

Joining Forces and Resources for Sustainable Development

**Cooperation among Municipalities –
A Guide for Practitioners**



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Bratislava Regional Centre

Grosslingova 35

811 09 Bratislava

Slovak Republic

ISBN:

Report team

Lead Author:

Holger Osterrieder

Authors:

Hachemi Bahloul, Glendal Wright, Kathryn Shaffner, Mark Mozur

The views expressed in this report are those of the authors and do not necessarily represent the views of UNDP.

FOREWORD

Local governments face numerous challenges in their efforts to promote economic development and good governance, to reduce poverty, and to deliver public services. Some of the common problems involve: capacity and legal obstacles to cooperation between local governments; inadequate civil society participation; unfunded fiscal mandates; fragmented municipal structures, etc. Capacity constraints could be a significant stumbling block to quality service delivery and equitable and sustainable local development. Partnerships between central and local governments, civil society, community and the private sector are powerful tools for mobilizing resources, promoting effectiveness and accountability and delivering public good to citizens. Inter-municipal cooperation in particular, is instrumental for improving the scope and efficiency of local government activities, allowing sub-national units to combine resources in order to provide higher quality services and take advantage of economies of scale. There are a variety of types of cooperation agreements, each tailored to deal with a number of specific challenges. *Joining Forces and Resources* provides local actors with practical ideas for engaging in inter-municipal cooperation. It describes organizational frameworks for cooperation (incentive systems, the enabling legal environment, and management arrangements); steps to follow (needs assessment, clarification of objectives, M & E, etc.), case studies and country-level examples of capacity development for fostering partnership among municipalities. At the same time *Joining Forces and Resources* underlines the need for tailoring inter-municipal cooperation to country-specific circumstances.

Joining Forces and Resources was produced by the Democratic Governance practice at the UNDP Regional Centre for Europe and the Commonwealth of Independent States in Bratislava, Slovakia, as part of an ongoing programme which offers a menu of capacity development services that are based on integrated approaches to development and aim to support the MDGs localization agenda and thus to advocate for decentralization and good local governance. Capacity development services are provided through a combination of policy expertise, knowledge codification and sharing and on-the-ground programming.

Generating, capturing and sharing knowledge is at the heart of our work. Developing and strengthening capacity for applying skills and lessons learnt is the key to successful social transformation and change. *Joining Forces and Resources* is one of the many good examples of joint and collaborative efforts supported by UNDP's Bratislava Regional Centre towards widening policy choices available to governments and communities and enhancing capacities to deliver basic services.

The recommendations in *Joining Forces and Resources* draw on rich experience, data and knowledge accumulated regionally and worldwide over the past two decades. It has benefited from a broad-based discussion and consultation with relevant communities of practice involving professionals and practitioners in the area of local development. The comments, contributions and empirical evidence enriched the document tremendously and we are profoundly thankful to all colleagues and partners for their inputs.

We hope that local government officials will find the Guide useful in improving their ability to deliver vital services by engaging in inter-municipal cooperation.

Please send comments and questions about the Guide to registry.sk@undp.org. Additional information can also be found on the website of the UNDP Bratislava Regional Centre: <http://europeandcis.undp.org>, in the resource section on inter-municipal cooperation. This section will provide a forum of exchange where case studies, best practices and additional sources of information will be added regularly.

Dafina Gercheva, PhD

Acting Regional Democratic Governance Practice Leader

UNDP Regional Centre for Europe and the Commonwealth of Independent States

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The Guide draws on the policies and procedures and inter-municipal cooperation guidelines of authorities in many countries.

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LIST of ABBREVIATIONS

CBO	Community-based Organization
CIS	Commonwealth of Independent States
CoP	Community of Practice
DFID	UK Department for International Development
EU	European Union
ICU	Inter-community Union
IMC	Inter-municipal cooperation
LGA	Local Government Association
LSG	Local Self-Government
NGO	Non-governmental organization
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

GLOSSARY

Capacity Development: Capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals. Capacity development entails the sustainable creation, utilization and retention of that capacity, in order to reduce poverty, enhance self-reliance, and improve people's lives. A country's capacity resides at three levels: the enabling environment, organizational and individual.

Civil Society: This encompasses any organization formed voluntarily around a common interest, and independent from both the state and the private sector - charities, non-governmental organizations, and religious groups, for example.

Competency: The standard function assigned to a government body.

Cooperation Area: The field of activity in which partners cooperate.

Cooperation Modality: The organizational arrangement used to implement cooperative activities.

Cooperation Objective: The goal or expected outcome of cooperation.

Decentralization: The process of devolving fiscal, political, and administrative responsibilities and powers from the national/central level to the sub-national/local level.

Enabling Environment: A series of external factors that are necessary for inter-municipal cooperation and that may also facilitate cooperation (i.e. incentives).

Fragmentation: Any break between various groups in society. This could be ethnic, cultural, economic, political or social.

Good Governance: Governance refers to the process of decision-making and the implementation of decisions. Good governance is characterized by the following elements: participation, rule of law, transparency, responsiveness, consensus, equity and inclusiveness, effectiveness efficiency, and accountability.

Inter-municipal Cooperation: Any form of legally recognized collaborative action between local government units. It may also involve the private sector, civil society, and non-local government.

Legal Framework: The body of legislation required for successful inter-municipal cooperation.

Local Government Association: A voluntary organization made up of local governments representing their interests.

Local Stakeholders: Individuals whose personal interests are directly affected by policies implemented on the local level.

Partnership Agreement: A formal contract defining inter-municipal cooperation activities between two or more actors.

Pro-poor Social Services: Government services (see Public Services) that are delivered focusing on the needs of impoverished groups of society.

Public Services: These are services provided by a government to its citizens. Examples include education, health, transport and sanitation.

Resource Mobilization: The act of procuring financial and technical resources from an external source, such as an international donor, the national government, or the private sector.

EXECUTIVE SUMMARY

Upon the collapse of highly centralized, authoritarian regimes, many countries in Europe and the Commonwealth of Independent States underwent a process of rapid decentralization. The devolution of fiscal, administrative, and political responsibilities has been incomplete, however, and as a result many local government units lack the necessary resources and technical capacities to adequately deliver public services. In the search for alternative forms of service delivery, local governments can work together in the form of inter-municipal cooperation.

Although there are many potential areas of collaboration, inter-municipal cooperation should primarily be pursued when it leads to gains in economic efficiency, as municipalities combine their resources to take advantage of economies of scale and divide tasks according to appropriate expertise. Municipalities can work together in different areas, such as infrastructure development or social services. Ultimately, the objective of any inter-municipal cooperation project should be to improve the quality of local public service delivery, particularly to poor and vulnerable groups.

Various modalities or organizational arrangements are available to municipalities when engaging in cooperation. These range from the creation of a joint inter-municipal agency to partnerships with the private sector. In all cases, successful inter-municipal cooperation requires that actors adhere to principles of good governance and partnership, as there are always risks of corruption, abuse of power and improper conduct. Successful cooperation, and the avoidance of these risks, depends on the creation of an enabling environment for inter-municipal cooperation. A firm legal framework defining the cooperation possibilities should be in place, and should be complemented by a national incentive system. The process of decentralization (as well as public administration reform) should continue to be pursued so that local government units become financially and politically viable and capable of engaging in sustainable inter-municipal cooperation.

Several steps should be followed when engaging in inter-municipal cooperation. The first step is a needs assessment, conducted to determine whether collaboration in a certain area is feasible. Once a conclusion has been reached, the process must be initiated so that municipalities can begin to coordinate their efforts. The next step is to decide on the cooperating partners and then the objectives and expectations of the partnership. The appropriate modality must be agreed upon, and the cooperation agreement should be formalized. Only then can municipalities begin to undertake their activities. During the implementation phase, it is necessary that municipalities monitor and evaluate their performance, communicate their progress to partners and local stakeholders, and continue to engage in resource mobilization to support their project.

Finally, municipalities are not alone in their search for alternative forms of service delivery. A number of external actors, most importantly the national government, have key roles to play at all stages of cooperation. The national government as well as local government associations, development partners, the private sector, and civil society can encourage, facilitate, and improve cooperation efforts, demonstrating that the goal of high quality public services is not restricted to local government units.

INTRODUCTION

In this guide, inter-municipal cooperation is defined as any form of legally recognized collaborative action between local government units in order to fulfil their tasks. This cooperation may also involve the private sector and civil society.

The term ‘local government’ refers to any sub-national state structure, including regions, cities, districts, towns, villages, and municipalities (both urban and rural), whereas ‘local authorities’ refers to those institutions and people which exercise state power in local government units.

Although local government units have long engaged in various forms of collaboration, inter-municipal cooperation is particularly desirable as a development tool in Europe and the Commonwealth of Independent States, because it helps to address the current realities, such as administrative fragmentation of local governance structures, while ensuring that local decision-making processes are taken close to the people. Improving the quality and quantity of local services delivered to citizens by local authorities, strengthening the process of post-communist decentralization, advancing public administration reform, improving local government competitiveness in the context of globalization, gaining access to EU resources and strengthening absorptive capacities, are all objectives and means for helping citizens enlarge their capabilities and choices.

Capacity constraints can be a significant stumbling block that hampers decentralization, effective local development, quality service delivery and realization of the MDGs. In most of the countries of the region, local governments do not have the cross-cutting¹ and technical² capacity needed to engage in meaningful partnerships with other municipalities, the community, central government, the private sector and civil society organizations to design and implement programmes, absorb funds, including EU financial instruments, deliver public services and enhance regional cohesion and social inclusion. The lack of local capacity to manage limited financial resources through proper

¹ E.g. ability to engage in multi-stakeholder dialogue; to create a vision and analyse a situation; to formulate strategy; to budget, manage and implement; to monitor and evaluate.

² e.g. health, water management; education, transportation, etc.

budgeting methods, tax administration and collection capacities severely limits the options available to the local governments to deliver services. Additionally, the need to bolster local government fiscal capacities with adequate revenue resources is fundamental to boosting funding for education, health, and infrastructure – a spectrum that covers many of the MDGs. The quality of public service delivery suffers at the local level due to the weak capacity of local administration to provide proper monitoring and oversight of local procurement, lack of supportive legal frameworks, effective citizen feedback and inadequate knowledge and experience among managers. These problems are exacerbated by the lack of adequate civil service capacities and training infrastructure.

Differences across sub-regions, in terms of capacities and progress in local governance reform, must be reflected in efforts to promote inter-municipal cooperation. In the Western Balkans, accession to the European Union (EU) has been a major incentive to strengthen democratic institutions, modernize state bureaucracies and advance decentralization. The devolution of powers to the local level of government is intended to improve the efficiency of public administration and service delivery through the application of the principle of subsidiarity. Strengthening the capacity of local players can help promote good local governance practices and effective local development. Political and administrative decentralization has been accompanied by better capacities of local government to administer local affairs in a way that is more responsive to local needs and aspirations and with higher standards of efficiency and effectiveness in public service delivery. Nevertheless, a lot remains to be done to bring the capacities and practices of local governments in the Western Balkans in line with EU standards and to enable them to address adequately local development and poverty issues. In the Caucasus, Moldova and Central Asia, the legacy of the centralized state is very strong. Capacities for integrated and participatory planning and establishment of meaningful partnerships for service delivery are limited and the quality of public services is particularly low. Considerable efforts and resources are required in these two sub-regions to bring about a critical mass of capacity and progress towards better local governance

The United Nations Development Programme (UNDP), with its extensive experience in promoting effective and sustainable local development and expanding people's choices, and with its comparative advantage as a knowledge broker, has taken the initiative to

develop this Guide in response to the specific needs expressed by the Community of Practitioners (CoP), a network of experts in the field of decentralization and local governance in Europe and the Commonwealth of Independent States.

THE PURPOSE OF THE GUIDE

The goal of this Guide is to provide practical, hands-on advice for local government officials and other stakeholders planning or already engaging in inter-municipal cooperation. The Guide covers various aspects of inter-municipal cooperation, such as the different forms it can take, as well as the legal frameworks and political issues involved. In addition to discussing the role of local authorities, the Guide addresses the role of external actors such as the national government, donors and civil society. Ultimately, this guide sees inter-municipal cooperation as a means of promoting human development by improving the quality of public services.

The hope is that the Guide will help to further deepen the understanding of inter-municipal cooperation among all interested partners and thus create a firm basis for better-informed policy-making and policy implementation.

The Guide offers step-by-step guidelines detailing the general implementation of inter-municipal cooperation agreements. Although the Guide does not cover cooperation agreements tailored to the specific circumstances of individual countries or municipalities, individual examples have been included for purposes of illustration and comparison. Additionally, the Guide does not contain a detailed discussion of specific services that should be provided by local authorities. This would have to be addressed in the overall context of administrative reform. The Guide does not address issues of regionalization either.

The Guide is a living knowledge management product intended to be organic, user-friendly and an applied tool for practitioners and professionals.

ADAPTATION FOR LOCAL PRACTICE

No one set of practices, guidelines and recommendations can fit every local situation. In general, the basic strategy is to analyze existing municipal resources and competencies and to determine whether or not inter-municipal cooperation makes good economic sense within this context. Additionally, it is appropriate to adapt cooperation agreements to local circumstances in a manner that ensures that the needs of vulnerable groups are addressed. What is important is that inter-municipal cooperation improves local governance, and thus creates the conditions for pro-poor, socially inclusive, participatory public policies, based on the principles of good governance and human rights, such as equity, transparency and the rule of law, with the ultimate goal of promoting human development.

CHAPTER 1: THE NEED FOR INTER-MUNICIPAL COOPERATION IN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

This chapter lays out a theoretical and historical basis justifying inter-municipal cooperation both in general and in the context of Europe and the Commonwealth of Independent States. Some of the primary challenges and driving forces that make inter-municipal cooperation particularly appropriate in Europe and the Commonwealth of Independent States are listed in this chapter.

Underlying the concept of inter-municipal cooperation is the idea of local governments working together for the mutual benefit of all parties. With increasing complexity of demands from citizens, small municipalities, in particular, face numerous challenges in providing quality public services. Inter-municipal cooperation can increase local capacity for effective service delivery, help to reduce disparities between service provision in neighbouring communities, lead to the transfer of know-how, and contribute to the sustainable development of communities. Attention to pro-poor policies, including a human rights-based approach to development, is essential.

Not all countries in the region have the same challenges nor are they at the same stage of implementing decentralization and public administration reforms. Nevertheless, several driving forces can be identified which are common to many, if not most countries in the region. It should be noted that such a general and necessarily reductionist overview cannot replace a detailed national or sub-national analysis.

These driving forces are:

- A.) effectiveness and efficiency
- B.) good governance and overcoming administrative-territorial fragmentation
- C.) interdependence
- D.) Reduction of inequalities
- E.) European integration and absorption of funds

Europe and the Commonwealth of Independent States - Municipality Size Variance

Sizes of local government units can vary enormously. Average municipal population sizes range from 1,300 in France to 123,000 in England and Wales. Variation can also be seen across the former socialist states of Europe and the Commonwealth of Independent States. Rather than depending on common regional factors, local government size depends on the inherent administrative structure. Governments with a single tier structure tend to be large out of necessity. Bulgarian municipalities have an average population of 28,000 (excluding Sofia), and Lithuanian municipalities have an average population of 66,000. Some multi-tier systems such as the Czech Republic, Hungary, Slovakia or Ukraine have both huge variations in the population of the basic municipal authorities and a proliferation of very small authorities. In Ukraine, for example, average municipality size is 4,600, but average size in rural areas is just 1,500.³ Sixty per cent of all Czech local governments have less than 500 citizens (40 per cent in Slovakia, 15 per cent in Hungary). In Bulgaria and Poland, however, no municipalities are smaller than 1,000 and very few are smaller than 2,000.

A.) Effectiveness and Efficiency

While local authorities, the main actors, are well placed to satisfy the immediate needs of the local population and to deliver public services, such as basic healthcare, infrastructure, and social services, they may face resource shortages and inefficiency. The primary advantage of engaging in cooperation is to combine resources and expertise in order to compensate for these shortcomings. Therefore, inter-municipal cooperation is most applicable under circumstances in which local authorities are poorly equipped to deliver certain services themselves.

Through cooperation, municipalities can take advantage of economies of scale to mitigate resource shortages: the larger the volume of produced services, the lower the cost of

³ Quoted from Kenneth Davey, "Division of responsibility between levels of power", unpan1.un.org/intradoc/-groups/-public/-documents/-UNTC/-UNPAN017645.pdf. Accessed on 31 March 2006, at 10.17 a.m.

producing one unit of the given service. Additionally, inter-municipal cooperation can help small localities achieve a critical threshold of market size which makes service delivery economically viable. For instance, it would not be economical to build a waste management facility for a village of 50 people. Through cooperation, municipalities can create a larger market thus lowering bills for individual citizens as a result of an economy of scale.

Inter-municipal cooperation can also increase efficiency through cost-sharing. There are overhead costs associated with every municipal activity and/or programme and it may make economic sense for the two municipalities to share staff for the performance of services. For instance, rather than have two managers, the municipalities could decide to hire a common manager, thus reducing the overhead costs of each municipality. In many municipal activities, special skills are needed in order to do a job effectively. These are often expensive and may be beyond the financial possibilities of the municipality. However, through inter-municipal cooperation, municipalities can agree to jointly hire a specialist and share the cost.

Similar arguments apply as far as equipment is concerned. Municipal equipment may include a great variety of items, such as road maintenance equipment, fire trucks, and waste disposal equipment. If a municipality has to buy a fire truck that will be used only 20 days a year, it incurs a high fixed capital cost which could be reduced if this equipment is used 60 days a year by being shared by several municipalities. Municipal capital may also include sewerage treatment plants, recreation centres, swimming pools, parks, libraries and many other facilities. If properly done, the joint investment by two municipalities in a swimming pool to be used by the citizens of the two communities is more economical than investing separately in two different facilities.

Cooperating in Uzbekistan to Enhance Living Standards

As a part of Uzbekistan's decentralization efforts, Khokimiyats (municipalities) are now responsible for the provision and maintenance of public goods such as water, sanitation and primary healthcare in rural areas. With the assistance of a joint EU-UNDP project, the Khokimiyats of Shumanay and Kanlikul in Karakalpakstan – an independent republic adjacent to the Aral Sea – and in Namangan, in the Fergana Valley on the border with Kyrgyzstan and Tajikistan, have joined forces to renovate 1.2 km of water pipes that will benefit approximately 3,050 people (520 families) by increasing their access to drinking water. When confronted with a shortage of specialized equipment, the Khokimiyat of Shumanay borrowed excavators and trucks required for the job from neighbouring Kanlikul. In addition to the sharing of equipment, the communities involved agreed to provide support in kind through voluntary labour and support for the workers.⁴

The projects aim at helping local governments (municipalities) cooperate with one another and share lessons learned in the renovation of water and health infrastructure and provide improved access to drinking water, sanitation and primary healthcare. The projects use the MDGs as a guideline for prioritizing interventions with the local government and communities as well as for establishing local targets and indicators for improved monitoring and evaluation of community interventions. The projects have been operating in 100 communities with three local governments since early 2005.

In Europe and the Commonwealth of Independent States, the basis for inter-municipal cooperation lies within the context of the ongoing process of decentralization and the transition from a command to a market economy. Many countries in Europe and the Commonwealth of Independent States have been forced to decentralize upon inheriting massive and untenable state structures after the collapse of the communist regimes. In the context of ongoing reforms in the region, the allocation of fiscal resources sometimes lags behind. When the devolution of responsibilities is not accompanied by sufficient technical resources and sources of revenue, new partnerships between municipalities are even more necessary to provide more quality public services. Although inter-municipal

⁴ <http://www.els.uz/en/content.scm?contentId=12221>.

cooperation does not and cannot replace adequate fiscal decentralization, it can help to make better use of limited resources.

Bulgaria - Modernization of Municipal Solid Waste Management

In 1999 and 2000, the Association of Danube River Municipalities, comprised of 24 municipalities, collaborated with private sector partners to address solid waste management inefficiencies. With the assistance of an EcoLinks grant (an environmental assistance programme of USAID), the partners conducted an assessment which revealed that, among other issues, solid waste collection was insufficient and did not deal effectively with agricultural waste; that there were too many landfills, many of which were not regulated properly; and that equipment was outdated and too costly to maintain. Through effective collaboration, the association of municipalities was able to streamline solid waste collection through the purchase of co-shared machinery which reduced annual operating costs by more than 50 per cent. Municipalities were also able to divert their focus back to a regulatory role, allowing the private sector partners to deliver services. They were then able to conduct public awareness campaigns relating to agricultural waste such as teaching farmers about composting of organic waste to reduce the amount of waste going to landfills. The environmental benefits were also significant as newer and more efficient disposal trucks were making fewer trips to landfills, thus reducing air pollution. Waste was minimized through composting and better regulated landfills were more sanitary than localized, unregulated landfills.⁵

⁵ www.rec.org/ecolinks/bestpractices/PDF/bulgaria_modernization.pdf.

Portugal – Improving water supply efficiency through local government associations

At the end of the 1990s, the Portuguese government examined municipal water supply and sewage systems and determined that the practice of building infrastructure on an individual basis did not take advantage of economies of scale, nor lead to efficient networks, technical solutions and operations. As a solution, the central government mandated that municipalities form associations to gain access to EU Cohesion Fund assistance. Associations of municipalities then partnered with private companies to address financial constraints and the need for transparency in price-setting. For instance, the water and sewage company Aguas do Ribatejo was formed by nine cooperating municipalities created to maintain the water supply and sewage systems. This company is specifically tasked with the conception, building, and operation of units for the intake, transport, treatment, and water supply systems, and is expected to provide management, control, and technical and administrative assistance to other entities operating in the sector. The creation of an integrated system and management to deal with water supply and sewage has led to lower prices, gains through economies of scale, and significant reduction of water losses.⁶

B.) Good Governance and Overcoming Administrative-Territorial Fragmentation

It is generally true that effective decentralization can lead to poverty reduction and improved service delivery by bringing government closer to the people and by improving accountability and participatory processes.⁷

In many countries in Europe and the Commonwealth of Independent States, however, the benefits of decentralization have been diluted by the resulting fragmentation which has reduced the capacities of municipalities to fulfil many of their basic competencies. The

⁶ <http://www.adp.pt/frontend/portugues/english.asp>.

⁷ For an analysis on the links between decentralization and poverty reduction, see Osterrieder, Holger, et alii, "What makes decentralisation in developing countries pro-poor", *The European Journal of Development Research*, Volume 17, Number 4 / December 2005, pages 626 – 648; and Osterrieder, Holger, et alii, "Decentralization and Poverty in Developing Countries: Exploring the Impact", OECD Development Centre Working Paper No. 236, Paris 2004.

extent of fragmentation can be illustrated through statistics. Whereas during the communist period, the number of municipalities in Hungary was reduced to 1,300, it increased to 3,100 as a result of post-communist reforms. In the Czech Republic, we can observe a 50 per cent increase (from 4,100 to about 6,000) following the communist era.⁸

Armenia –The impact of a fragmented administrative landscape on development

Armenia's 1995 constitution laid the legal foundation for local self-government reform. To summarize, Armenia has 11 sub-national jurisdictions at the regional level and 930 self-governed communities: 871 rural and 59 urban communities. There are around 36 communities with less than 100 inhabitants; 163 communities with populations of less than 300 and 176 communities with populations of less than 500. More than 93 percent of communities have total populations of less than 5,000. Given that economies of scale tend to be relevant in this size range for local jurisdictions, the excessive fragmentation in Armenia has resulted in large disparities and a lack of administrative and fiscal capacity. Thus, it becomes a major constraint for the development of local service delivery mechanisms, sustainable development and further decentralization.

Within this context, inter-municipal cooperation appears as a clear imperative to improve local governance. Local communities can overcome the constraints of fragmentation and improve their ability to deliver high-quality services via inter-municipal cooperation. Cooperation can be used to promote coherent planning, in particular with regards to local economic development. In other words, inter-municipal cooperation enables municipalities to address the limitations of small municipal size without sacrificing the benefits of decentralization.

⁸ See "Size of Local Government, Local Democracy and Efficiency in Delivery of Local Services – International Context and Theoretical Framework". Pawel Swianiewicz

France – Inter-municipal cooperation as a response to high fragmentation

France is often cited as an example for the high fragmentation of its administrative-territorial organization and a high degree of centralization. For a population of 60 million inhabitants it has over 36,000 municipalities, and thus more than 40 per cent of the municipalities in the European Union.⁹ To deal with this high level of decentralization, France has developed a complex system of inter-municipal cooperation (*intercommunalité*) helping municipalities better adapt to their increasing responsibilities and growing demands from citizens. Municipalities are allowed to enter into essentially two types of cooperation arrangements: flexible associations or federal structures with fiscal competencies. Once municipalities initiate the process, the central government prefect decrees the extent of the competencies delegated to the inter-municipal structure; all cooperating municipalities have voting rights. Examples of these structures are urban communities, urban agglomerations, and communities of small towns.

Armenia – Overcoming fragmentation through inter-community unions

The development of a legal and policy framework for Inter-Community Unions (ICUs) to mitigate the impact of administrative fragmentation is part of ongoing public administrations reforms in Armenia. The government expects to have a Law on Inter-Community Unions adopted by the National Assembly in 2006. Thus far, the government and donors have pursued policies and implemented programmes that have encouraged and provided incentives for the voluntary amalgamation of communities and the formation of ICUs, which is allowed by the current legislation. Alternatively, the government will broaden its options and encourage local governments to establish community associations that can serve as a unified service-delivery mechanism for groups of communities without the permanent legal dissolution of the constituent jurisdictions. This will preserve the autonomy of individual municipalities.

⁹ http://www.vie-publique.fr/decouverte_instit/instit/instit_3_5_0_q2.htm.

C.) Interdependence

The lives of citizens are influenced by a number of factors not restricted to municipal borders. Neighbouring municipalities are often linked physically, economically, socially and culturally. Inter-municipal cooperation is a means of benefiting from these existing ties as well as a means to better adapt the life spaces of citizens to those factors.

Natural factors such as rivers or mountains or man-made factors such as motorways or bridges create strong physical links between municipalities. For instance, the water or air pollution created by a factory in one municipality may affect a neighbouring municipality.

Similarly, areas of economic activity often do not correspond to municipal borders. In market economies, prices and availability of goods, services and labour are only to a limited extent influenced by administrative boundaries. The decision to build a major factory in one municipality thus affects the market conditions faced by another municipality (wages, value of real estate).

Spill-over effects occur when citizens live in a municipality and pay their taxes in that municipality but benefit from the services provided by another municipality. This is typical of many big cities and their suburbs. Unless financial equalization schemes are in place, the central municipality carries the burden of providing the services used by commuters from the suburbs. The taxpayers living in the centre subsidize those living in the suburbs. Inter-municipal cooperation can thus be a means to adapting to territorial factors and challenges that cross municipal boundaries.

D.) Reduction of inequalities

Due to a disparity in resource allocation, the process of decentralization may exacerbate regional inequalities across societies. Correctly designed inter-municipal cooperation agreements can help to address the issue of inequity by ensuring that poor municipalities

receive comparatively high returns on investments made jointly with rich municipalities. For example, local governments in Portugal have cooperated with the Ministry of Environment to set up a private company to supply water to municipalities, though all municipalities would be charged the same fees for investments in basins. This means that smaller and poorer municipalities, where the investment rates of return are usually lower, would not bear higher costs.

E.) European Integration and Absorption of Funds

For some countries in Europe and the Commonwealth of Independent States, inter-municipal cooperation is relevant because it can facilitate common efforts to prepare for EU integration and to bring the quality of public services up to EU standards. The European Structural Policy increasingly encourages inter-municipal cooperation under the Partnership Principle, which implies close cooperation between sub-national authorities and private actors in the development and implementation of regional development policies. In particular, several countries of Southeast Europe, which do not have a fully developed intermediate level of administrative organization, depend on cooperation in order to comply with the EU requirements.

Inter-municipal cooperation enables local governments to formulate and benefit from projects beyond their individual capacity. In countries with multiple tiers of government, there is often competition for the EU funds and other funds. Inter-municipal cooperation is also beneficial because it increases the competitiveness of municipalities for the various available monies.

Poland - Cooperation to use EU funds for cleaner water

In Poland, for example, local unions formed by groups of municipalities were formed to address issues of EU funds absorption. The Union of the Upper Raba Communities and Krakow, created to deal with water degradation in the Raba river basin by constructing sewage treatment plants and building sanitary pipelines, was able to apply for pre-

accession funds that were too large for municipalities to receive individually. Thus, a cooperative association can be used to develop the capacity to provide services beyond the means of individual municipalities.¹

CHAPTER 2: AREAS AND OBJECTIVES OF COOPERATION

This chapter contains a brief introduction to possible areas of cooperation and an overview of relevant objectives for various supranational regions within Europe and the Commonwealth of Independent States, such as the Western Balkans. It is important to note that areas of cooperation and objectives are not only influenced by the specificities of supranational regions, but also by national and local development strategies.

The term ‘areas of cooperation’ refers to specific types of economic activities or public services which feature collaboration among municipalities. Included are areas such as infrastructure development, transportation, waste management, power stations and other services. Municipalities can also collaborate to provide social services such as healthcare, education and cultural resources. Public safety services such as fire, rescue and police services are areas where cooperation can increase effectiveness. Economic development, particularly tourism and regional development strategies, can benefit from collaborative planning.

The areas in which municipalities can cooperate are, in theory, not limited. However, the practical implementation of inter-municipal cooperation makes it necessary that all stakeholders involved agree on common areas of cooperation. This means that different municipalities can engage in different forms of inter-municipal cooperation with different partners, according to their individual needs.

As opposed to areas of cooperation, ‘objectives’ are the aims of cooperation. Different regions will have varying objectives according to their specific circumstances. The national development strategies’ targets can provide useful examples on priority areas on

which development interventions should focus. Education, local health services, community awareness programmes for HIV/AIDS, and the protection of the environment are a few examples of how local authorities can engage in the promotion of the MDGs through inter-municipal cooperation.

In the EU accession countries, several inter-municipal cooperation projects, in particular those funded by donors, focus on better cooperation and exchange of information to enhance the absorption of EU structural funds and lessons learned. With regards to the Western Balkans, the objective of inter-municipal cooperation may be to deal with ethnic problems. In Macedonia,¹⁰ for example, inter-municipal cooperation across ethnic boundaries can help the municipalities to re-enter into dialogue and partnerships. In addition, joint development planning can be used to overcome the legacy of the past and the specific challenges of the post-conflict situations, in particular to overcome regional, social and gender inequalities.

In Central Asia and the Caucasus, for example, the main goal could be to promote pro-poor social services, in particular so as to address health and gender issues, and education. The countries of Central Asia and the Caucasus are in general characterized by low GDPs per capita and high inequalities.¹¹ Inter-municipal cooperation can help to address these issues by helping municipalities to improve local development planning.¹² Another main objective of inter-municipal cooperation can be to develop physical infrastructure, such as roads, irrigation, water and sanitation systems. This is for example a priority of the Enhancement of Living Standards project in Uzbekistan.¹³ Inter-municipal cooperation should also be used to address economic development problems, e.g. through joint economic development planning, as the countries of Central Asia and the Caucasus are generally characterized by particularly low GDPs per capita.

¹⁰ See Vesna Dzuteska Bisheva, Promoting Inter-municipal cooperation – Challenges and Opportunities – The Case of Macedonia. europeandcis.undp.org/files/uploads/Belegrade1205/Promoting%20Inter-municipal%20cooperation_MK_Final.ppt.

¹¹ See Gini Index, UNDP 2005 Human Development Report.

¹² UNDP has already undertaken successful projects e.g. in Albania and Macedonia to help local authorities better orient their activities towards achieving the MDGs through MDG-based local development planning. Similar projects are currently underway in Kazakhstan, and expansion to other countries in the region is planned (2006/2007).

¹³ See above, box on Enhancement of Living Standards project in Uzbekistan, p. 13.

However, these examples should not be seen as restrictive. It is the main responsibility of the municipalities and their citizens to jointly decide on areas and objectives of cooperation so as to better fulfil their responsibilities, based on local development strategies.

Bulgaria – Underutilized capacities for cooperation

The regional development process in Bulgaria makes explicit calls for local governments to cooperate. However, a recent survey conducted by the United Nations Development Programme¹⁴ found that municipalities do not take full advantage of the opportunities to collaborate in order to address common problems or to combine their resources to take advantage of economies of scale. The survey showed that nearly two thirds of all Bulgarian municipalities have never conducted a project in conjunction with another municipality. This lack of partnership experience is a significant constraint on Bulgaria's capacity to absorb EU Structural and Cohesion funds. In Bulgaria's case, its objective for inter-municipal cooperation might be EU accession and absorption of funds while areas of cooperation will be determined by specific service needs.

CHAPTER 3: TYPES OF ORGANIZATIONAL FRAMEWORKS FOR INTER-MUNICIPAL COOPERATION

The purpose of this chapter is to illustrate the various modalities available to municipalities wishing to engage in cooperation. Modalities are simply strategies, methods, or organizational frameworks that can be chosen to accomplish the goals of individual inter-municipal cooperation projects. In contrast to areas of cooperation, which denotes the specific field of an activity, modality refers to the way that an activity will be carried out.

¹⁴ Assessment of municipal and district capacities for the absorption of EU structural and cohesion funds, United Nations Development Programme, Sofia, July 2004.

Governments can cooperate on many different levels and such cooperative arrangements can take a variety of forms (modalities). At the one end are loose, informal links often developed to exchange information; at the other are formal links established to handle specific, and often more complicated tasks. The nature of partnership and cooperation naturally implies that these linkages can both grow and shrink, changing as and when the need arises. For example, relationships that are initially loose and flexible may become more formalized as the governments become accustomed to working and interacting with one another and build trust.

Inter-municipal cooperation can thus be institutionalized to varying degrees. The so-called ‘handshake agreements’¹⁵ are the most informal type of cooperation. However, evidence in developed countries has shown that in the medium and long term, formalization of inter-municipal cooperation arrangements is necessary for them to be long lasting and sustainable.¹⁶

The form of inter-municipal cooperation ultimately agreed upon by municipalities depends on the purpose of the cooperation and on existing capacities. The size of the partner municipalities plays an important role. Larger municipalities are more likely to have the capacity to provide services to other, smaller municipalities, whereas smaller municipalities tend to group together to jointly perform common activities.

A.) Joint-service Provision

Cooperation among municipalities may be based on an agreement creating a joint body for the provision of certain services. The body created could be a commercial entity, an institution, or a government agency, for example. The assumption is that the individual municipalities do not have the capacity to fully provide all services by themselves and that the creation of a joint body will lead to improved service delivery. Neither collaborating partner cedes responsibilities to the other, and both are equally accountable

¹⁵ Intergovernmental Cooperation Handbook, p. 7-8.

¹⁶ Intergovernmental Cooperation Handbook, p. 7-8.

and responsible for the actions of the joint body. A typical example of this arrangement is a joint water agency, established to improve water provision to citizens.

Britain and Finland – Cooperation in highly specialised services

All kinds of services can be provided jointly, including highly specialised services, which typically feature economies of scale. This even applies in countries where the first tier of government (municipality) is generally large, cooperation is common for specialized functions with significant economies of scale. For example, in Britain, services like fire protection, public transportation, and waste management are provided at the county level by joint authorities. In Finland, municipalities provide healthcare, social services, and vocational training through arrangements such as joint boards.¹⁷

B.) Joint Administration

In this modality, cooperating municipalities decide to jointly exercise certain administrative functions (such as finances, human resources, procurement) that cannot be carried out in small municipalities. The most visible example of this type of cooperation is the establishment of joint offices, whereby two or more municipalities share common office space. To perform the common tasks, a joint municipal committee and an organization functioning under the committee can also be established. Forms of joint administration include inter-municipal cooperation councils, and steering and oversight committees. The administrative office set up in all cases is meant to serve the interests of both municipalities and fulfils tasks beyond those within the basic competencies of individual municipalities.

¹⁷ Quoted from Kenneth Davey, "Division of responsibility between levels of power", unpan1.un.org/intradoc/-groups/-public/-documents/-UNTC/-UNPAN017645.pdf. Accessed on March 31, 2006, at 10.17 a.m.

Hungary – The establishment of common administrative functions

Beginning in the 1990s, many Central European countries began to enact local legislation allowing municipalities to create associations for the common discharge of functions. Since forming these associations is largely voluntary, however, few municipalities have done so.

Hungary has enacted legislation to overcome this problem. Small municipalities next to one another have been required to establish a common office for certain functions, for example to employ a qualified Administrative Notary. The Notary performs regulatory functions such as licensing, development control and tax assessments for all cooperating municipalities.¹⁸

C.) Joint Planning and Development

In this arrangement, municipalities decide to cooperate in local development planning. Note that joint planning can also be an area of cooperation, for example when municipalities cooperate to undertake assessment and analysis that is part of planning. As a modality, joint planning implies that partners decide to formulate and implement an action plan together. A joint local development plan, clearly indicating the responsibilities of each actor, could be the outcome of such cooperation. This form of cooperation is particularly important for economic planning. Municipalities could decide to set up a common industrial zone and thus reach a critical threshold size and become more attractive to potential investors. In fact, since many issues related to poverty reduction transcend municipal borders, joint local development plans can be a means to achieve the Millennium Development Goals by better adapting policies to local needs.

¹⁸ Quoted from Kenneth Davey, "Division of responsibility between levels of power", unpan1.un.org/intradoc/-groups/-public/-documents/-UNTC/-UNPAN017645.pdf. Accessed on 31 March 2006, at 10.17 a.m.

The Local Rural Development Programme (LRDP), implemented in Palestine by UNDP and the Ministry of Local Government, is an example of joint planning. The LRDP has set up a number of Micro-Regional Planning Committees (MRPCs), which are sub-district level entities composed of village mayors that coordinate the planning process for project identification. At the community level, Participatory Appraisal Methods are used for planning while the MRPCs, together with officials from the Ministry of Local Government, undertake diagnostics and strategic planning. Together, these two processes lead to the selection and implementation of joint projects.¹⁹

D.) Purchase of Services

Municipalities may agree to buy, sell, or trade services among one another. This type of cooperation is based upon the idea that one municipality provides services (other than administrative services) to the citizens of another municipality for a user's fee. For instance, one municipality could extend its waste management operations to cover the territory of a neighbouring municipality in exchange for a fee.

This form of cooperation usually occurs between municipalities that differ in size. A small municipality usually pays a larger municipality for services it is unable to provide on its own. All kinds of services can be exchanged in this manner, including administrative services, such as the management of human resources.

Macedonia- Issuance of taxi licenses

The municipalities of Zrnovci, Obleshevo, Orizari and Cheshinovo have contracted with the municipality of Kocani to issue taxi licenses for their municipalities. This demand-driven service is too costly for the small municipalities to maintain full-time personnel to provide this service. Thus, they contract with the larger municipality which keeps 70 per

¹⁹ "Case Study: The Impact of the UNDP's Local Rural Development Programme (LRDP) on Local Governance in Palestine", prepared by the UNDP Programme of Assistance to the Palestinian People Local Rural Development Programme (LRDP), November 2003.

cent of the fee for providing the service while returning 30 per cent to the smaller municipality.²⁰

E.) Joint Funding of Investments

Municipalities cooperate to jointly fund specific investments. In many cases, municipalities do not have sufficient resources to invest into larger projects or equipment, such as school buses. In this case, it is beneficial for them to cooperate in order to make the costs to be borne by each of them acceptable. This means that both partners pool their resources and jointly undertake an investment decision. Another benefit of this form of cooperation is that any associated risks are shared by the partners, thus increasing the expected return on investment.

Poland- The Union of Upper Raba Communities

In response to water degradation in the Upper Raba River basin, 14 gminas, or municipalities, formed an association to address the problem. Since water pollution transcends municipal boundaries, the issue needed to be addressed at a regional level. After conducting an assessment and identifying the major polluters, the Association formulated a ‘Comprehensive Programme to Maintain Water Purity in the Raba River Basin Area’ which included the construction of 10 sewer treatment plants, the construction of 750 km of gravity pipelines, the modernization of three sewer treatment plants, and the construction of 86 intermediate network pumping stations. The project was financed by the pooling of resources at the local level, the central budget, and financing by various environmental protection funds and pre-accession funds from the European Union.²¹

²⁰ “A Report on the Status of Inter-municipal Cooperation,” 2004
http://www.osce.org/documents/mms/2004/06/4258_en.pdf.

²¹ <http://www.gornaraba.krakow.pl/>.

F.) Exchange of Experience

Communities may decide to openly exchange their experiences in their activities. This involves offering advice, technical support, and sharing what worked and what did not. This form of cooperation, called open method of coordination by the European Union, can help to increase the quality of service provision for each participating community. The Local Government Information Network (LOGIN²²), co-funded by UNDP, is an example of a large-scale network designed to facilitate the exchange of experiences. On a national level, local government associations, such as associations of municipalities are well placed to provide this common platform.

G.) Creation of a new tier of government

If the necessary legal basis exists, municipalities may determine that it is best to cooperate by forming a new tier of government between the local and the central level. Municipalities would decide which services and responsibilities to cede to this new level, and the management arrangements for operation and oversight. This would be part of a territorial reform.

Finland - Supra-municipal governments to coordinate municipalities

Municipalities can cooperate by forming supra-municipal governments to which they cede their own power. Such arrangements would be subject to public law and would rely on larger participating municipalities to perform certain administrative functions. For example, many small municipalities in Finland cooperated to form a county-level government, featuring a joint governing council to define goals, define strategy, set the budget and steer activities. Municipalities ceded many of the competencies of this new level of government to the large city of Oulu, which essentially served as an administrator for the network of county councils and county governments.

²² www.logincee.org.

H.) Multiple modalities

It is important to remember that none of these modalities is mutually exclusive. Municipalities are not limited in their choice of organizational framework. Cooperation can take a variety of forms, and it may be that the optimal way to achieve the objective of collaboration is to combine multiple modalities. Partners should keep an open mind, and be flexible in their approach to organization as they remain goal-oriented.

France and Spain – Offering a variety of cooperation agreements

Some states in Western Europe have considerable experience in inter-municipal cooperation and have developed a variety of means for small municipalities to collaborate. As mentioned earlier, France, has developed a particularly comprehensive cooperation system. There are over 2,000 *syndicats de communes* that have multiple purposes, maintaining infrastructure, delivering water supplies and social and educational services on behalf of their members. There are also more than 11,500 other *syndicats* that provide only a single service such as water, education, energy or flood protection. These inter-municipal structures are run by joint committees, and require member municipalities to contribute resources. Approximately 50 per cent of Spanish municipalities engage in some form of cooperation, half of them single-purpose and half multi-purpose.²³

²³ Quoted from Kenneth Davey, "Division of responsibility between levels of power", unpan1.un.org/intradoc/-groups/-public/-documents/-UNTC/-UNPAN017645.pdf. Accessed on 31 March 2006, at 10.17a.m.

CHAPTER 4: PRINCIPLES OF GOOD GOVERNANCE AND PARTNERSHIP

In order to legitimately and successfully cooperate, municipalities should adhere to principles of good governance and mutually beneficial partnership.²⁴ The following points are only the most important ones which should obtain particular consideration in the context of inter-municipal cooperation.

GOOD GOVERNANCE

Legitimacy

Legitimacy of inter-municipal cooperation projects depends on a variety of factors. Respect for all elements of good governance is crucial. Legitimacy depends on the extent to which all citizens, and in particular the poor and excluded, are included in all stages of inter-municipal cooperation. In order to give a project legitimacy, it must be developed democratically, that is, through participatory processes that ensure the needs of vulnerable groups are expressed and addressed. The areas for inter-municipal cooperation should be identified during participatory strategic planning process.

Transparency

Specific attention should be paid to transparency of the benefits and advantages of each partner and to clear rules and regulations. Promoting transparency and accountability is crucial to minimize the risks that inter-municipal cooperation will exacerbate corruption or will focus only on special interests.

²⁴ One might usefully refer to *Governance without Government* by James Rosenau and Ernst-Otto Czempiel, and the UNDP Practice Note on Decentralization Governance for Development as additional sources of information.

Participation and social integration

Inter-municipal cooperation projects can only be successful and lead to lasting improvement if all relevant stakeholders are included. Participation is a core element of good governance. In the context of the countries of the Europe and the Commonwealth of Independent States region, particular attention should be paid to the inclusion of the most vulnerable and socially excluded groups into the planning, development and implementation processes of inter-municipal cooperation. It is also important to include the staff of the local administration in the process and not to leave the process only to political leaders.

Inter-municipal cooperation can thus be a means to overcome ethnic tensions and promote social integration, as long as the process of project formulation and implementation is seen as participatory and inclusive, and adheres to all the principles of good governance.

PARTNERSHIP PRINCIPLES

Clear division of responsibilities

When entering into a partnership agreement, the concerned parties must clearly define and divide responsibilities. It is important to have a joint management board where responsibility for each task is clearly assigned to one person.

Equality

All municipalities involved in an inter-municipal cooperation project should have equal rights. This does not necessarily mean that all communities will enjoy the same benefits from a cooperation project, because those should depend, among other things, on the inputs provided by individual municipalities. This means that rights involving strategy, formulation, objections and criticisms should be allocated in a non-discriminatory

manner. In this context, decisions based on consensus are important as they guarantee the ‘buy-in’ and commitment of all partners to common activities and projects.

Good project management

Inter-municipal cooperation projects can be analysed as projects involving different stakeholders, undertaken for the joint benefit of all and based on the assumption that joint forces have a stronger impact than the work of each municipality individually. Therefore, a clear understanding of all partners on how projects are managed is needed. It can be useful to subdivide larger projects into smaller projects with clearly defined timeframes and budgets.²⁵ Individual municipalities can take the lead in the implementation of individual projects. This leads to increased stakeholder participation.

The clear assignment of responsibilities as discussed above is part of good project management. Also, risk analysis is a crucial element in project management for inter-municipal cooperation. Win-win solutions are ideal, but in reality, inter-municipal cooperation is not always beneficial to all partners, be it because from the start, disparities and inequalities exist, be it because changing conditions impact on the outcomes of inter-municipal cooperation. There are often transaction costs involved, political risks, and autonomy risks. Risk analysis can help all partners to be aware not only of the potential benefits, but also of the potential drawbacks of a common project. A risk analysis also helps to shape the cooperation agreements in such a way that risks can be minimized.

Clear funding arrangements

Different municipalities might draw different benefits from cooperation, and this should be reflected in the funding arrangement.

²⁵ See Beate Holbach-Grömig, Holger Floeting, “Interkommunale Kooperation in der Wirtschafts- und Infrastrukturpolitik”, in: Deutsches Institut für Urbanistik, Aktuelle Informationen, February 2005, p. 11.

Funding, it should be noted, can also be provided in the form of an in-kind contribution. One municipality might thus contribute to a project financially, while another one might assume project development and management.

Clear funding arrangements involve the explicit allocation of costs and revenues, and an appropriate budget and accounting process.

Here are some examples of cost allocation mechanisms:²⁶

- * Equal share: Each municipality pays an equal share of the costs of a joint project. This works best if municipalities are of similar size and have equal benefits.

- * Population: The population size of each municipality is used to determine the percentage of the costs to be borne by each municipality. As a stylized example, consider a cooperation agreement between Municipality A and Municipality B, whereby Municipality A contains twice as many inhabitants as Municipality B. A funding arrangement based on population sizes would imply that Municipality A would contribute twice as much to the budget of an inter-municipal project than Municipality B.

- * Assessed Valuation: The relative fiscal resources of each municipality are used to determine the costs to be borne by each municipality. For instance two municipalities, although they have the same population size, may have different revenue bases. The contribution to a cooperation project would be based on the fiscal resources available to each municipality despite the fact that they are the same overall size.

- * Use: Not the number of citizens per municipality, but the number of users for a specific service is used to determine the cost allocation. Again, the use level may differ between municipalities with the same population sizes and revenue bases. For example, if two same-size municipalities decide to cooperate in providing primary education but due to differences in age structure, the number of ‘users’ is greater in one municipality, then

²⁶ See Intergovernmental Cooperation Handbook, p. 18.

this municipality will make a greater contribution to the budget of the joint education project.

CHAPTER 5: KEY CONDITIONS FOR SUCCESS

This chapter defines a set of factors, together called the enabling environment, which can encourage or facilitate successful inter-municipal cooperation.

Inter-municipal cooperation is discussed as a means to overcome territorial fragmentation and the implications this has on the quality of service delivery in many countries in Europe and the Commonwealth of Independent States. Though inter-municipal cooperation is touted as a means for small municipalities to deliver quality public services, certain externalities must exist to facilitate this process. Appropriate legal frameworks must be established as a basis for success, municipal capacities must be developed and public service management improved. One of the biggest risks involved is that there may be an imbalance in the partnership - one partner may prove weaker than the other, either politically or organizationally - and this may weaken the collaborative effort.

In order for inter-municipal cooperation to be successful there must also be political support and encouragement at all levels. External actors can assist in developing this atmosphere by engaging in supportive capacity development or providing incentives for inter-municipal cooperation schemes. Positive previous experience and visible results will also encourage further collaborative efforts by local governments, particularly if these are being championed by a local leader.

Enabling legal environment and incentive system

An enabling legal environment is a crucial element of any successful inter-municipal cooperation activity. It can and should contain incentives for municipalities to engage in cooperation.

The state and donors can be the main partners establishing an effective incentive system which can motivate municipalities to engage in partnership arrangements. An incentive system can consist of the following elements:

- a) Allocation of funds/ tax benefits to facilitate the creation and running of inter-municipal cooperation projects.
- b) Conditionality for funds allocations dependent on existing inter-municipal cooperation projects.
- c) Competitive tenders that provide awards to inter-municipal cooperation projects.
- d) Technical assistance provided for the setting up or running of inter-municipal cooperation projects.

Hungary – Incentives for inter-municipal cooperation defined by law

Hungarian laws and regulations on local governance and inter-municipal cooperation provide for an elaborate incentive system for inter-municipal cooperation.

Hungarian legislation created a large number of fragmented, inefficient municipalities with relatively small populations. The Hungarian governance structure gives considerable power to municipalities, but these entities are not always able to provide public services properly and efficiently. In order to improve living standards, fight inequalities and contribute to local development, it is extremely important to strengthen inter-municipal cooperation.

For certain areas – so-called ‘small areas’ comprising municipalities that are adjacent to one another – the legal system encourages cooperation between municipalities to achieve common goals. Financial incentives are provided under certain conditions for certain services. Municipalities are entitled to receive financial support if they create an

association of municipalities and if this association assumes responsibility for certain public services, defined by law. Municipalities are especially encouraged to cooperate in the areas of education, social and health care, family, child and youth protection, culture and communal services. Financial support is greatest if all municipalities in a given area join the association, and is smaller if a minimum of 50 per cent of the municipalities are members of the association representing 60 per cent of the local population or vice versa. The amount of financial support also depends on the amount and type of services provided by the association. Finally, associations of municipalities have to function for a minimum of three years.²⁷

Provisions for incentives are normally contained within the legislative framework. Legislation is a necessary (but not sufficient) element for the stimulation of inter-municipal cooperation. This legislation should usually be contained in a country's constitution or in laws designating the competencies of local government units. These laws specify which competencies may be addressed through cooperation, and also set out the arrangements for forming local government associations. All agreements should be firmly based on existing legal frameworks.

National legislation provides the formal rules that legitimate such forms of local collective decision-making and collective action as voluntary associations, community organizations, and local governments. Legislation also grants local organizations the legal standing, rights, and relations to the state that are fundamental to effective local governance processes.

World Bank, Local Development Discussion Paper²⁸

²⁷ Further information is available at UNDP's BRC website, in the resource section on inter-municipal cooperation. Europeandcis.undp.org.

²⁸ Quoted from Human Development, Social Development, and Public Sector Management Networks, World Bank, Local Development Discussion Paper, www.worldbank.org/-publicsector/-decentralization/-LDDPfinal-conferenceversion.doc. Accessed on 31 March at 10.24 a.m.

An enabling legal framework must be based on a national law pertaining to inter-municipal cooperation. The essential elements of such a law should be legal provisions for municipalities to engage in cooperation as well as responsibility and resource sharing. Municipalities should be legally entitled to make their own decisions regarding cooperation arrangements. It is also necessary to put in law the acceptable areas of cooperation, stipulating that the public service in question must be within the assigned competencies of the cooperating municipalities and that municipalities have control and responsibility over administrative, operational and financial aspects of service delivery.

National legislation should also be supported by local-level decrees, which officially recognize cooperation agreements and specify the agreed-upon modality. Therefore, it is the responsibility of both the national government and local authorities to set up the necessary legal framework.

Macedonia – Inter-municipal cooperation within assigned competencies

Article 14 of the Macedonian Law on Local Self-Government provides municipalities with the right to establish cooperation agreements, albeit only for those tasks that fall within the competency of the municipalities. This includes the right to form joint administrative bodies, public agencies, and to join funds. They are also entitled to cooperate with foreign municipalities and international local government organizations. Inter-municipal cooperation activities must be reported to the relevant local self-government ministry. Article 15 gives municipalities the right to form voluntary associations.²⁹

There are two main forms of legal arrangements. Provisions can be made that explicitly prohibit or endorse specific forms of cooperation or more open frameworks can be adopted that allow cooperation simply by not making negative provisions. Clear rules established by the legal framework can help to avoid conflicts and provide guidance in

²⁹ Source: “Inter-Municipal Cooperation in the Netherlands,” from the joint project of the Ministries of the interior in the Netherlands and Hungary, May 2001., p 9-10 quoted in OSCE Spillover Mission to Skopje Report on the Status of Inter-Municipal Cooperation.

case of a dispute. Instead of being restrictive and prescriptive, these rules should give municipalities the flexibility to enter into inter-municipal cooperation agreements. Although both arrangements are acceptable, it is more favourable to offer municipalities as much freedom to explore alternative forms of service delivery as possible. When it is not appropriate to adopt such an open approach, it may be best to use pilot projects in individual municipalities to test new legislation on cooperation as part of a gradual process of encouraging cooperation.

France – The principles of specialization and exclusivity

In France, inter-municipal cooperation is strictly regulated by law. Among other things, the legislation specifies acceptable areas of cooperation and stipulates that organizations engaging in inter-municipal cooperation may only collaborate in areas transferred to them by municipalities through official cooperation agreements. These organizations cannot assume the same responsibilities as municipalities, that is, they have to *specialize* in certain areas. In addition, the transferred competencies must be *exclusively* exercised by the inter-municipal organization. These organizations have both decision-making (through bodies composed of municipalities) and executive powers.³⁰

Portugal – Action principles defined by law

As part of a comprehensive law on public service delivery, Portuguese legislation makes strict requirements of local governments. Legislation dictates general action principles required of local governments when delivering public services and in their interaction with citizens. The government has also made provisions obliging municipalities to generate common projects. It holds regional development plan debates and issues tenders to manage components of the regional operational programme to bring municipalities together in order to reach cooperative agreements. Associations of municipalities, which are subject to reporting requirements, are promoted through legislation as a means to coordinate inter-municipal cooperation.

³⁰ <http://www.vie-publique.fr>.

The necessary legal environment for inter-municipal cooperation must also provide for the possibility that individuals, voluntary associations, and communities may be included in a cooperation agreement. The political, civil, and property rights of local actors may influence the extent to which they are willing and able to engage in cooperation.

The legal environment in Armenia

The 1996 Law on Local Self-Government gives communities the right to form Inter-Community Associations “for the purpose of resolving jointly certain problems of the communities and reducing the costs”. The Law of 2002 reaffirms the right to form associations, now to be known as Inter-Community Unions. The only major difference to the provisions of the 1996 Law is that unions will have the status of legal persons under the RA Civil Code. The opportunity to form such unions and achieve collaborative economies of scale is obviously an important one, especially given the fragmented nature and small size of most of Armenia’s communities. To date, however, only a small number of unions have been established. Although the unions have quite wide-ranging aims, they have tended to focus so far on the processing of donor funds for the delivery of physical infrastructure. Cooperation between local self-government bodies is hampered by the fact that the uses of ICUs are limited to specific issues and investments. Potential cooperation is further hampered by existing legal restrictions on the transfer of responsibilities to the unions and their present legal status as NGOs. The new Law on Inter-Community Unions will eliminate these limitations and enable implementation of mandatory/voluntary mergers as well as the introduction of forms for inter-community cooperation to increase efficiency in local service delivery.

Estonia – the importance of a legal framework

In the absence of a regional level government structure in Estonia, cooperation between local authorities is of great importance. There are 15 counties in Estonia, each of which has a regional association uniting all or most of its local authorities. Membership in an

association is voluntary and association members appoint representatives to a general assembly for the term of the local government council's authority.

The associations' scope of activities depends on the needs of the local authorities involved, and the limits set up by national and local law, some examples of which are outlined below. Functions that require the exercise of public authority power may be transferred to an association only if corresponding authorization is provided by law. Activities are mainly financed from budgets of member authorities.

Two examples of national associations of local authorities in Estonia are the Association of Estonian Cities and the Association of Municipalities of Estonia.

Major relevant legislative acts include:

Local Government Organization Act (1993)

Determines the functions, responsibilities, and organization of local authorities and the relations of local authorities with one another and with central governmental institutions.

Promotion of Local Government Merger Act (2004)

Establishes the principles guiding mergers of local governments and the principles for promoting such mergers, the requirements for the accessibility of public services offered by local governments after a merger, the bases for allocation of grants from the state budget for covering the costs related to a merger, and the principles for compensating for the decrease of state budget allocations after the merger.

Local Government Associations Act (2002)

Specifies the foundation and activities of regional associations of local governments and national associations of local governments.

Inter-municipal cooperation as part of a larger ongoing reform process

Inter-municipal cooperation projects should be part of a larger reform process in the countries of Europe and the Commonwealth of Independent States.

A sufficient degree of decentralization, that is, the devolution of political, administrative, and fiscal responsibilities from the central to the local level, is necessary. Inter-municipal cooperation agreements are not feasible without devolution of competencies at the municipal level together with administrative and fiscal decentralization. Inter-municipal cooperation makes sense only if municipalities have a certain freedom to decide on their public policies. This includes a sufficient degree of fiscal decentralisation. Municipalities can only enter into cooperation agreements if they dispose of sufficient funds. Although it is not the purpose of this guide to go into details about funding arrangements for the local level, it is worth mentioning that municipalities require appropriate revenue-raising abilities and powers of taxation to finance public service delivery and to improve the financial viability of ongoing projects. The devolution of fiscal responsibilities also brings with it an increased level of accountability to local stakeholders, who become both the end users and financiers of public services.

France: Linkages between decentralization and inter-municipal cooperation

The French model sheds some light on the linkages between decentralization and inter-municipal cooperation. After the French parliament adopted decentralization laws in 1981/82, which created the necessary legal environment for the decentralization of responsibilities from (mostly deconcentrated) state authorities to local authorities (on the regional, departmental, and municipal level), the municipalities were given more autonomy and responsibilities. As a consequence, a law was passed in 1992 making provisions for inter-municipal cooperation. Thus, municipalities rapidly and drastically increased the frequency of cooperation and, in the absence of large-scale administrative-territorial reforms, a multitude of types of cooperation came into existence. In 1999, another, more complex notion of inter-municipal cooperation was added, simultaneously simplifying inter-municipal cooperation arrangements.³¹

³¹ www.vie-publique.fr.

There is no recipe for the ideal process of decentralization. Nonetheless, some underlying principles should be considered, in particular an emphasis on pro-poor policies and reforms. A comprehensive decentralization programme and strong political support, both on the national and local level, are important for the effective implementation of decentralization projects. The distribution of responsibilities between the state and lower tiers of government is also a point that needs to be considered carefully. There is no clear-cut distribution and it largely depends on country-specific circumstances, but evidence has shown that in Europe and the Commonwealth of Independent States certain services such as defence and finance are the exclusive responsibilities of the central government, while other services such as public transport and certain social services fall under the purview of lower tiers of government. Services such as education, and health care may be provided either by the central government or by lower tiers of government, depending on the country.³²

Sometimes there is even cooperation between central and local authorities in this regard. This is important to bear in mind, as cooperation between various tiers of government is a very useful tool to ensure high-quality services. In reality, not all services should or can be performed at the local or inter-municipal level. Decisions as to the appropriate level of service provision must be made depending on country-specific circumstances.

In addition to decentralization, public administration reform is a top priority for countries in the Europe and Commonwealth of Independent States. Inter-municipal cooperation reforms can only be successful if they are integrated into and do not inhibit these larger reform projects. Local governments should be seen as part of a ‘complex, multi-institutional national system of governance and public management’ and not defined by “the distinctive characteristics attributable to their political and legal status.”³³

³² Kenneth Dave, Division of responsibility between levels of power, p. 3.

³³ Quoted from Human Development, Social Development, and Public Sector Management Networks, World Bank, Local Development Discussion Paper, p. 50. www.worldbank.org/-publicsector/-decentralization/-LDDPfinal-conferenceversion.doc. Accessed on 31 March at 10.24 a.m.

Capacity development challenges to effective inter-municipal cooperation and quality service delivery

In most of the countries of the region, local governments do not have the capacity needed to engage in partnerships with other municipalities, the community, central government, the private sector and civil society organizations to design and implement programmes and projects, provide proper monitoring and oversight of local procurement. The following are key areas which require particular attention in order to strengthen capacities in local governments so that they are able to improve the quality of service delivery through inter-municipal cooperation:

Leadership capacities. Leaders at the local level should be able to set priorities and to have a clear vision of what they expect from inter-municipal cooperation, why it is important to their communities, and what impact it will have on the quality of service delivery. At the same time leaders need to be able to articulate this vision to their teams, partners and community members.

Facilitation skills. It is commonly necessary to attract facilitators from the outside given the need for impartiality in leading discussions and encouraging cooperative agreements. This is extremely important in multi-ethnic communities, where facilitators require specific skills and experience in engaging different ethnic groups in discussion and in building partnerships.

Contract management. This involves contract design, management, and oversight. This is especially important for inter-municipal cooperation arrangements which involve the private sector, as very often the private sector is much better prepared than their counterparts in the public sector. This might create imbalances of power in the negotiation phase.

Project development and management skills. This would include capacities to plan, develop and implement inter-municipal cooperation projects.

Cooperation and negotiation skills. This includes the ability to negotiate and to seek “win-win” solutions, to engage in multi-stakeholder dialogue and to apply different

cooperation strategies. Cooperation skills are extremely important in multi-ethnic communities, where there is a need for a very sensitive approach to cooperation.

Analytical skills and capacity to evaluate feasibility studies. These technical skills are especially important for local governments to be able to analyze the data and assess the quality and reliability of feasibility studies, which are usually prepared by outside consultants.

The list presented above is not exhaustive; these are only some areas where local governments need to have knowledge and skills.

A number of strategies can be employed to develop above mentioned capacities. First, capacity development should become a part of national training curricula and be undertaken by national training institutes or similar training agencies. Second, associations of local authorities should be deeply involved in developing the capacities of their members to strengthen their skills to engage in partnerships and improve service delivery. This can be done by organizing seminars to exchange experience and information. In addition, associations of local authorities can establish and develop a team of facilitators who can assist local governments in facilitating the process of intermunicipal cooperation. Third, local governments can request particular training institutions to develop on-the-job training courses, which would be based on a comprehensive needs assessment and tailored to the needs of the specific municipalities. Very often local governments do not have sufficient financial resources to buy such training courses; in that case donor support would be very much welcomed.

CHAPTER 6: STEPS TO FOLLOW TO ESTABLISH INTER-MUNICIPAL COOPERATION PROJECTS

This chapter provides a step-by-step checklist of the various stages of inter-municipal cooperation. Although the steps to follow are described in as much detail as possible, they are only general guidelines and must be adapted to country-specific circumstances.

Situational and needs assessment

There are different ways of doing situational and needs assessments³⁴. However, any situational and needs assessment should deal with the following issues: identification of the gap between the current development situation and capacity against the future and desired situation, definition of priorities, and analysis of causes for potential stakeholders' needs. Ideally, the need for inter-municipal cooperation and possible benefits are identified during strategic planning processes at the stage of socio-economic analysis. A feasibility study should be undertaken once there is agreement between the partners.

It is also vital at this stage to adequately assess the needs of all citizens, particularly the most vulnerable. While inter-municipal cooperation is a means of delivering services to a wider citizenry base, it is not inherently based on equality. Thus, administrators and planners must take care to assess needs with human rights in mind. A human rights-based approach emphasizes non-discrimination, participation, transparency and accountability. The differentiated needs of men and women must also be considered prior to undertaking projects. Local administrations must be prepared to adapt to the needs of the citizens and not vice versa. Thus, any assessment should allow for maximum participation and inclusion of all segments of society.³⁵

An economic analysis of the benefits and drawbacks of inter-municipal cooperation is equally crucial at this stage, as well as analysis of the existing legal basis in order to identify the legal capacity of municipalities to enter into cooperation agreements. The assessment must also take into account administrative and operational constraints when determining the feasibility of cooperation. This assessment, which may conclude that

³⁴ Useful information on these topics can be found in UNDP's Capacity Assessment Practice Note. "Capacity Assessment Guidelines, The Programme Approach: Assessment Levels and Methods" <http://practices.undp.org/pcb/index.cfm?prac=121515&doc=121568&src=121515>.

³⁵ Osterrieder, Holger, "Inter-municipal cooperation in the context of gender and the human rights-based approach", UNDP Bratislava Regional Centre for Europe and the Commonwealth of Independent States, Bratislava 2006, http://europeandcis.undp.org/?wspc=practice-4_h_5_3.

inter-municipal cooperation is in fact not appropriate, could be undertaken by individual municipalities or by several in conjunction.

Process Initiation and Coordination

The process of inter-municipal cooperation may require a trigger to set coordination efforts in motion. This may come from the incentives described earlier, though sometimes an international assistance programme can have an important role in this process, such as the case of EU structural funds in Portugal. Through their focus on regional projects, the structural funds helped to facilitate the creation of inter-municipal cooperation projects. The conclusion of the assessment described in the previous step could also serve as a justification for initiating inter-municipal cooperation. A trigger may also come from a private company, such as in the case of waste collection in Macedonia, where a private company conducted a market analysis and approached the local authorities to convince them of the benefits of inter-municipal cooperation for service delivery in the form of a public-private partnership.

Identifying Potential Partners

Once the initiative for inter-municipal cooperation has been taken, it is important to identify the partners. Cooperation could be based on voluntary membership and thus only those municipalities that wish to work together join the cooperation process. However, some risks are associated with this procedure. Certain municipalities might be left out, for political, economic or other reasons, or the cooperation area might not span an entire municipality, thus creating enclaves.

France – The ‘qualified majority rule’ promotes inter-municipal cooperation

In order to ensure that an inter-municipal cooperation project exhibits geographical coherence and continuity, the perimeter of the collaborating municipalities involved in a specific cooperation project is fixed by the French national administration. Before

implementation, a qualified majority of the municipalities concerned must agree to the project. If such a majority is obtained (2/3 of local assemblies representing more than 50 per cent of the total population, or more than 50 per cent of the local assemblies representing 2/3 of the total population of the municipalities concerned), all municipalities concerned are *required* to join the cooperation agreement.

It is worth considering the benefits of having flexible cooperation structures, which can be joined subsequently by additional members. In any case, clear arrangements need to be made for the withdrawal from the inter-municipal cooperation agreement by the original partners.

Determination of objectives and clarification of expectations

This is a crucial part of the inter-municipal cooperation process. Successful inter-municipal cooperation and its sustainability ultimately depend on approval and commitment of all relevant actors. Therefore, it is important that all actors jointly agree on the objectives and overarching goals of their specific project of inter-municipal cooperation. The different expectations and interests of the partners have to be clarified so as to avoid frustration and misunderstanding afterwards. In addition, an overarching goal can help to unite and motivate the different partners and overcome potential conflicts. In this regard, effective communication in the negotiation process will significantly contribute to establishing a mutually beneficial cooperation agreement with clearly defined roles and responsibilities. During this process, potential partners should be willing to acknowledge each party's position and make concessions based on these needs and expectations.

Germany – Inter-municipal cooperation can be either project-oriented or vision-oriented

A study on Germany has shown that inter-municipal cooperation has been more or less successful depending on the type of cooperation: project-oriented inter-municipal

cooperation initiatives with a clear goal have been more successful than coordination and planning.³⁶

Agreement on the modality

After defining the objectives and goals of cooperation, partners must select an appropriate organizational arrangement, or modality. The type to choose depends on the objective of the cooperation and a situational and needs assessment. In reality, different forms of cooperation can co-exist and mutually benefit from each other.

Part of deciding which cooperation agreement is most appropriate involves clearly designating roles and responsibilities. Ideally, these should be assigned in a fair manner so that no one partner exercises control over the others. Additionally, it is necessary to establish a formal decision-making process in order to ensure the cooperation agreement will be implemented smoothly. This also involves determining the rights of ownership, use, distribution, and visibility.

Establishment of the cooperation agreement and necessary institutions

Before beginning to undertake project activities, the cooperation agreement must be formalized, and in some cases, the agency or institution called for by the inter-municipal cooperation project must be established. When finalizing a cooperation agreement, it is important to formalize the arrangements. Flexibility should be shown by, for example, limiting the agreement to pilot projects or by designating a certain time limit in the beginning.

In some cases, depending on the agreement, institutions have to be created, such as joint bodies or joint committees, including steering committees. This is a major step which needs careful consideration.

³⁶ Beate Holbach-Grömig, Holger Floeting, "Interkommunale Kooperation in der Wirtschafts- und Infrastrukturpolitik", in: Deutsches Institut für Urbanistik, Aktuelle Informationen, February 2005, p. 5.

The basic elements contained in a cooperation agreement should be³⁷:

- Name and domicile
- Partners
- Purpose
- Obligations of the partners and the partnership
- Liability
- Regulations governing the Board (if applicable)
- Management
- Technical committee (if applicable)
- Budget, account and audit
- Funding of the partnership
- Changes of the agreement
- Admission of new partners
- Resignation
- Dissolution
- Arbitration
- Supervision

Additional elements to be agreed on are among others:

- Work plan and schedule of activities
- Monitoring and evaluation mechanisms

Any draft cooperation agreement should undergo a legal and financial review, which could be conducted either by the municipalities themselves, associations of municipalities or state authorities. The drafts should be circulated among all stakeholders and information sessions on the projects and its impacts should be organised. An open

³⁷ A model for a cooperation agreement can be found at http://europeandcis.undp.org/?wspc=subpractice-27_h_11.

discussion about potential conflicts of interests and risks should not be forgotten. The agreement must be endorsed by each partner municipality.³⁸

Implementation

Upon the finalization of the cooperation agreement, the next step is to begin the project activities. In many circumstances, it might be good to start with a pilot project in individual municipalities before gradually increasing the scope and scale. This could help the partners involved to build trust and learn from cooperation before making larger commitments.

The selection of personnel responsible for the implementation of the inter-municipal cooperation projects is very important. Ideally, people should be chosen who have the necessary skills, which includes the ability to build trust among the partners.

Almost all successful municipal cooperation projects have been led by strong and popular elected officials. Voters are more apt to listen to people for whom they vote, and citizens are likely to consider cooperation on its merits if accountable officials are the individuals spearheading the projects. Other community leaders and business leaders are useful and often employed in these efforts, but voters must feel that the main proponents of cooperation are vulnerable at the ballot box.

Performance monitoring and evaluation

To ensure that inter-municipal cooperation projects remain goal-oriented, adhere to the conditions of the original agreement, and have a positive impact, it is important to regularly monitor and evaluate performance against agreed-upon objectives and results. Citizens from a variety of segments of society should be included in the monitoring process in order to ensure that human rights-based goals and other objectives have been

³⁸ See Handbook on inter-municipal partnership and cooperation for municipal government. http://www.gov.ns.ca/-snsmr/muns/-workshops/PDF/-MunicipalCooperation_Seminar/-Intermunicipal_report.pdf. Accessed on 31 March at 10.30 a.m.

met. By using a human-rights and gender-sensitive framework for evaluation, authorities can “evaluate the degree to which officials and programmes empowered and successfully addressed the needs of vulnerable and excluded groups, and reduced or eliminated discrimination that has been identified”.³⁹

The findings, which might reveal unintended consequences of collaboration, should be used to readjust the inter-municipal cooperation process, if necessary. Upon completion of a project, the results of monitoring and evaluation should be incorporated into future action and planning.

Communication and participation

In order to build trust and confidence among cooperating partners and citizens, and in order to mobilize resources to support projects and future action, it is necessary to communicate to all stakeholders. This will also contribute to improved accountability and transparency. Communication is also important as it ensures that all partners are regularly informed on the cooperation projects. Support for the agreement can only be maintained if all relevant stakeholders are involved in the development process so that no one actor is excluded. A human rights-based approach to development, applied to inter-municipal cooperation and improved public service delivery, focuses in particular on participation, non-discrimination, and inclusion of all segments of society. It is also important that all citizens be empowered (through information and training) so that they can effectively participate in all aspects related to service delivery and inter-municipal cooperation.⁴⁰

There are mechanisms for ensuring that there is effective communication between municipal governments and citizens. For instance, authorities may be required by law to

³⁹ Nancy Thède, *Local Government and Human Rights: Doing Good Service*, International Council on Human Rights Policy, Geneva, 2005.

⁴⁰ Osterrieder, Holger, “Human Rights and Gender in Public Service Delivery”, UNDP Bratislava Regional Centre for Europe and the Commonwealth of Independent States, Bratislava 2006, http://europeandcis.undp.org/?wspc=practice-4_h_5_3.

inform their residents when local functions have been delegated to a corporation or a foundation, as is done in the Local Government Act in Finland, for example.⁴¹

Resource Mobilization

Resource mobilization, which is a crucial element in any inter-municipal cooperation project, can be facilitated via effective communication. Resource mobilization is important so that projects have sufficient funding to ensure viability. Funds can for example come from the central government, development partners and municipalities' own resources.

CHAPTER 7: THE ROLE OF EXTERNAL ACTORS

The aim of this chapter is to clarify how non-local government actors can positively contribute to the process of inter-municipal cooperation.

a) State authorities

For the purposes of this chapter, 'state authorities' refers to non-local government units, that is, central agencies, institutions, and officials.

The state authorities play an important role by

- providing incentives to inter-municipal cooperation;
- supporting the establishment and running of inter-municipal cooperation projects through technical expertise and the allocation of financial resources;
- coordinating and providing overarching guidelines for inter-municipal cooperation;
- creating an enabling legal framework.

⁴¹ Finish local government act, see http://www.kunnat.net/k_perussivu.asp?path=1;161;279;280;60393;60419.

The following recommendations developed by the World Bank are also applicable to inter-municipal cooperation:

How national governments can support participatory local development

- **Approve laws, policies and procedures** supportive of alternative forms of service delivery (such as inter-municipal cooperation). This can:
 - improve the legal, fiscal and governance framework for local government;
 - make sectoral policies and systems compatible with local governments' and community organizations' empowerment;
 - clarify local government rights on voluntary associations and partnerships; and
 - recognize the role of civil society and the private sector in governance and service delivery.
- **Enhance the capacity of local actors** through investments that:
 - reorient the local public sector to improve horizontal coordination and to promote participation;
 - build social capital through community organizations and voluntary associations;
 - strengthen local organizations; and
 - increase knowledge and skills.
- **Provide resources** to:
 - finance government budget allocations to decentralized state institutions;
 - increase the coverage and quality of local infrastructure and public services;
 - make grants to local governments, civil society organizations to finance local investments;
 - provide technical assistance to local public sector and civil society organizations,

- increase the availability of information to local actors; and
- promote transfer of expertise among both local and national actors.⁴²

Portugal – The central government addresses the lack of municipal capacities

The lack of municipal capacity may also be addressed by the central government, which may provide personnel or funds to municipalities as a trigger or an incentive to cooperate. For example, in the 1970s the Portuguese government created GATs (Gabinetes d'Apoio Tecnico), which are support offices staffed with engineers, architects, economists, and other planners, each serving a group of municipalities. This is a form of cooperation initiated by the central government, but directed at local authorities.

b) Associations of Municipalities

Associations of municipalities are voluntary networks of local government units. They have a crucial role to play in setting up and running inter-municipal cooperation projects. They can serve as platforms for exchange of knowledge, best practices and lessons learned, and can in general help to raise awareness about inter-municipal cooperation. To facilitate a systematic exchange of experience, associations of municipalities should be seen as major actors providing advice to individual municipalities. They can also provide monitoring and evaluation services, as they must make sure that constituent municipalities adhere to membership conditions. Another valuable function of local government associations is to serve as a platform for donor coordination, directing resources to municipalities in an effective manner.

⁴² Quoted from Louis Helling, Rodrigo Serrano, David Warren, *Linking Community Empowerment, Decentralized Governance, and Public Service Provision Through a Local Development Framework*, September 2005, p. 58. <http://siteresources.worldbank.org/INTCDD/544090-1138724740952/20802848/decnetralization05.pdf>.

Estonia – Local Government Associations promote inter-municipal cooperation

As in most countries, Estonian legislation, specifically the Local Government Organization Act, allows municipalities to voluntarily form different joint institutions together. These institutions, which are organized on a contractual basis, are allowed to perform joint tasks or to represent some common interest. Thus, local government units may cooperate, trade public services and form associations of municipalities.⁴³

c) Development partners⁴⁴

The role of development partners/donors in establishing and running inter-municipal cooperation projects is particularly relevant to the countries in Europe and the Commonwealth of Independent States, with their long legacy of centralisation.

As objective external actors with relevant experience, development partners can help in many ways, including the following:

- Fostering dialogue and trust

Dialogue and trust can be fostered by convening and facilitating multi-stakeholder roundtables focused on strengthened service delivery and monitoring and reporting to donors. Development partners can also identify and liaise with potential donors and co-financiers, identify national-level partners and cooperate with them to support local-level delivery, establish multi-stakeholder platforms on a range of issues, and build communication channels between local and national levels.

- Developing and strengthening frameworks and capacities

Development partners can provide on-going support for projects and strengthen civil society organisations, enhance national institutions to deliver local-level training on activities such as waste management, irrigation systems, and public

⁴³ Quoted from Country Report, *Increasing Involvement of Local Authorities of the Baltic States in the EU Enlargement Process Environmental Protection Sector, Estonia*, written by Monika Prede, Institute of Geography, University of Tartu.

⁴⁴ The following suggestions emerged from the UNDP Community of Practice meeting in Belgrade in 2005.

healthcare, and on procedural issues on inter-municipal cooperation.

- Promoting knowledge dissemination

Development partners with expertise and experience can help to conduct user surveys of service beneficiaries, addressing a lack of knowledge codification, capture and management, and facilitate debate about alternative solutions such as inter-municipal cooperation.

- Providing assistance to specific inter-municipal cooperation projects

Development partners can assist in the design of projects, supporting pilot efforts, though the focus should above all be on offering practical resources and technical support.

The European Union – EU accession as a driving force of inter-municipal cooperation

Several UNDP projects in EU accession and candidate countries aim at promoting inter-municipal cooperation in order for municipalities to better absorb structural funds. This external “EU anchor” is a strong driving factor for municipalities to engage in partnerships and cooperative agreements. Currently, projects in Bulgaria and Romania are being developed on this issue by the respective UNDP country offices. The projects aim to replicate Portugal’s inter-municipal cooperation experience and thus help Bulgaria and Romania on their path towards EU accession.

Macedonia – The facilitative role of UNDP

The high degree of centralization in Macedonia has resulted in a legacy of significant geographical inequality and rural poverty. Development outside of large city centres has been slowed by weak local governments and the lack of effective devolution. In response, the government has viewed decentralization as an opportunity to improve governance and enhance service delivery. Inter-municipal cooperation and regional

development have been identified as priority areas for enhancing the effectiveness of local governments as Macedonia undergoes the decentralization process.

UNDP has responded to this situation at the national level by supporting government ministries in preparing methodologies for regional development plans and monitoring and evaluation systems. UNDP also offers technical assistance regarding procedures, conditions and frameworks for regional development and inter-municipal cooperation. At the sub-national level, UNDP is active in promoting local development, whereby inter-municipal cooperation is seen as a means to foster understanding and cooperation between communities with different ethnic constitutions.⁴⁵

Inter-municipal cooperation between developing countries and developed countries

One form of inter-municipal cooperation and donor assistance is the cooperation between municipalities in developing and developed countries.

A very common form of this cooperation is the European Town Twinning, which can take place between developing and developed countries. This is essentially a voluntarily friendship agreement between municipalities. Cooperation can take the form of cultural projects and exchanges, as well as study tours, and technical assistance projects.⁴⁶

d) Private sector

The private sector is made up of commercial entities and individual investors. Inter-municipal cooperation is not limited to cooperation among municipalities. In reality, it can be extended to public-private partnerships. In fact, inter-municipal cooperation can help create the conditions for successful involvement of the private sector into public service delivery. The cooperation of municipalities gives them increased negotiation power *vis à vis* the private sector and can thus help municipalities be a stronger market

⁴⁵ Quoted from the Final Report of the Belgrade Community of Practice meeting, europeandcis.undp.org/files/uploads/-Belegrade1205/Belgrade_Report_Final.doc.

⁴⁶ <http://www.lgib.gov.uk/international/index.html>.

participant. In addition, larger projects create incentives for the private sector, which can gain increased benefits from the economies of scale. The private sector can contribute resources, improve the efficiency and competitiveness of a municipality and, to an extent, increase accountability in public service delivery.

Bulgaria – Inter-municipal cooperation involving the private sector

Municipalities may also form partnerships with private entrepreneurs. Municipalities may cooperate to establish private commercial entities for the provision of services. For example, three Bulgarian municipalities together run a non-profit Tour Club which implements projects in the areas of tourism and training with the support of donors and private businesses. The municipalities provide operational and management assistance, while relying on private sector partners for funding and implementation.

Armenia – A partnership between the national government, the diaspora, the private sector, donors and municipalities

In an innovative initiative, the Government of Armenia and UNDP have recently facilitated three-way partnerships between the private sector in the Armenian diaspora; donors, including DFID, USAID, and the EU; and municipalities. The multi-faceted initiative helps the diaspora transition its support from humanitarian assistance to development, and focuses on the country's poorest regions and villages, where a tremendous lack of local capacities to manage development is coupled with a high risk of corruption. The aim is to generate growth through integrated programmes focused on the rehabilitation of social infrastructure, rural development, job creation, income generation, support to agricultural production and support for social services.

To support this initiative, UNDP provides a wide range of development services. Local governments and communities are actively involved in all aspects of programme design,

planning and implementation and are responsible for the maintenance of public goods, social structures and programme sustainability.⁴⁷

Further information on pro-poor public-private partnerships can be found in UNDP's PPP toolkit, accessible at <http://pppue.undp.org/toolkit/index.html>.

e) Civil society

Civil society is composed of non-governmental organizations, private associations, and essentially any entities that do not fit into the previously described categories.

The role of civil society in facilitating cooperation projects is to advocate community access and representation. It is an important actor in inter-municipal cooperation, as it helps municipalities in determining the priorities, implementing the tasks, and establishing accountability mechanisms. An entry point for civil society is to maintain open lines of communication between authorities and local stakeholders, enabling citizens to voice their concerns with decision makers. There are numerous strategies to achieve this goal. One example would be to set up a *Citizens Task Force on Inter-Municipal Cooperation*, an open forum which meets regularly to discuss the concerns of various stakeholders.

CHAPTER 8: CONCLUSION

It is worth emphasizing that this Guide is meant to be an organic document. As experience and wisdom are gained, practitioners are encouraged to submit recommended changes and new insight so that the document can be improved. In general, many countries and municipalities in the Europe and the Commonwealth of Independent States region have limited experience engaging in inter-municipal cooperation. Thus, it is important to see any project in inter-municipal cooperation as a learning process and to

⁴⁷ The Invisible Gap, UNDP, 2006, page 14.

continually evolve and apply lessons learned. Exchanges with other municipalities in the same country or foreign countries can be very useful to that effect.

Ultimately, this Guide is meant to have a strong human dimension, targeted at vulnerable local stakeholders whose interests are often ignored. It is important that cooperating municipalities never lose sight of the ultimate goal of improving their own performance in public service delivery. Moreover, the role of the human factor in cooperation agreements should not be underestimated. Social norms, values and practices have an impact on partnership agreements. Trust among stakeholders in different municipalities and the will to cooperate are essential factors which can enable the success of inter-municipal cooperation projects. Ethnic differences, political cleavages, or other separating factors (and be it only lacking knowledge of the other) can lead to mistrust and can seriously hamper any cooperation process.

It is clear that significant obstacles to inter-municipal cooperation remain in place in many of the countries in the Europe and the Commonwealth of Independent States region. Hopefully, with the help of the advice provided in this Guide, practitioners will find ways to overcome these obstacles and begin to work together to improve the quality of local service delivery.

CHAPTER 9: THE WAY FORWARD

Any discussion of local-level public service delivery cannot be complete without a consideration of the Millennium Development Goals (MDGs). With the Millennium Declaration, countries all over the world agreed to a specific set of targets focusing on poverty reduction, gender equality, improved global health, and sustainability. The way forward should be to continue to use the MDGs as long-term targets for development strategies.

This refers not only to national-level development strategies, but also to strategies on the local level. This Guide is meant to help local-level practitioners engage in inter-municipal

cooperation in order to improve the quality of public services. Within this framework, municipalities should include inter-municipal cooperation in their local-level development strategies as a means to achieve the MDGs.

The MDGs, of course, are a relatively long-term target. In the short run, municipalities should not be intimidated by the challenges ahead, nor should they feel powerless without adequate resources and capacities. A demonstration approach, for example by implementing a pilot inter-municipal cooperation project before gradually moving towards institutionalization, should be adopted to showcase tangible results and lay the groundwork for legal and institutional changes.

In both the long and short term, the United Nations Development Programme will continue to be an active partner in promoting alternative forms of public service delivery in the pursuit of human development. With the publication of this Guide, UNDP is committed to assisting local-level practitioners through numerous follow-up activities, not limited to technical backstopping, trainings, and strategy formulation. As long as the goal remains to pursue pro-poor public services and to address the needs of vulnerable groups in the continued fight against global poverty, UNDP will remain a supportive partner in the Europe and Commonwealth of Independent States region.

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Additional case studies can be found on the website of the UNDP Bratislava Regional Centre: <http://europeandcis.undp.org>, in the resource section on inter-municipal cooperation.