. NALAS was invited to participate in the plenary discussion and stress the importance of regional networking. As already functional network with half of the members from the Mediterranean area, NALAS is seen as a valuable partner in future activities of the Mediterranean union. Among many other important speakers, Mrs. Rama Yade, French State Secretary, addressed the participants on behalf of the French President. The conference was supported by the French Ministry of Foreign Affairs and organized by the Mediterranean Committee of the UCLG, in cooperation with City of Marseille, the Region PACA (Provence-Alpes-Côtes d'Azur), Cites Unies France and the EU Committee of the Regions.

*“First regional meetings for cross-border cooperation, sustainable development, territories and decentralized cooperation in the Balkans”* were held on July 3-4 2008 in Sofia. The event was organized by the Steering Committee established for this occasion, with the participation of French local governments engaged in the Balkans, United Cities of France, and other French organizations active in the field of local self-government. The French Ministry of Foreign Affairs, the French embassy in Sofia and the National Association of Towns and Municipalities of the Republic of Bulgaria (NAMRB) supported its organization. Around 150 representatives of local and regional authorities from France and from the region participated at the conference, and exchanged experiences, best practices and opinions of different challenges they are facing, in the fields of sustainable development, environment protection, decentralized cooperation, strengthening institutional capacities of local authorities, cross-border cooperation, national heritage, cooperation for territorial development. NALAS was represented at the event by Mr. Vladimir Moskov, vice-president of NALAS, who presented the activities of the network at the forum dedicated to decentralized cooperation in practice, and by Mr. Radomir Kezunovic, president of the Association of Towns and Municipalities of Republic of Srpska, who presented NALAS in the plenary session on synergies of actors for territorial development. NALAS members were also present at the event and the mayors from the whole region presented their best practices in the above mentioned fields. Some of the conclusions of the meeting are that the involvement of all actors is crucial for successful decentralized cooperation, that LGAs should be catalyst for decentralization process, that it's necessary to build capacities of local authorities through training which would be regulated by national training strategy and by the law, to enforce people to people actions at local level, as well as to exchange permanently good and bad practices and to learn from EU experiences.

## 5. Other regular NALAS activities

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### 5.1 *Three (3) Committee of Liaison Officers Meetings*

*in Skopje on 6-7 March, in Chisinau on 23-24 May and Vienna, 7 November 2008*

The first CLO meeting in this year took place in Skopje on 6-7 March. The Executive Director updated the CLO with the current activities. The Financial Report for 2007 was adopted. The proposed Shadowing program application package was approved. Full meeting report is available.

The NALAS Committee of Liaison Officers gathered in Chişinău, Moldova, on 23-24 May 2008 for a meeting of the Association Development Task Force and a meeting of the Committee of the Liaison Officers. The meetings included discussions and decision making on activities foreseen for the following period, as well as presentation and review of the implemented activities. The application of the Turkish Association (UMMR) was approved and UMMR became the full member of NALAS. At this meeting, liaison officers developed the bases for a future possible project to be funded by the Dutch Government. A meeting report is available at..... This event was hosted by the National League of Associations of Mayors of Moldova.

The CLO meeting in Vienna held on 7 November 2008 was of a great importance as the LOs reviewed the NALAS draft Strategic Plan for 2009 - 2012, approved the ALDA invitation for NALAS to become honorary member of ALDA and made important decisions for the preparation of the next NALAS General Assembly meeting in Tirana.

### 5.2 *Executive Bureau meeting in Istanbul, May 29 - 30, 2008*

All members of the Executive Bureau were present at the meeting: Tarzan Milosevic, Brano Jovicic, Fatos Hodaj, Michel Ravollier, Dusica Perisic and Kelmend Zajazi. The Executive Bureau proposed not to amend the NALAS Statute but to develop more detailed internal policies instead. The main issue which was thoroughly discussed was the VNG proposal for a possible 3 years joint project with NALAS to be funded by the Dutch Government. The Executive Bureau formulated recommendations to be proposed to the CLO which makes the final decision.

**Meeting of NALAS Members' Presidents  
"Municipal Budget Negotiations"**

*Budva - Becici, June 27-28, 2008*

***CONCLUSIONS - RECOMENDATIONS***

NALAS Members' Presidents, present at the meeting on budget negotiations held in Budva on 27-28 June 2008, agreed on the following:

1. The Presidents of NALAS Member Associations endorse the draft document and recommendations on Municipal Budget Negotiations produced by the Task Force on Fiscal Decentralisation, lead by NAMRB.

All NALAS members will use the proposed recommendations, with the necessary adjustments to specific circumstances of individual countries.

2. In those countries where the adequate legal framework does not exist, the process of amending the laws should start immediately, in order to ensure the participation of Local Governments Associations (LGAs) in budget negotiations.

Additionally, a Memorandum of Understanding that regulates in more details the process of negotiations, should be signed between LGA and the Ministry of Finance, as well as with the Parliament.

NALAS recommendations for draft amendments and MoU should be used.

3. LGAs have to overcome any differences among their members and to formulate common positions. In that way, the Associations will build the necessary trust with its membership.
4. The Negotiation Team of the LGA has to have a clear mandate and to represent common positions on behalf of all municipalities, not the position of their own municipality.
5. The roles of LGAs and the Ministry of Local Self-Government should be clearly defined and divided, since only the associations can speak on behalf of the municipal interests.
6. The capacities of LGAs as well as of municipalities should be strengthened, in order to be able to conduct municipal budget negotiations with central government.
7. All LGAs should have their own databases that would comprise all relevant data, including budgets of all municipalities in their country. The LGA analytical capacity is a precondition for effective negotiations.
8. The associations should actively involve media in the process of budget negotiations and use them to get support of the public.
9. Budget negotiations should finish by signing the Protocol of agreements and disagreements with the Ministry of Finance.



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**INDEPENDENT AUDITORS' REPORT**

**To the Management of the Network of Associations of Local Authorities of South East Europe**

We have audited the accompanying Statement of Sources and Uses of Funds and Statement of Expenditure Details (hereinafter: "the Statement") for the period 1 July 2006 to 31 December 2007 of the Network of Associations of Local Authorities of South East Europe Projects: Local Democracy and Regional Integration in South East Europe & Open Regional Fund "Municipal Services" (hereinafter: "the Project").

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the Statements of Sources and Uses of Funds and the Statement of Expenditure Details in accordance with cash receipts and disbursements basis. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial reports are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the Statement of Sources and Uses of Funds and the Statement of Expenditure Detail, present fairly the cash receipts and payments of the Project for the period from 1 July 2006 to 31 December 2007 in accordance with the cash receipts and disbursements basis.

Ernst & Young Certified Auditors  
31 March 2008

