



# **INTER-MUNICIPAL COOPERATION IN THE REPUBLIC OF CROATIA**

**Legislative, Institutional and Financial Framework for  
Inter-Municipal Cooperation and Examples of Good Practice**

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**PROJECT COORDINATOR:**

**Mladen Ivanović**

**AUTHORS:**

**Robert Podolnjak, PhD**, Faculty of Law, University of Zagreb

**Irena Gluhak, MSc**, Croatian Institute for Local Government

**John Jackson**, Expert of the Council of Europe

**Mladen Ivanović**, Association of Municipalities in the Republic of Croatia

**ASSOCIATE:**

**Marko Ercegović**, Association of Municipalities in the Republic of Croatia

**TRANSLATOR:**

**Sofija Babić**

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## 1. INTRODUCTION

### 1.1. Background of the Project on Inter-Municipal Cooperation in Croatia

There is a constant need for improvements and innovations in the functioning of local government system, with the aim to increase its efficiency and effectiveness as well as raise the quality of public services that local governments provide to their citizens. In that respect, inter-municipal cooperation represents one of the inevitable tools. Therefore, the European Charter on Local Self-Government<sup>1</sup> emphasizes that one of the rights of local governments is to cooperate with the purpose of joint performing of their tasks.<sup>2</sup>

During implementation of the Local Government Reform Project<sup>3</sup>, the Urban Institute paid attention to the need for stronger cooperation among Croatian local governments in the research published under the title *Cooperation among Local Governments for a Better Public Service Delivery*.<sup>4</sup> Although the publication contains several examples of good practice and some interesting conclusions, it did not create any significant effects within the circle of the interested Croatian public at the time of its publishing.

More intense promotion of inter-municipal cooperation<sup>5</sup> (further in the text: IMC) in the whole region, and therefore in Croatia as well, has started with a stronger engagement of the Council of Europe, whose Committee of Ministers recognized joint cooperation among local governments as one of the main strongholds for further development of the local democracy. Based on such an attitude, the Committee of Ministers, at its 14<sup>th</sup> Session, held in Budapest in 2005, strongly encouraged wider and more comprehensive inclusion of the member states in promotion and support to the existing models of inter-territorial cooperation, as well as development of new and innovative ways of cooperation between various territorial communities and authorities.

The Committee of Ministers repeated this standpoint in its Utrecht Declaration in 2009, when they emphasized, among other things, that „...*cross-border and inter-territorial cooperation between territorial communities or authorities plays a fundamental role in promoting dialogue, mutual understanding as well as social, economic and human development between neighbouring territories of our respective States, thus creating stability and prosperity for our nations...*”

Following these guidelines by the Committee of the Ministers, the Council of Europe (COE), OSI Local Government and Public Service Reform Initiative (LGI) and UNDP Bratislava Regional Centre held between 2008 and 2010 several regional workshops where they discussed a variety of issues related to inter-municipal cooperation. The result of this joint

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<sup>1</sup> *Official Gazette – International Agreements*, No. 14/97, 4/08 and 5/08.

<sup>2</sup> Article 10(1) of European Charter on Local Self-Government: „Local governments shall be entitled, in exercising their powers, to cooperate and, within the framework of the law, to form consortia with other local authorities to carry out tasks of common interests.”

<sup>3</sup> The project was financially supported by USAID and implemented by the Urban Institute between 2000 and 2007. The purpose of the project was to support the process of decentralization and improve management and administrative capacities of local governments. The total project value was 16 million dollars.

<sup>4</sup> *Cooperation among Local Governments for a Better Public Service Delivery* (Urban Institute, 2006)

<sup>5</sup> The term “inter-municipal cooperation” denotes cooperation among local governments, regardless of the form of their organization within the territorial and legal constitution of their respective states.

initiative was the IMC program package, which includes IMC Toolkit Manual, Practitioner Guide, IMC Training Program and European IMC web page (<http://www.municipal-cooperation.org>).

The Council of Europe started the project of encouraging IMC in Croatia in 2010, in cooperation with the Association of Municipalities and the Association of Cities. The implementation of the project started at the International Conference on Inter-Municipal Cooperation, held in Dubrovnik on September 23-24, 2010,<sup>6</sup> and has continued with a research on inter-municipal cooperation in Croatia, whose final objective is to detect the real status of the IMC in Croatia, explain its potentials and define a basis for policy recommendations to encourage more intense future cooperation among Croatian local governments. Specific objectives of the research include presentation of the relevant European experience in IMC; description and analysis of Croatian legislative, financial and institutional framework for IMC; examples of good and bad practice in Croatia; and collection of opinions on IMC by relevant stakeholders (local officials).

## **1.2. The Term of Inter-Municipal Cooperation for the Needs of the Research**

The cooperation among territorial units can appear in various forms – it might be institutionalized or informal, long-term or *ad hoc*, and it might cover a wide range of topics. However, for the needs of the research on IMC in Croatia it is necessary to determine what might be considered as IMC. In that way, the results of this research will be comparable and give a basis for planning all further activities within the project.

Subsequently, inter-municipal cooperation in this project will be considered as every joint action (cooperation) of local governments which has the following characteristics:

- it includes at least two local governments, regardless of their legal status (two or more municipalities, two or more cities, or two or more municipalities and cities);
- the cooperation is institutionalized in accordance with the Croatian legislation (joint communal enterprise, institution or other legal entity; joint administrative departments; joint communal service; etc.);
- cooperation is not institutionalized, but there is a strong informal structure that enables all involved local governments to participate in decision-making about all important issues of the cooperation (e.g. joint planning);
- cooperation is formal (based on the signed contract or agreement) or informal (based on an arrangement between the involved parties without the signed formal document);
- the timeframe of cooperation is limited (e.g. joint preparation and/or implementation of a specific project) or unlimited (joint care for the elder, joint kindergarten, etc.);
- cooperation is regulated by the law as obligatory or optional.

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<sup>6</sup> Representatives of 14 countries and several international organizations gathered at the conference to confirm the importance of cooperation among local governments in development of local democracy and increase in the local government efficiency. IMC Toolkit Manual, prepared by the Council of Europe, LGI and UNDP, was presented during the conference.

### 1.3. About the Local Government System in Croatia

Croatian local government system was set up at the beginning of transition period, first by the Constitution of the Republic of Croatia (1990), which determined the right to local government, then by a variety of laws which further elaborated and defined the system (Law on Local Government and Administration; Law on Territories of Counties, Cities and Municipalities in the Republic of Croatia; Law on the City of Zagreb; and Law on Elections of Members in the Representative Bodies in Local Governments),<sup>7</sup> and finally by the first local elections.<sup>8</sup> New constitutional and legislative framework enabled a new territorial organization of the country, which resulted in splitting a relatively small number of larger local government units (in 1990, Croatia had 101 municipalities) into a large number of smaller local government units. It was expected that local authorities, being closer to the citizens, will be able to answer to their needs more effectively.

With an exception of the City of Zagreb, the capital and the biggest city in Croatia, which has both status of a county and a city, local government in Croatia is organized in two territorial levels: lower (local) level, i.e. cities and municipalities, and higher (regional) level, i.e. counties.

After the establishment of the new local government system in Croatia, 68 cities and 418 municipalities were newly formed. However, due to a number of reasons, in the first place political reasons, a number of local government units has been increasing, and criteria for forming new local governments, stipulated by the law on Local Government, have been more and more neglected. Today, Croatia has 429 municipalities and 126 cities, 20 counties and the City of Zagreb, which totals to 576 local and regional government units. Although there are significant differences in territory size, population, fiscal capacities, level of development and other local government characteristics, an average municipality has a population of 3,500; an average city of 20,000; and a county of 200,000.

Scope of local government autonomy is defined by the method of general clause, which means that local governments perform tasks of local importance which are not devolved to state authority bodies neither by the Constitution nor by the law. All local governments perform the same tasks within their scope of autonomy, regardless of their size, fiscal and human resources and other characteristics. This rule applies to all local governments, apart from so called large cities.<sup>9</sup>

Local governments perform three types of tasks: obligatory tasks (authorities which they are obliged to perform, and are defined by specific laws); optional tasks (tasks local governments can perform if they have provided conditions for carrying out these tasks); and devolved tasks (tasks of state authority which are devolved by law to the local government).

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<sup>7</sup> All the Laws published in *Official Gazette*, No. 90/92

<sup>8</sup> The first local elections were held in February, 1993.

<sup>9</sup> The Amendments to the Law on Local and Regional Government (LLRG) from 2005, introduced the category of large cities, i.e. cities with a population bigger than 35,000 inhabitants. Apart from the usual tasks from the local government scope of autonomy, these cities have additional authorities: maintenance of public roads, issuing of building permits and implementation of spatial planning documentation on their territory. County seats have the same authorities regardless of their population.

In performing tasks within their scope of autonomy, local governments are autonomous in decision-making, whereas the central state bodies supervise the constitutionality and legality of their general acts (however, not their relevance or effectiveness).

#### **1.4. Contemporary Challenges in Local Government System**

Although some segments of local government system in Croatia have been upgraded within years (system of financing, local government authorities, election system, etc.), the system as such has not been vitally changed since its beginning. At the same time, the central state has conducted relatively weak supervision of the entire system, which contributed to its complete neglect. However, after 18 years, the objections that the local government system needs an urgent reform in order to become more rational and more efficient are getting louder and louder.

After the period of the strong centralism during the 1990s, Croatia implemented the first stage of decentralization in 2001, when certain authorities in the area of primary and secondary education, health care, social welfare and firefighting were devolved to local and regional government. Although there were some initiatives to continue decentralization after 2001, the process was mainly stopped due to a lack of true political will.<sup>10</sup>

In the mid 2010, the Croatian Government presented its Program of Economic Recovery, with territorial reorganization, fiscal and functional decentralization as some of the program measures.

At the beginning of July 2010, the Government adopted ***Guidelines and Principles for Functional Decentralization and Territorial Reorganization***. Apart from the objectives and criteria for planned reform of local and regional government, the Guidelines contain principles for the implementation of the process of functional decentralization and territorial reorganization as well as a timeline for the implementation of defined measures. The Guidelines specify the importance of the decision on whether the Croatian local government will be set up as monotypic or polytypic and emphasize that during the process... *“possible mechanisms (obligatory and optional) of functional joining and cooperation among neighbouring local and regional governments will be considered, in order to improve quality and efficiency in performing their tasks and authorities“*. Undoubtedly, it means that the Croatian Government sees inter-municipal cooperation as a tool for more rational and more effective local government system.<sup>11</sup>

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<sup>10</sup> During 2006, the European Union financed the project Fiscal Decentralization, and in 2006 and 2007 the project called Strengthening Capacities for Administration Decentralization. However, none of these projects managed to encourage the process of decentralization.

<sup>11</sup> The Association of Municipalities in the Republic of Croatia organized several meetings of municipality mayors in the first half of 2010. The Association explicitly accented that the stronger inter-municipal cooperation is one of the ways to remedy or alleviate limitations in the existing local government system, thus making reshaping of the borders of the local government units unnecessary. *Guidelines*, adopted after these meetings, are in accordance with the standpoint of the Association.

## 2. EUROPEAN EXPERIENCES IN INTER-MUNICIPAL COOPERATION

### 2.1. European Inter-Municipal Cooperation in General

IMC is well established in Western Europe<sup>12</sup>. Generally, all countries pursue a policy on IMC; but no country offers a model. The nature of such partnerships depends on the history of local government and the legal and financial contexts within each country.

Where there is formal structure for IMC, three broad models can be found:

- 1) *highly integrated under public law with State supervision over financial and legal matters and with competences clearly set out;*
- 2) *flexible and pragmatic in which municipalities can sign contracts using ordinary law;*
- 3) *a mixture of these two models as in most countries.*

**Public law gives legitimacy and reliability of resources; private law gives flexibility.** IMC partnerships may be initiated by the Government or by municipalities themselves within a flexible legal framework. Those with their own public body may be single- or multi-purpose; they may take responsibility for services (e.g. schools management), infrastructure development (e.g. road construction) or development planning and implementation (e.g. local economic development).

***In Norway, in addition to public-law bodies, there are a number of IMC bodies governed by private law (e.g. the electricity companies). They come under the Limited Liability Act. Others take the form of associations and are not regulated by a specific act; certain types of cooperation are governed by a special act, the Local Partnership Act.***

IMC contracts for service provision tend to cover all the stages, including coordination, procurement, organisation, management and regulation.

In some cases, IMC provides the basis for regional cooperation, particularly associated with regional planning procedures and EU funding allocation rules. This form of IMC may be particularly significant where there is no regional level of government.

Several countries have rationalised local government by reducing the number of municipalities through merger. This may be easier in Northern Europe where the balance between political and executive power is relatively equal and administrative efficiency is a strong driver. In this context, Denmark provides a recent example.

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<sup>12</sup> See Report on Good Practices Regarding Inter-Municipal Cooperation in the Member States, prepared by the Council of Europe (European Committee of Local and Regional Democracy), January 2008 (CDLR(2007)57rev))

However, in Eastern Europe, merging small municipalities has been found particularly difficult. IMC offers a serious alternative but, despite the potential benefits, there are relatively few examples of effective IMC.

***A few years ago, Turkey initiated a programme to amalgamate small municipalities. Out of nearly 3000 municipalities, only 300 were merged before a strong reaction put an end to this initiative.***

Some countries provide for compulsory IMC (e.g. mountain municipalities in Italy). On the other hand, in Slovakia where local autonomy is particularly valued after decades under a highly centralised system, the voluntary nature of cooperation is total and external incentives are minimal. Greater investment in putting over the business case for IMC is necessary in such countries

In France, good local government would be impossible without IMC since there are over 35,000 local government units. Their history of cooperation goes back a long way. In England, local governments are large and consequently more self-sufficient and therefore, IMC is not so necessary. Finland has a balanced approach to the development of IMC partnerships that has evolved over many years.

Generally, several trends can be discerned in the European approach to IMC:

- Growing use of contractual procedures within a flexible legal framework;
- Particular types of cooperation becoming mandatory (e.g. waste management for small municipalities);
- Growing cooperation in rural areas;
- Growing focus on better management, greater efficiency and service effectiveness, greater control;
- Greater focus on local democratic practices to enhance legitimacy and meet local needs;
- Search for greater flexibility.

## **2.2. Legal framework**

Models of IMC tend to reflect the scope and form of decentralisation in any particular country. The legal, administrative, political and financial environments shape the regulations and incentives for inter-municipal cooperation. Local inter-municipal cooperation is influenced by the constitutional status of local governments, their service responsibilities, the inter-governmental fiscal relations, the nature of incentives and the accountability mechanisms.

***In Finland, IMC has always existed; municipalities have the right to practice voluntary bilateral and multi-lateral cooperation based on their own needs. The State has given solid support from 1990 through special projects and programmes and various types of grants.***

***The best known form is the joint authority with its own legal personality. It is an independent public body governed by municipal legislation and based on a Charter. The Charter must contain the decision-making procedures and specify the number of representatives and their voting rights. It also lays down the powers and functions of the General Meeting.***

***For example, there are joint municipal bodies under public law with combined responsibility for spatial planning and regional development.***

IMC bodies are able to manage state administrative functions (e.g. citizen registration) or act as independent institutions of public administration; they might implement public tasks in their own right (e.g. local tax collection) or provide local public services (e.g. water, public education, promoting local economic development).

### **2.3. Models of Inter-Municipal Cooperation**

There are three broad models of inter-municipal cooperation in European countries:

- 1. Southern-European model of fragmented local government with numerous small local governments (e.g. France, Spain);*
- 2. Administrative cooperation (e.g. Germany, UK);*
- 3. Central European model of transition countries (e.g. Czech Republic, Hungary).*

These models have had an on-going impact on each other, so none of these countries represents a clear model to follow.

In France, the first forms of IMC (“syndicates”) fell under the full control of the partner municipalities. Later, single-purpose unions became responsible for several municipal services and other types of public IMC entities developed. Presently, 93% of municipalities, comprising 87% of the population, belong to a ‘community’ of partner municipalities. They have mandatory functions of local economic development and spatial planning, whereas the transfer of other authorities to partner local governments is optional.

The uniqueness of the French model is that urban ‘communities’ are authorized to levy the local business tax within their territory.

***In the Netherlands, the trend is to strengthen cooperation with or without private partners, particular for reasons of policy coordination and service provision. But this trend has led to bureaucratic overload through a proliferation of meetings and debates on the same subjects. There is also a trend to a more commercial approach – and therefore more flexibility - in the interests of greater public transparency and to achieve a better balance of costs and benefits.***

In Germany, IMC has a long tradition. Single-purpose entities focus on urban service management and capital investments in infrastructure. IMC is usually started on a voluntary basis, but the state administration influences the process by, for example, fixing the deadline for finishing the preparations.

In the case of IMC under simple private law, the partners provide funding (e.g. to finance capital investments). Single-purpose IMC bodies under public law are authorized to levy fees. IMC bodies for planning and development levy charges and collect contributions, but they are also eligible for financial support from the state budget.

In Spain, the forms of IMC are adjusted to the authorities and capacities of various types of local governments. There are 3 main types:

1. “*Mancomunidades*” (local government associations) are the simplest forms of cooperation, established on a voluntary basis by the municipalities;
2. “*Administrative Consortia*” comprise different types of organisations, including private sector entities, as well;
3. Local governments are involved in the establishment of „Metropolitan Areas”, but these forms of IMC are more mandatory by nature.

#### ***IMC in Spain (2006)***

<b><i>Types of cooperation</i></b>	<b><i>Number of cooperation units</i></b>
<b><i>Mancomunidades</i></b>	<b><i>953</i></b>
<b><i>Administrative consortia</i></b>	<b><i>891</i></b>
<b><i>Metropolitan Areas</i></b>	<b><i>4</i></b>

The functions of these three types of IMC are different. The “*Mancomunidades*” have more comprehensive functions, while the other two forms of IMC usually focus on a single issue, like cultural projects, urban transportation or communal service management.

Establishment of “*Mancomunidades*” is strictly regulated: local authorities must follow the specific legislation on IMC and the regional authorities must approve the constitution and statutes. They are authorized to manage any type of local government function.

“*Mancomunidades*” typically manage local services, such as water, solid waste management or public transportation, but they also deal with social services and manage spatial planning or IT services. The partner municipalities have equal position, which sometimes makes the joint decision-making slow and inefficient. Funding is based on the partners’ contribution.

“*Administrative Consortia*” are single purpose forms of IMC, comprising various public and private entities. In principle, they operate as public entities; however, they are not eligible for

all the public revenues assigned to local government. The majority of the membership (whether state, local or private sector) defines the legal character; this determines the position of the management (e.g. whether staff are civil servants or not).

In the transition countries of Central Eastern Europe, the typical form of cooperation focuses on municipal service organisations (e.g. for water or solid waste management) owned or contracted by dozens of municipalities.

The private sector is particularly interested in creating larger administrative units to provide economies of scale and can drive the development of IMC, as do the incentives derived from European funding.

### Number of local governments

<i>The Czech Republic:</i>	<b>1600</b>
<i>Slovakia:</i>	<b>1900</b>
<i>Hungary:</i>	<b>3200</b>

In the Czech Republic, Slovakia and Hungary, local government is fragmented and there are many small local governments. However, public services are usually provided through larger entities. Service organisations for water and solid waste management are owned and contracted by dozens of local governments that control prices, set service performance standards and are partly responsible for financing capital investments either as shareholders, concession holders or clients of service contracts.

**In the Czech Republic, small municipalities are trying to overcome the obstacle of size by creating so-called micro-regions to allow access the EC funding focused on rural development. There are no structures or instruments that support partnerships; the Union of Towns and Municipalities keeps a list of on-going activities.**

Other public services, such as primary education, basic health care and social services are organised in various forms of municipal associations on a voluntary basis. They were first organised in a flexible way as joint municipal offices and later they evolved into micro-regions (Slovakia), unions (Czech Republic) or micro-regional associations (Hungary). In the Czech Republic and Hungary, these municipal associations are responsible for 2% of the local government budget.

In Hungary, these voluntary municipal associations were transformed into micro-regions. There are now 173 of them, operating under special legislation to ensure they are not handicapped by existing bureaucracy and financial structures. Separately, some 768 local administrative districts have been formed, each serving 2-3 municipalities on average. Local governments with less than 1000 population are obliged to join these administrative units.

## **2.4. Funding Schemes for Inter-Municipal Cooperation**

There are various state mechanisms for supporting the establishment of IMC (e.g. special funds in Italy for funding 15% of initial costs). In some cases, the initial feasibility study is mandatory and is funded by an external grant.

Public functions taken over by IMC institutions are usually subject to national budget transfers, whether ear-marked grants or general grants allocated by various criteria. Capital investments might be supported by matching grants with a higher ratio to build facilities jointly.

There are risks associated with poorly-designed grant allocation schemes. Open-ended funding mechanisms might endanger the national budget balance; once special grants are allocated for IMC, they cannot be easily withdrawn.

Where an IMC body has its 'own revenue'-raising powers, there should be proper forms of representation. Power-sharing mechanisms should ensure the accountability of the IMC decision-making bodies. Price-setting authority is usually retained by the partner municipalities because they own the IMC service providers, or they are the contract holders or concession owners.

IMC bodies are rarely empowered with tax-levying authority.

## **3. LEGISLATIVE FRAMEWORK ON INTER-MUNICIPAL COOPERATION IN CROATIA**

The basic legislative framework for cooperation among local governments in Croatia is defined by the Law on Local and Regional Government (further in the text: LLRG). The provisions of the Law do not define cooperation in details, but enable other specific laws to define ways of performing tasks and authorities within the scope of local government autonomy. However, LLRG determines two areas of possible cooperation: cooperation in performing local government tasks and authorities; and cooperation for advocating and achieving mutual interests of local governments.

Cooperation for promoting joint interests can be achieved by establishing associations. Such a cooperation is optional, but common and with a long history. Its beginnings date from 1971, when the Union of Cities of the Socialist Republic of Croatia was formed. The Union has been adapting to changes in the local government and legal system in general, so we might say that it is the conceptual and functional predecessor of today Association of Cities and Association of Municipalities, and the Union of Cities and Municipalities as their umbrella organization.

As previously mentioned, scope of local government autonomy is defined by the method of general clause. Municipalities and cities perform the following tasks: planning of settlements and housing; spatial and urban planning; communal services; child care; social welfare; primary health care; preschool and primary school education; culture, physical culture and sports; consumer protection; environment protection; firefighting and civil protection; and

traffic. Along with these authorities, large cities and county seats maintain public roads in their territory; issue building and location permits and other acts related to construction and implementation of spatial planning documents; and can perform other tasks within the county authorities or prescribed by specific laws.

Conditions and ways of performing specific tasks and authorities in local governments are defined by specific laws. The table 1 shows in what way certain laws specify obligatory or optional cooperation among local governments.

The influence of legislative framework on IMC in Croatia (from *Cooperation among Local Governments for a Better Public Service Delivery* - Urban Institute, 2006)

**The existing legislative framework enables local governments to create territorial cooperation and offers a wide space for defining best possible ways of cooperation. Such a tolerant standpoint means that the legislative framework does not represent an obstacle for cooperation, but leaves local governments to find by themselves the best possible way for cooperation. On the other hand, a lack of directives (in the first place, sustainable financial incentives) can prevent cooperation among local governments with a more complex political and human relations or insufficient trust and team work.**

Regulation	Provisions on inter-municipal cooperation	Type of cooperation
<p><b>Law on Local and Regional Government</b> (<i>Official Gazette</i>, No. 33/01, 60/01, 129/05, 109/07, 125/08 and 36/09)</p>	<p>Law on Local and Regional Government defines the basic legislative framework for inter-municipal cooperation. At the same time, the Law makes a difference between cooperation among local governments for advocating and achieving mutual interests and cooperation in performing local government tasks and authorities. However, the Law does not explain in details the cooperation on joint performing of tasks.</p> <p>Pursuant to Article 12 of the Law, in realization of their common interests municipalities, cities and counties cooperate together to improve economic and social development of their communities. For the purpose of promoting and achieving their common interests, municipalities, cities and counties may establish their associations. A national association can be founded if the decision on its founding is made by more than a half of the municipalities, cities or counties. A national association of municipalities, national association of cities and national association of counties can join in the national union of local and regional governments.</p> <p>Pursuant to Article 54(1) of the Law, two or more local governments, especially those territorially connected in a unique whole (island municipalities and cities, etc.), can jointly organize the performance of specific tasks from their governmental scope. For the performance of these tasks and authorities, the local governments can set up a joint body, joint administrative department or service, joint company or can organize their performance together in accordance with special laws (article 54(2)). Their mutual relations in a joint organization of the performance of tasks and authorities shall be arranged by a special agreement in accordance with law and their statutes and general by-laws.</p>	<p>Optional cooperation</p>
<p><b>Law on Financing of Local and Regional Government</b> (<i>Official Gazette</i>, No. 117/93, 69/97, 33/00, 73/00, 127/00, 59/01, 107/01, 117/01, 150/02, 147/03, 132/06 and 26/07 – Decision by the Constitutional Court of the Republic of Croatia)</p>	<p>Pursuant to Article 45b(1), the representative body of a municipality or city with more than 8,000 inhabitants can adopt a decision to finance the expenditures of primary schools and ensure for pupils from another municipality or city to attend primary schools, under the condition that these municipalities or cities participate in the financing of the expenditures for primary schooling.</p> <p>Article 45b(2), prescribes that several municipalities or cities, which together have a minimum of 8,000 inhabitants, can decide to jointly perform the functions for primary schools in their territory under the condition that the representative bodies of all cities and municipalities:</p> <ul style="list-style-type: none"> <li>- establish that the function of primary schools can be performed with the resources established on the ground of the decree referred to in Article 45a(2) of this Law;</li> <li>- make the decision on the right to attend primary schools for pupils who do not have permanent residence in the territory of these local governments if the units of regional government, where these pupils have their permanent residence, participate in financing of the expenses</li> <li>- make the decision to establish a joint body for the purpose of performing the services of procurement,</li> </ul>	<p>Optional cooperation</p>

	accounting and financial reporting.	
<b>Law on Socially Encouraged Construction</b> ( <i>Official Gazette</i> , No. 109/01, 82/04 and 38/09)	Does not contain specific provisions on IMC.	
<b>Law on Spatial Planning and Construction</b> ( <i>Official Gazette</i> , No. 76/07 and 38/09)	<p>Law on Spatial Planning and Construction stipulates, among other things, the methods of monitoring conditions in the environment; procedures of drafting, adopting and implementing spatial planning documents; and process of managing construction land. During defining postulates and adoption of spatial planning and other development documents (strategies, plans, programs, etc.) which influence spatial development, the State, local and regional authorities and legal persons with public authorities are obliged to cooperate in the process of spatial planning, environment protection, construction and urban reconstruction and other activities in the area of urban development, in order to achieve spatial planning objectives (Article 11).</p> <p>Spatial planning as the authority of local and regional governments includes defining directions of planning territory of a local and regional government with specific objectives and directives for spatial development, in accordance with postulates and directives prescribed in the spatial planning documents of the state level; adoption of spatial planning documents of local and regional level; adoption of reports on environment conditions; prescribing detailed criteria and conditions which define land allocation and location of buildings in relation to preservation and usage of natural and cultural values of local significance, environment protection and protection from natural and other disasters; planning interventions of regional and local significance; implementation of spatial planning documentation of local and regional level; implementation of measures of active land management and construction land management; keeping data register in spatial planning, pursuant to the Law (Article 26(1)). Several local and regional governments can jointly organize performing of all these tasks (Article 26(3)).</p> <p>Respecting potential cooperation in the process of spatial development of neighbouring administrative units, the Law defines the possibility of adopting a joint spatial plan of lower level for two or more municipalities or cities, whereas two or more municipalities or cities on the island can adopt a joint spatial plan of the island development (Article 57(2)). At the same time, two or more municipalities or cities can adopt joint implementation spatial planning documents, in case they plan joint interventions; usage of natural resources or building traffic, energy, communal and other infrastructure of the common interest for the respective local governments (Article 57(3)). In that case, all local governments, involved in drafting of the plan or which will be affected by the plan, organize public discussion on the joint spatial planning document (Article 57(4)). The joint spatial planning document is adopted at the same time by councils of all municipalities and cities, affected by the plan (Article 100(8)).</p>	Obligatory and optional cooperation

<p><b>Law on Communal Economy</b> (<i>Official Gazette</i>, No. 26/03 – consolidated text, 82/04, 178/04, 38/09 and 79/09)</p>	<p>The Law prescribes that communal activities and services can be performed by several local government units, in accordance with the Law (e.g. by founding a joint communal enterprise or public institution; by concluding a contract to authorize one of local government’s own plant to perform communal services in the territory of other local governments; by concluding a concession contract or a contract on commissioning communal activities, pursuant to Article 4(2)). A local government unit which is not able to ensure performing communal activities can entrust, by the decision of the representative body, performing of those works to another local government unit on the territory of the same or another county on the basis of a written contract (Article 4(3)).</p> <p>Apart from optional, the Law prescribes a case of obligatory joint performing of the communal activities: if the system of communal infrastructure extends to the territory of several local governments within one or several counties, and makes a unique and indivisible functional whole, local governments are obliged to organize joint provision of communal services through companies in their co-ownership (Article 4(4)).</p> <p>Every local government is obliged to reach a decision on the communal order, i.e. rules which define community life (development of settlements, local government cleanliness, utilization of public areas, etc.). Communal police service monitors the implementation of the decision on communal order, and local governments can set up joint communal police service (Article 17(5)). The content of the contract is not prescribed by the Law, which means that local governments can adapt it according to their own specific characteristics and requirements.</p>	<p>Obligatory and optional cooperation</p>
<p><b>Law on Preschool Care and Education</b> (<i>Official Gazette</i>, No. 10/97 and 107/07)</p>	<p>Does not contain specific provisions on IMC. However, kindergartens as public institutions can be established jointly by two or more local governments, pursuant to the Law on Institutions.</p>	<p>Optional cooperation</p>
<p><b>Law on Primary and Secondary Education</b> (<i>Official Gazette</i>, No. 87/08, 86/09, 92/10 and 105/10)</p>	<p>Does not contain specific provisions on IMC. However, schools as public institutions can be established jointly by two or more local governments, pursuant to the Law on Institutions.</p>	<p>Optional cooperation</p>
<p><b>Law on Institutions</b> (<i>Official Gazette</i>, No. 76/93, 29/97, 47/99 and 35/08)</p>	<p>The Law prescribes establishing of the institution for permanent activities in preschool and school education, science, culture, informing, sports, physical culture, technical cultures, child care, health care, social welfare, and care of disabled and other activities, which are not performed for gaining profit (Article 1(2)). Public institution shall be established for performing these tasks and activities or part of these tasks and activities, if the law defines that the activity is performed as a public service (Article 6(1)). A local government can establish a public institution within their governmental scope. At the same time, two or more local governments can establish a joint public institution (Article 7(2)).</p>	<p>Optional cooperation</p>
<p><b>Law on Sports</b> (<i>Official Gazette</i>, No. 71/06 and 150/08)</p>	<p>Does not contain specific provisions on IMC.</p>	

<b>Consumer Protection Act</b> <i>(Official Gazette, No. 79/07, 125/07, 79/09 and 89/09)</i>	Does not contain specific provisions on IMC.	
<b>Law on Environment Protection</b> <i>(Official Gazette, No. 110/07)</i>	<p>Since environment protection includes measures which cannot be limited only to administrative borders of local governments, one of the main principles of environment protection is a principle of cooperation. Article 14(1) of the Law, stipulates that the sustainable development in order to protect environment shall be achieved by cooperation and joint activities by Croatian Parliament, the Government, counties, the City of Zagreb, large cities, cities and municipalities, as well as other stakeholders, within their authorities and responsibilities. Paragraph 3 of the same Article prescribes that the Government, counties, the City of Zagreb, large cities, cities and municipalities, within their scope, jointly implement environment protection measures from their authority, to ensure environment protection in their area.</p> <p>More precisely, the Law defines obligatory cooperation among local and regional governments in drafting environment protection programs. Pursuant to Article 46(3), representative bodies of counties, the City of Zagreb and large cities adopt the program, with the previous consent by the Ministry. Counties and large cities in their area are obliged to cooperate during drafting and adoption of the environment protection programs (Article 46(5)).</p> <p>A city or municipality can adopt their own program, if such a possibility is planned in the county environment protection program. During drafting and adoption of the program, a city and municipality are obliged to cooperate with their county and respective cities and municipalities, if the adopted environment protection program affects their territories (Article 47(1)).</p>	Obligatory cooperation
<b>Law on Social Welfare</b> <i>(Official Gazette, No. 73/97, 27/01, 59/01, 82/01, 103/03, 44/06 and 79/07)</i>	Does not contain specific provisions on IMC.	
<b>Law on Health Care</b> <i>(Official Gazette, No. 150/08, 155/09 i 71/10)</i>	Does not contain specific provisions on IMC. A city (but not a municipality) can establish a specialized hospital as a public health institution. Pursuant to the Law on Institutions, two or more local governments can jointly establish public institutions.	Optional cooperation
<b>Law on Protection and Rescue</b> <i>(Official Gazette, No. 174/04)</i>	Does not contain specific provisions on IMC.	
	Article 1(2) of the Law, defines firefighting as a professional and humanitarian activity in the national interest of the Republic of Croatia. At the same time, cities and municipalities can (but are not obliged to) organize joint performing of firefighting activities. One or more local government representative bodies, in order to satisfy the requirements for organizing firefighting service, shall establish public	

<p><b>Law on Firefighting</b> (<i>Official Gazette</i>, No. 106/99, 117/01, 36/02, 96/03, 174/04, 38/09 and 80/10)</p>	<p>firefighting units or stimulate the forming of voluntary firefighting departments. In accordance with the firefighting plan, each local administration shall determine the main firefighting unit or voluntary firefighting department, thus securing an effective firefighting service (Article 3(4)).</p> <p>As a rule, firefighting units, voluntary firefighting departments, voluntary firefighting departments in the commercial sector and professional firefighting units in the commercial sector join in the firefighting community of a municipality or city. Exceptionally, two or more local governments can agree to establish a joint firefighting community (so called, regional firefighting community), which gathers firefighting units, voluntary firefighting departments, voluntary firefighting departments in the commercial sector and professional firefighting units in the commercial sector in their area.</p>	<p>Optional cooperation</p>
<p><b>Road Traffic Safety Act</b> (<i>Official Gazette</i>, No. 67/08)</p>	<p>Does not contain specific provisions on IMC.</p>	
<p><b>Islands Act</b> (<i>Official Gazette</i>, No. 34/99, 149/99, 32/02 and 33/06)</p>	<p>Islands Act prescribes obligatory cooperation among local governments on the territory of an island in performing some of the tasks and activities within their scope of authorities. Pursuant to Article 35(1), two or more local governments on the island with the system of communal infrastructure that makes a unique and indivisible functional whole; the county on whose territory the island is situated; as well as all island and coastal local governments shall jointly perform communal activities, which involve waste collection, transport and disposal; water supply, drainage and wastewater management; as well as passenger public transport.</p> <p>Apart from these obligatory tasks, island and coastal-island cities and municipalities can jointly organize provision of communal services and activities of their interest by a decision of representative bodies of the respective local governments, in accordance with the Law on Communal Economy (Article 35(2)).</p> <p>Coastal-island county, coastal-island local governments, state administration bodies and legal entity for forest management are obliged, pursuant to the Program of Modernization of Island Field, Forest and Firefighting Roads and Fire Protection of Island Forests and Agriculture Areas, defined by Article 27 of the Island Act, can jointly organize voluntary firefighting departments in coastal-island county and coastal-island local governments (Article 35(4)).</p>	<p>Obligatory and optional cooperation</p>

The conducted analysis shows that local governments cooperate without any limitations in order to promote and advocate for their common interests and two local governments associations are very active. However, only several laws define obligatory cooperation among local governments in performing tasks and activities within their governmental scope. The cooperation is mainly related to planning, which is difficult or almost impossible to restrict within administrative borders of a single local government (spatial development, environment protection programs, etc.) and to a single case of cooperation among local governments on islands, which is caused by unique and indivisible communal infrastructure. This means that major part of legislative system which defines local government scope of tasks and activities, does not define obligatory cooperation, whereas a significant number of regulations do not contain provisions defining possible or necessary cooperation among local governments in performing tasks from their governmental scope.

Such an arbitrary legislative framework implicates there are no real obstacles for IMC (specific conditions of cooperation, endorsement system, etc.). At the same time, the lack of precise guidelines discourages cooperation initiatives, since potential stakeholders are not sure under which conditions and in what way to achieve cooperation.

**In July 2010, several municipalities in Bjelovarsko-Bilogorska County expressed their interest to form joint administrative department, in order to rationalize their business and solve the problem of insufficient human resources. This would present a unique example of such a cooperation in Croatia, although LLRG allows this possibility (without more detailed elaboration).**

#### **4. FINANCIAL FRAMEWORK OF INTER-MUNICIPAL COOPERATION IN CROATIA**

Financial basis for the institutionalized inter-municipal cooperation derives from several different sources:

- contributions by cities and municipalities which have established a joint institution;
- direct tax levying;
- fees which derive from performing tasks by a joint institution;
- state grants or subsidies; and
- resources from European funds for cross-border and regional cooperation.

In Croatia, direct financial incentives for IMC are rare, which means that the central state does not support financially such cooperation. More often, the central state indirectly provides financial grants and incentives for IMC. In that respect, budget resources for institutionalized IMC where institution does not gain its own income, originate from contributions of cities and municipalities involved in cooperation. If a joint inter-municipal company or institution gains its own income, local government financial contributions decrease proportionally. Since institutions are non-profit legal entities and their activity is not profit-based, financial contribution of its founding local governments increases. The

contribution is defined by the agreement, and is usually based on population of local governments, rather than their budget. A joint company is mostly financed from its own resources, in accordance with the authority to determine prices of its services (usually communal services), with a previous agreement of local governments which are co-owners of the company.

Croatian local governments acquire income from their own sources, shared taxes (which they share with the state and counties, such as personal income tax) and grants from state and county budgets. Inter-municipal taxes do not exist.

Formally and legally, the state financial incentives for IMC are the most elaborated in financing decentralized authorities of primary education and firefighting. Criteria for ensuring a minimal financial standard for certain authorities, prescribed by the Decision of Croatian Government, are the basis for calculating devolved authorities and rights of local and regional governments.

If more cities and municipalities, with a minimum population of 8000, decided to jointly organize primary school activities in their area, they would receive the additional 3.1% in personal income tax for decentralized functions of primary education. However, we have mentioned earlier that such cooperation does not exist in practice. At the same time, the reason most likely does not lie in the insufficient state financial support, but in relatively low tax income in smaller municipalities, which cannot cover all the expenditures for primary education in their area, even if they perform tasks jointly.

On the other hand, state financial support proved successful in firefighting and fire protection, where cities and municipalities have jointly formed public institutions for their firefighting units and received an additional 1.3% in personal income tax for decentralized functions of firefighting. The amount is redistributed in certain shares from the central budget to local governments which jointly form public firefighting unit. Pursuant to the Regulation on Methods of Calculating Equalization Grants for Decentralized Functions of Local and Regional Governments in 2010, the State Budget of the Republic of Croatia finances 11 public firefighting units, founded by 80 cities and municipalities. Most of these firefighting units are established by agreement in Istria County, since fire danger is more common during summer months. At the same time, one can notice that such agreements are not that common in Dalmatia, which is even more affected by fire.

**Example of co-financing a joint public firefighting unit from the State Budget (public firefighting unit in Pula)<sup>13</sup>**

City/municipality	Share from the State Budget (%)	Amount in kuna
City of Pula – Pola	68.92	7,160,067
Municipality of Barban	3.27	339,719
Municipality of Fažana – Fasana	3.78	392,702
Municipality of Ližnjan – Lisignano	3.45	358,419
Municipality of Marčana	4.59	476,853
Municipality of Medulin	6.88	714,760
Municipality of Svetvinčenat	2.61	271,152
City of Vodnjan – Dignano	6.50	675,281
<b>TOTAL</b>	<b>100,00</b>	<b>10,388,953</b>

Local government units are obliged to allocate resources received from the State Budget pursuant to the Government Regulation to their end-users (institutions), whose financing they have taken over. Exceptionally, in order to ensure regular spending of the allocated funds, the Ministry of Finance can allocate the State Budget resources directly to the end-users.

Local government units are obliged to submit the report to the authorized Ministry or an authorized central state body on the spending of resources of end-users (institutions), in time and manner prescribed by the Decisions on Minimal Financial Standards. If local governments do not submit their reports to the authorized Ministry or an authorized central state body as regulated, the Ministry of Finance will, upon the request of the authorized Ministry or an authorized central state body, temporarily suspend allocation of equalization grants. The authorized Ministry or an authorized central state body is obliged to prepare a complete report on spending of the allocated resources for decentralized functions.

The next important model of IMC financial incentive is defined by the Article 45(4)(3a) of the Law on Financing Local and Regional Government, which stipulates that in the territory of a municipality or a city on the island, which agree on joint financing of the capital project of interest for the development of the island, the share in the income decreases to 24.6%. Cities and municipalities on the island can use their income for financing capital projects of interest for the development of the island after they conclude the agreement with the authorized Ministry, which gives its consent. The Ministry analyzes if the projects are justified, approves projects and their financing, coordinates and supervises implementation of the projects and gives consent to spending resources in the amount of the full value of the approved project. After conclusion of the agreement, the State Budget resources are allocated

<sup>13</sup> Source: Regulation on Methods of Calculating Equalization Funds for Decentralized Authorities of Local and Regional Governments in 2010, (*Official Gazette*, No. 19/2010)

to the deposit account of cities and municipalities for the implementation of the joint capital project, with the Croatian Bank for Reconstruction and Development, following the dynamics of the project implementation. Croatian Bank for Reconstruction and Development is obliged to inform cities and municipalities on the account position, on a monthly basis. Capital projects are projects based on the principles of the National Program of the Island Development and provide conditions for sustainable development of the islands (according to priorities):

- water supply, drainage and energy;
- spatial planning, environment protection and waste management;
- improving traffic connections with the coast and on the island;
- creating preconditions for economic development (small and medium tourism entrepreneurs, agriculture, cattle breeding, etc.); and
- education and culture.

Thus, cooperation among island cities and municipalities in financing capital projects is directly financed from the State Budget, pursuant to the Law, and encourages them to cooperate. By all means, this is the best solution for IMC in Croatian legislative framework. However, it is restricted to a smaller number of island cities and municipalities. Similar capital projects initiated by the inland local governments would not be financially supported by the State with additional resources from personal income tax, although certain groups of cities and municipalities require the same incentives (local governments in hilly and mountainous areas; in border areas and areas of special state concern).

Other aspects of local government cooperation on certain joint projects will be financed from the State Budget or other central level financial resources (such as various funds), but financial support is based on the *ad hoc* decision, rather than on the law. For example, certain joint local government projects in the area of environment protection (waste landfill recovery, encouraging waste decrease, waste treatment and usage of valuable waste attributes, sustainable rural development, encouraging sustainable economic activities and sustainable economic development, etc.) can be co-financed by the Environment Protection and Energy Efficiency Fund. However, the Law which defines ways of spending resources from the Fund does not specifically prescribe financial incentives for IMC. Namely, the Law on Environment Protection from 2001 contains the provisions which stipulate that Croatian Government, counties, the City of Zagreb, large cities, cities and municipalities, within their governmental scope, will jointly implement environment protection measures from their authority, to ensure environment protection in their territory. However, the Law does not define institutionalized mechanisms or financial support to inter-municipal cooperation.

At the same time, according to the Law on Croatian Regional Development Fund from 2001 (which is substituted by the new Law on Regional Development of the Republic of Croatia), the legislator defined that the Fund resources apply for financing preparation and implementation of development projects of communal infrastructure (water supply, drainage/sewage, gas pipelines, local roads, paths, parking lots, quays, harbours, etc.), economic infrastructure (business zones, business incubators, development agencies, etc.), rural development (communal infrastructure for agriculture, entrepreneurship programs, rural tourism, etc.) and other areas of importance for regional development. The Fund has particularly supported development of war-affected areas, areas with a low population, areas of special state concern, islands, hilly and mountainous areas, areas near the state border,

areas with structural problems and areas whose tax capacities (budgetary income per capita) are lower than 65% of the national average.

Local governments could have used the Fund resources for co-financing joint projects; however the Law did not define specific conditions or criteria for allocating resources from the Fund when more local governments applied for a specific project.

Certain projects, which were under the authority of the Fund are today financed pursuant to provisions of some other laws (e.g. Law on State Incentives in Agriculture, Fishery and Forestry) and are within the scope of authority of various central state administration bodies. Ministry for Agriculture, Fishery and Rural Development allocates state grants for projects of reconstruction and development of rural areas (rural infrastructure, environment protection, land management, fishery, forestry, hunting, diversification of activities). These financial grants aim at encouraging regional and rural development based on the principles of sustainable development and activities which enable economic and social prosperity, taking care of preservation and improvements in the environment as well as natural and cultural heritage. These grants can be allocated to local governments which will start or have already started drafting the Program of Complete Development in its area. It is important to emphasize that certain programs have the advantage in the selection process: programs which include two or more local governments; programs which include local governments of strategic importance (areas of special state concern, hilly and mountainous areas, islands and border areas); and programs which will be co-financed by cities, municipalities and/or counties with at least 20% of the total value.

New Law on Regional Development of the Republic of Croatia introduces a new concept of an aided area. Aided areas are defined as territories in the Republic of Croatia, which are evaluated based on the development index as territories which lag behind the national average and need more incentives to reach the average level of development. Local governments whose development index is less than 75% of the Croatian average have the status of an aided area.

From the IMC perspective, this Law is rather important since it emphasizes coordination and encourages regional development at the county level. In that respect, the Law recognizes a county as a carrier of the regional development, which plans development in coordination with local governments within its territory. In order to achieve more efficient coordination and encourage regional development, counties form administrative bodies or establish agencies as public institutions and companies owned by regional government units. Several counties and local governments can found such legal entities. However, the Law does not define financial support to such a coordination or regional development initiatives.

Finally, there are various forms of IMC in Croatia which encourage economic development, entrepreneurship, agriculture, environment protection, tourism, delivery of quality services, etc. Legislative framework regulates various areas of activities in different ways. Central, county and local levels participate in most of the projects. There are numerous bodies at the state level which lead cooperation with local governments – ministries, funds (Regional Development Fund, Environment Protection and Energy Efficiency Fund, Development and Employment Fund), agencies (Croatia Agency for Small Economy), banks (Croatian Bank for Reconstruction and Development) and other institutions. Cooperation with these institutions is not defined by laws or by-laws, so it does not prescribe specific financial grants

by the central state bodies for cooperation among several local governments or advantage in allocation of financial incentives when several local governments apply to implement a specific project.

## **5. INSTITUTIONAL FRAMEWORK OF INTER-MUNICIPAL COOPERATION IN CROATIA**

Basic reasons in favour of IMC lie in local management rationalizing, reduction in management authorities and management at the certain level. European framework shows that local autonomy in IMC is an accepted principle, which means that local governments have freedom in reaching decision on cooperation and its forms, which is followed by a certain administrative and financial supervision. However, what is often emphasized as a restrictive factor in IMC is a lack of democracy, since people who reach decisions in inter-municipal bodies are not directly elected and responsible to the citizens.

As previously mentioned, there are three IMC models in Europe.

The first is the model of highly integrated and clearly defined cooperation, where institutionalized forms of cooperation among local governments, competences performed by joint inter-municipal bodies and financial schemes are legally defined. In this model, state supervision is clearly set out, both legally and financially, whereas legislative framework is well developed and defined (France, Spain, and Portugal).

The second model is much more flexible and is based on the free will of local governments to opt pragmatically for cooperation in specific area of their scope of autonomy. The model relies on existing administrative bodies, associations and public companies, as well as on informal forms of cooperation. Cooperation is achieved in accordance with the existing laws which do not define a specific IMC legislative framework (Bulgaria, the Czech Republic, and Great Britain).

The third model represents a combination of the previous two and is present in the majority of countries. As we will see later in the text, Croatia belongs to the group of countries which have institutionalized the third model.

Inter-municipal cooperation in Croatia institutionalizes cooperation among local governments (cities and municipalities) and possibly counties for joint performing of certain local services.

The Law on Local and Regional Government, as a basic, organic law which defines local government stipulates by a very general provision in the Article 12 that “in the realization of common interests, municipalities, cities and counties cooperate together in the promotion of economic and social development of their communities”.

Basic, institutional framework of a possible cooperation among local governments is defined by the Article 54 of the Law:

“Two or more local government units, especially those territorially connected in a unique whole (municipalities and cities on an island etc.), can jointly organize the performance of

specific tasks from their governmental scope.

For the performance of tasks from the governmental scope in the way referred to in Paragraph 1 of this Article, the local governments can set up a common body, joint administrative department or service, joint company, or can organize their performance together in accordance with special laws.

The relations between local governments in a joint organization of the performance of tasks from the governmental scope are arranged by a special agreement in accordance with the law and their statutes and general by-laws.”

This provision stipulates that two or more local governments can jointly organize performing of certain tasks in their governmental scope, but does not define precisely which tasks does it refer to, i.e. whether all tasks from the local governments scope can be performed jointly since the authorities of municipalities, cities and large cities are not the same. In that respect, one must have in mind specific laws which devolve certain tasks to local governments.

The law assumes that local governments which are connected in a unique whole will perform jointly tasks from their governmental scope. Therefore, the Law mentions the example of the island cities and municipalities. This, however, does not prevent other local governments which are not a unique whole to cooperate, what will be illustrated further with the example of communal waste management company.

### **5.1. Institutional Forms of Joint Organizing of Tasks and Activities in Local Governments**

Article 54(2) of the Law on Local and Regional Government defines possible institutionalized forms of joint organizing of tasks and activities in local governments:

- joint body;
- joint administrative department or service;
- joint company; or
- other model in accordance with special laws.

This provision must be considered as a general definition of possible institutionalized forms of IMC. The possibility to organize cooperation based on “the other model” leaves a wide space to institutionalize cooperation, but it needs to be in accordance with specific laws. LLRG does not mention a public institution as an institutionalized model of IMC; however, several specific laws (Law on Institutions) allow such a form of cooperation among cities and municipalities. Provisions of the Article 54 of the Law on Local and Regional Government do not clarify whether the legislator wanted to emphasize public legal bodies as institutionalized form of IMC, taking into consideration possibilities of organizing and cooperation by legally undefined “joint body” or “other model”.

LLRG does not closely define “joint body”. The same institutionalized form of joint organizing of tasks and authorities in local governments is mentioned in the Law on Financing Local and Regional Government. The Article 45b stipulates that municipalities and cities, which together have a minimum of 8,000 inhabitants, can decide to jointly perform the

functions for primary schools in their territory and make the decision to establish a joint body for the purpose of performing the services of procurement, accounting and financial reporting.

One might conclude from this provision that the function of the “joint body” would be performing non-administrative tasks, as already mentioned services of procurement, accounting and financial reporting.

The Islands Act also mentions “joint island body” for delivering communal services, which will be further elaborated later in the text.

### **5.1.1. Joint Administrative Department**

Administrative department or service, i.e. administrative body, is a standard institutionalized form of performing tasks within the governmental scope of local and regional governments in Croatia, as well as of tasks devolved from the central state. The structure of the administrative departments is defined by the general by-law of a local and regional government unit, in accordance with the Statute and the Law. In order to rationalize management in local governments, the legislator defined (Article 53 of the LLRG) that in municipalities and cities with up to 3,000 inhabitants, a single administrative department is established for the performance of all tasks within their governmental scope. A single administrative department can also be organized in the municipalities and cities with more than 3,000 inhabitants. However, the Law does not stipulate that several smaller municipalities must establish a joint administrative department to perform all tasks within their governmental scope.

Budget Act from 2003 prescribes (Article 8) that all tasks related to drafting and executing the budget and budgetary accounting, as well as other tasks related to assets indebteding and management within the authority of the user are performed by an administrative department for finance tasks. Such a department can be organized by establishing a joint body which will perform tasks for several users, for example, local government units, or a single user department can perform tasks for other users as well. The legislator wanted to express a certain commitment to rationalize administrative bodies and number of employees in a way to make local governments choose between two models of cooperation: joint administrative body for finance or administrative body of a single local government (for example, central city) which performs tasks for surrounding smaller municipalities. Unfortunately, none of these models exists in the practice. This might be a reason that the new Budget Act from 2008 does not include a provision on establishing a joint administrative body for financing several local governments.

None of the other specific laws contain provisions stipulating that certain tasks from local government scope (for example, communal activities) can be performed by a joint department for several municipalities and cities.

The legislator gave local governments freedom to organize their own departments, in accordance with the provisions of the European Charter on Local Self-Government. Thus, there is a pluralism of different forms of administrative bodies in Croatian local government, and some local governments (in particular cities) have a large number of departments. The Law only prescribes that departments are run by department heads, who are appointed by the

mayors or county prefects after a public administrative competition.

LLRG gives cities and municipalities a possibility to form a joint administrative department by signing an agreement, however the Law does not contain more detailed provisions on the organization of the department, its authorities, appointing department heads or employing other civil servants. These matters are not defined by the new Law on Local Employees. Therefore, if five municipalities want to form a joint administrative department, it is not clear how to define in their agreement which municipality is obliged to announce vacancies for the position and decide on appointing the head of the administrative department, since the Law stipulates that they are appointed by the municipality mayor. The legislator has never considered amending the Law with provisions on regulating the relations derived from a joint administrative department (organization, appointing the head of the department, legal-working status of employees, financing, responsibilities of the department head and other employees towards the executive and representative bodies of local governments which have established the department). Legal insecurities are the reason that a joint administrative department does not exist in Croatia.

**Two or more local governments very rarely want to establish a joint administrative department, however such an initiative cannot be implemented or requires consent by some other level of government – state or county level. Here is an example from the field of spatial planning.**

**Pursuant to Article 26 of the Law on Spatial Planning and Construction, local and regional governments have significant authorities in spatial planning and spatial development in their territories. The Law gives large cities (with more than 35,000 inhabitants), county seats and counties authorities to issue a variety of documents in the area of spatial planning (e.g. location permits, parcelling report confirmations, etc.). On January 2008, these local governments took over all these authorities, along with state administration employees who had previously performed the tasks, and organized administrative departments for their performing. To simplify the issue, counties took over issuing permits for their territories, except for the territory of a large city which is in most cases county seat. Article 26 prescribes that several local and regional governments can jointly organize performing tasks in the area of spatial planning.**

**Two local governments in the territory of Varaždinska County – the City of Varaždin and a neighbouring municipality of Gornji Knežinec asked Varaždinska County to issue its consent for their joint organizing of tasks in spatial planning. Their initiative was supported by the desire to further develop projects of two business zones in their territories (which make a unique whole), and build efficient traffic, communal and business infrastructure. In order to be more effective, they submitted a request for issuing consent by the county for joint performing of these tasks, which would be carried out by the Administrative Department for Issuing Spatial Planning Documents in the City of Varaždin. The Department would issue location permits and all other documents which are within the authority of counties and large cities. Pursuant to provisions of the Law, the City of Varaždin, as a large city, can issue spatial planning documents through its own department, however the neighbouring municipality does not have such an authority, since the county performs these tasks for all the municipalities in its territory through its administrative department. The county prefect of Varaždinska County explained in his response that the consent of the county for joint performing of the tasks from the governmental scope of local governments is not prescribed by the law. The response further elaborates that the request can only be interpreted in the context of issuing location permits and other construction documents which are within the authority of the county which covers the territory of the Municipality of Gornji Knežinec. Since the Law devolved these authorities only to counties and large cities, the county prefect replied that joint performing of tasks can be implemented by local governments which have certain tasks within their governmental scope, which is not the case. The prefect refused to issue his consent.**

### **5.1.2 Possibility of Performing Administrative Tasks by the Central City**

Croatian legislation does not prescribe a possibility that the government of the central city performs administrative and other tasks for municipalities in its surrounding, and that these municipalities do not have their own administration, apart from a mayor who performs his duty on the voluntary basis. This model is widespread in Germany, where smaller municipalities do not have their own administration, but allow the administration of the central city to perform all the administrative tasks, for a small fee from the municipalities. This model preserves smaller municipalities, which have their representative bodies (and a mayor who is not a full-time employee); their budget and can implement certain projects of interest for the citizens. However, in the administrative sense, these municipalities “do not cost a lot”. We think this model might be easily applied in Croatia. Cities, which were municipality seats in the previous system, could be legally defined as the central local governments for performing administrative tasks for smaller municipalities which gravitate towards them (and which used to be parts of previous bigger municipalities). At the same time, there are still institutionalized relations between cities and municipalities that used to be parts of a larger municipality (up to 1992), mostly communal enterprises which perform tasks for these local governments and are co-owned by them. Smaller municipalities would keep their legal status, representative body, mayor volunteer and the budget, and thus the conditions to accomplish certain vital interests of local communities.

### **5.1.3. Employee Performing Tasks for Several Local Governments – An Example of Communal Police**

LLRG does not allow a possibility that an employee from the administrative body of a local government performs tasks for other local governments, although basically it allows two or more local governments, particularly those which make a unique whole, to jointly organize performing certain tasks from their governmental scope. In that respect, a good example is set with Article 17(5) of the Law on Communal Economy which stipulates that local governments units can, on the basis of a contract, organize a joint communal police. A communal policeman monitors implementation of decisions on the communal order (design of settlements; maintenance of cleanliness and public surfaces; usage of public surfaces; communal waste collection, transport and management; removal of snow and ice; removal of illegally placed objects). They have the authority to order physical and legal persons, by a resolution, to carry out actions for the purpose of maintenance of the communal order and propose starting the offence procedure.

The most important argument in favour of establishing joint communal police, which is usually one communal policeman for several smaller municipalities, is rationalizing of expenses and increasing the level of efficiency.

Taking into account the existing experiences, we can say that communal police service is less represented on the islands, where the legislator presumed that the tasks will be performed jointly, than in the inland. As far as we know, the model of joint communal police is most wide spread in Međimurje County; therefore we can speak about a kind of “Međimurje model” of inter-municipal cooperation.

Lately, more and more local governments have been concluding contracts on joint performing of communal police services, although their number, taking into account the number of municipalities, is insufficient. Here are some of the examples of joint communal police:

- Municipalities Bale, Žminj, Kanfanar and Svetvinčenat
- Municipalities Slavonski Šamac and Sikirevci
- Municipalities Mala Subotica and Pribislavec
- Municipalities Domašinec, Belica and Orehovica
- Municipalities Velika Pisanica, Severin and Nova Rača
- Municipalities Sveti Juraj na Bregu and Gornji Mihaljevec
- Municipalities Kotoriba, Sveta Marija, Donja Dubrava and Donji Vidovec
- City Mursko Središće and Municipalities Sveti Martin na Muri, Selnica, Vratišinec and Podturen.

#### 5.1.4. Company of Several Local Governments

A joint company is probably the most common form of institutionalized cooperation among local governments and the reasons for such a situation are numerous.

The first reason is that companies, which were established to perform various communal activities before the new territorial set-up of Croatian local governments in 1992 and 1993, have continued ever since with its work. After the division of the property owned by ex-municipalities, these companies became joint-stock companies, where cities and municipalities as legal successors of the previous municipality which had established the company, got the status of co-owner in certain ownership proportions.

The second reason is the fact that these companies, either joint-stock companies or companies with limited liability, represent an institutionalized form that is well defined legally by the Company Act, which enables certain local governments as legal entities to establish institutionalized framework and regulate various forms of cooperation in communal or economic activities.

Thirdly, in some specific situations, rare in Croatian local government system, the legislator enforced local governments to establish a legal entity for performing communal activities. Article 35 of the Island Act, which prescribes establishment of the joint body for the entire island, i.e. a legal entity for communal activities, stipulates that:

“On the island with two or more local governments, i.e. cities and municipalities with the system of communal infrastructure that makes a unique and indivisible functional whole; the county on whose territory the island is situated; as well as all island and coastal cities and municipalities shall jointly perform communal activities, which involve waste collection, transport and disposal; water supply, drainage and wastewater management; as well as passenger public transport.”

The same article of the Island Act stipulates that island and coastal-island cities and municipalities can jointly organize provision of communal services and activities of their interest, in accordance with the Law on Communal Economy.

A similar obligation is prescribed by Article 4(4) of the Law on Communal Economy which stipulates that if the system of communal infrastructure extends to the territory of several local government units within one or several counties, and makes a unique and indivisible functional whole, local government units are obliged to organize joint performing of communal activities through companies in their co-ownership.

## **5.2. Institutionalized Forms of Carrying Out Communal Activities**

Law on Communal Economy prescribes further institutionalized framework that local governments can apply in carrying out communal services, which are the most important in their governmental scope.

Pursuant to the Law on Communal Economy, communal activities are drinking water supply; drainage and purification of waste water; public transport; maintaining of cleanliness; maintaining of unclassified roads; retail green markets; maintenance of graveyards and crematoria and transport of the deceased; performing of chimney-sweeping work; and public lighting. Originally, gas and heating supply were also considered as communal activities; however, they were excluded from the definition by the Amendments to the Law. It is important to emphasize that local government units can decide by the decision of their representative body to define other activities of local importance as communal activities.

Pursuant to Article 4(1) of the Law, communal activities can be carried out by:

- a company founded by local government unit;
- a public institution founded by local government unit;
- a service, i.e. own plant founded by local government unit;
- a legal and physical person on the basis of the concession contract; and
- a legal and physical person on the basis of the contract on commissioning communal works.

Carrying out of communal activities from Article 3 of the Law on Communal Activities can be jointly organized by several local government units in one of the ways prescribed in Article 4. The Law also allows a local government unit which is not able to ensure carrying out of communal activities itself, to entrust, by the decision of its representative body, the carrying out of those works to another local government unit on the territory of the same or another county on the basis of a written contract.

If a local government unit has not organized a long-term and quality provision of certain communal activities as well as maintenance of particular structures and facilities of communal infrastructure in the state of functional readiness, the county on the territory of which the local government units is located will organize carrying out of a particular or all communal activities, that is, maintenance of structures and facilities of communal infrastructure in the state of functional readiness, at the expense of the local government unit.

The Law on Communal Economy offers to local governments a variety of institutionalized possibilities for carrying out communal activities (a company, a public institution, a service, concession contract, contract on commissioning works). The most common is a company co-owned by local government units, from the reasons already mentioned in the text. Apart from the mentioned reasons, we must indicate that other institutionalized forms of cooperation are not legally or practically appealing enough to outweigh the company as a model for cooperation.

### **5.2.1. Concession**

The Law on Communal Economy prescribes that concession gives the right to perform communal activities as well as building and use of facilities and communal infrastructure devices with goal to perform the variety of communal activities (supply of drinking water; drainage and treatment of waste waters; pumping, transportation and treatment of fecalies from septic, collective and black tanks; public transport; collection and removing of communal waste; communal waste disposal; retail green markets; and chimney sweeping). Local government representative body, by its decision, determines communal activities which will be performed via concession and sets measures and procedures for issuing concession pursuant to the Law on Concessions. Concession is awarded by local government representative body to legal or physical entity registered for performance of such service to a period of up to 30 years, with a concession fee paid in favour of the budget of the local government that issued the concession. The concession fee is used for building structures and facilities of communal infrastructure. The decision on the most favourable tenderer is reached by local government representative body. These are general provisions which define concessions in communal activities. A number of local government units issue concessions for different communal activities, however these concessions are not issued jointly by several local government units. Obviously, legislative provisions are defined in such a manner that it is practically impossible to imagine the procedure of awarding a joint concession (each representative body should reach its decision) and sharing of concession fee. Therefore, concession is not an appropriate model for inter-municipal cooperation.

### **5.2.2. Public Institution**

The Law on Communal Economy specifies a public institution as one of the institutionalized forms for carrying out communal activities and at the same time as an IMC model. Nevertheless, this institutionalized form is less present as an IMC model, particularly in the area of communal services. As we see it, the reasons lie in the provisions of the Law on Institutions. Pursuant to this Law, a public institution is established for permanent activities in preschool and school education, science, culture, informing, sports, physical culture, technical cultures, child care, health care, social welfare, and care for disabled and other activities, which are not performed for gaining profit.

The activities of a legal entity which performs these activities with the purpose of gaining profit are regulated by the legislation on companies. However, specific laws can prescribe that some of these activities cannot be performed for gaining profit.

Law on Institutions was enacted in 1993, two years prior to the Law on Communal Economy, with the purpose to regulate social activities, such as schools, social welfare and health care, which are not profit-based. The Law prescribed the possibility that other specific laws define which other activities can be performed by public institutions, such as later Law on Communal Economy and Law on Firefighting. However, carrying out of communal activities by public institutions is an inappropriate institutionalized form for local governments, since, pursuant to the Law on Institutions, institutions should not gain any profit. Namely, the Law on Institutions allowed in principle that a specific law regulates certain activities which can be performed for gaining profit, but such a provision was not mentioned in the Law on Communal Economy. Moreover, the Law on Communal Economy does not contain a single provision on carrying out communal activities by a public institution, whereas all other forms of carrying out communal activities are more specified by the Law – a company, a service or local government own plant, concession contracts and contract on commissioning communal works. Thus, local governments rarely established a public institution as an institutionalized form for carrying out communal activities. Even when it occurred, the institution was subsequently reformed into a company. In 2003, the City of Hvar brought the Decision on Reforming Public Institution for Communal Activities – Hvar into a Company.

Taking into consideration that the legislation set conditions under which cities and municipalities cannot carry out communal activities by establishing their public institutions, it is not unexpected that a public institution does not appear as an institutionalized form for providing communal services, although the Law on Institutions allows such an action. Along with all the previously mentioned reasons, we must mention that a public institution is less appropriate than a company for joint carrying out of communal, and other, activities, due to its structure and management bodies. A public institution is founded on the basis of an act on establishing institution, enacted by the founder. A local and regional government unit establishes an institution on the basis of the representative body decision. If an institution is established by two or more local and regional governments, the act on establishing is brought by interested units in the form of the agreement, which defines rights and obligations pursuant to the Law.

The interior structure of an institution is defined by its statute, pursuant to the Law and the act on establishing, or by an agreement if an institution is established by several local governments. When a single local government establishes its own institution, it will define by itself all the matters related to the institution management, particularly the matters of a management council and a director. Pursuant to the Law on Institutions, institutions are governed by a management council or other joint body if a specific law does not define otherwise. Management council adopts work and institution development programmes; supervises their implementation; reaches decisions on financial plan and yearly account; proposes amendments and changes in the services; proposes and gives opinions on various matters to the founder and institution manager; reaches decisions; and performs other activities pursuant to the Law, act on establishing and statute of the institution. Composition, appointing or election of members, the mandate of the management council and procedures of decision-making are defined by the law, i.e. act on establishing and statute of the institution. An institution director organizes work and leads activities of the institution, represents the institution, takes all legal actions on the behalf and for the institution, represents the institution in the legal matters before the court, administrative and other state bodies as well as legal entities with public authorities.

When a single local government unit establishes a public institution, it has a majority of members in the management council (members are partly elected by the institution employees) and will define by the institution act whether a director shall be elected by the management council or by the representative body of the local government. However, when several local governments jointly establish a public institution, they have to foresee in their agreement will they have members in the management council and how many members will they each have, as well as how they will appoint the director.

In 2003, four counties (Krapinsko-Zagorska, Varaždinska, Koprivničko-Križevačka and Međimurska) and six cities (Varaždin, Ivanec, Lepoglava, Ludbreg, Novi Marof and Varaždinske Toplice) signed the agreement on establishing the Public Institution for Disposal of Communal and Unhazardous Technological Waste of North-West Croatia. In 2005, 9 additional cities joined the agreement (Koprivnica, Đurđevac, Klanjec, Zlatar, Pregrada, Čakovec, Mursko Središće, Zabok and Prelog). By all means, this is the institution with the biggest membership from counties and cities in Croatia (19 cities and 4 counties). The institution performs its activities in the territory of all founders and municipalities, which pursuant to Article 22(1) of the Law on Local and Regional Government adopt Decision on Devolving Authorities of Communal Activities to the County - the founder of the Institution. The Institution deals with development and implementation of the project of permanent disposal of communal and unhazardous technological waste, as well as recovery and closing of the landfills, in accordance with the specific laws. Pursuant to the Agreement on Establishing the Public Institution (Article 8) in accordance with the provisions of the Law on Communal Economy, the Institution, within its scope of activities, performs communal activities of waste disposal as a public service.

How is the institution management agreed with such a large membership? The most important bodies in the institution are the Management Council and the director. Pursuant to Article 11 of the Agreement, members of the Management Council are representatives of the founders, appointed to a four-year term. The founders, local and regional governments have up to 21 member in the Management Council, under the principle that each 30,000 citizens in the county means one member in the Council. The agreement defines that the then two Ministries – the Ministry of Public Works, Reconstruction and Construction and the Ministry of Environment Protection and Spatial Planning – have one representative each, so that the maximum number of members is 23. In accordance with the regulation on membership, the founders appoint the following number of representatives in the Council:

- Varaždinska County and cities founders on its territory appoint 7 members;
- Koprivničko-Križevačka County and cities founders on its territory appoint 5 members;
- Krapinsko-Zagorska County and cities founders on its territory appoint 5 members; and
- Međimurska County and cities on its territory appoint 4 members.

If a number of founders from one county is bigger than the number of Council members defined by the Agreement, the members of the Management Council are appointed by the County Assembly, on the basis of proposal by founder on its territory. If a number of founders from one county is smaller than the number of Council members defined by the Agreement, one of the members appointed by the county can have several votes, up to the number of members from the respective county. The Management Council elects the director. The Agreement defines the financing of the Institution as well – the financial resources for establishing and starting activities of the Institution, as well as its regular activities, defined by the Agreement, are calculated on the basis of population in the counties (without cities) and cities in the last census from 2001.

The City of Stari Grad and Municipality of Jelsa have signed the agreement to establish the public institution named Agency for Managing Starogradsko Polje, in accordance with the provisions of the Law on Protection and Preservation of Cultural Heritage. The Agency is established with the purpose to manage Starogradsko Polje, enlisted in the UNESCO Cultural Heritage. The Agency is established as a legal entity in which the City of Stari Grad and the Municipality of Jelsa have founding and ownership rights, in ratio 2/3 (Stari Grad) and 1/3 (Jelsa). The same proportion is applied for financing the establishing as well as launching all the activities. The Management Council of the Agency has 5 members, 3 are representatives of Stari Grad (2 members) and Jelsa (1 member), whereas the Ministry of Culture and the Ministry of Agriculture, Fishery and Rural Development each appoint one member. The director is appointed solely by the founders, following the proposal of the Management Council.

By agreement in 2000, cities Pula and Vodnjan and municipalities Fažana, Marčana, Medulin, Ližnjan, Barban and Svetvinčenat established the Public Firefighting Unit Pula as a public institution. Each of eight local governments will appoint its member in the Management Council. Article 30(1) of the Law on Firefighting originally stipulated that the chief and deputy chief of a public firefighting unit shall be appointed by the city or municipality government (after amendments to the Law in 2009, this is the authority of a mayor). The Agreement defined that the chief of the Public Firefighting Unit is appointed and suspended by the government of the founder, following the proposal of the Management Council. Thus, governments (and today mayors) of all eight cities and municipalities have been reaching the decision on the chief of the Unit. Naturally, joint consensus is obligatory when amending the Agreement on Establishing the Public Institution, as well as when adopting its statute. Obviously, joint public institution established by several local governments is a highly demanding institutionalized form, since it requires consensus among local governments in reaching decisions which are in the authority of their representative or executive body. However, when we discuss public institutions as a form of cooperation, in practice, a public institution established by several local governments in the area of fire protection is most likely the most common form of institutionalized cooperation among local governments. We will also mention Public Firefighting Unit (PFU) of Zagorje, established by numerous cities and municipalities in Krapinsko-Zagorska County, PFU Đurđevac, PFU Daruvar, and several more in Istria - PFU Opatija, PFU Pazin, PFU Poreč, PFU Rovinj, PFU Labin, PFU Umag.

### **5.3. Joint Public Institution in Social Services**

What remains to be seen is to what extent local governments have used public institutions in the area of the most important social services from their governmental scope.

There are two models of cooperation among local governments in the area of preschool care and education. The first model derives from the heritage of ex-municipalities (up to 1993) which had their public institutions of preschool education. When the new local government system was set up, founding rights of these institutions were transferred to the city which was a seat of the previous larger municipalities. In the territory of these new municipalities, departments of a new (now city) public institution remained. In such a legal arrangement, new municipalities and smaller cities concluded contracts with the city on co-financing of preschool education for children from their territory in the existing public institution, since that was the only way to continue the preschool education for children who do not live in the territory of a city as a local government. There are examples of municipalities and smaller cities which initiated establishing of their own preschool education institutions and terminated cooperation with the neighbouring city, such as the City of Rijeka and its neighbouring cities and municipalities.

The second model of cooperation among local governments in preschool education is an agreement which obliges a certain city to form preschool education departments in neighbouring municipalities, which are then co-financed by the municipality where preschool education services are provided. However, cities with transferred establishing rights for preschool education institutions are usually financially stronger than their neighbouring municipalities. This means that their co-financing capacities are significantly bigger (parents also participate), which disables most neighbouring municipalities to invest the same percentage in preschool education for children from their territory. Unfortunately, this results in complete lack of care for preschool children in many municipalities and lack of cooperation among local governments.

Finally, we will take a look at primary school education, which is, pursuant to the Law, the authority of local governments (and counties), whereas secondary education is within the authority of the regional government. Pursuant to the new Law on Primary and Secondary Education, which is adopted in 2008, local governments have the right to establish primary schools. Prior to establishing a primary education institution or reaching decision on changing the status of the existing institution, they are obliged to obtain a previous positive statement by the Ministry on justification of such a request. The Ministry takes into account the program, accessibility, rationality and all other criteria relevant for establishing educational institution. At the same time, the Republic of Croatia can devolve its establishing rights to a county or a local government, whereas they can transfer their rights to another county or local government on the basis of an agreement. The Law also defines authorities of the State, counties and local governments in financing specific aspects of primary education.

However, the Law does not stipulate criteria which a local government should meet to have the right to establish a primary school or to have these rights devolved, i.e. the Law does not contain provisions which define conditions for two or more local governments to jointly take care about the primary education. Here we talk about the financial criteria in the first place, i.e. whether a certain local government has substantial financial capacities to finance primary education expenditures which are defined by the Law as the expenditures of the local budget. These expenditures include: pupil transportation; material and financial expenses; investment maintenance; construction and reconstruction of school premises; equipping school premises according to standards determined by the Minister in accordance with the State Pedagogical Standard.

Originally, the Croatian Government defined by the Regulation which local governments fulfil criteria for financing primary education and which receive certain decentralized resources, as an additional share in personal income tax. Pursuant to the latest Regulation on Methods of Calculating Equalization Funds for Decentralized Authorities of Local and Regional Governments in 2010, there are 33 cities in Croatia which can perform these tasks. However, possible co-financing of primary education by several local governments is not defined by the Law on Primary and Secondary Education or by the Regulation, but by the Law on Financing Local and Regional Government. Pursuant to Article 45b of the Law, municipalities or cities, which together have a minimum of 8,000 inhabitants, can decide to jointly perform the functions for primary schools in their territory under the condition that the representative bodies of all cities and municipalities determine that the function of primary education can be performed with the resources defined on the basis of the Regulation; make the decision on the right to attend primary schools for pupils who do not have permanent

residence in the territory of these local governments if the regional government, where these pupils have their permanent residence, participate in financing of the expenses; and to make the decision to establish a joint body for the purpose of performing the services of procurement, accounting and financial reporting. However, no cities and municipalities have decided to perform these tasks jointly, pursuant to the Article 45b of the Law on Financing Local and Regional Government. At the same time, it is difficult to say whether the reasons are primarily of financial (insufficient budget resources) or institutional nature (agreement on the issue of school management).

#### **5.4. Conclusion**

We can reach some conclusions about the Croatian institutionalized framework for IMC. Typically, it does not have characteristics of really institutionalized form, i.e. a model of integrated inter-municipal cooperation, where a certain public-legal body has some authorities and resources for performing tasks for several local governments. Croatian model is mostly informal and relies on agreements among local governments themselves, rather than on the initiative or regulation by the central state. Central state level will rarely prescribe obligation, institutionalized framework and activities which shall be performed jointly by several local governments. The exception are the island local governments (if there are more on the island), which have a unique system of communal infrastructure on their territories.

In Croatia, inter-municipal cooperation can be institutionalized in the form of public-legal bodies (institutions) or companies, to which certain public authorities will be devolved.

Inter-municipal cooperation in Croatia can be formal and informal. Informal cooperation is not institutionalized and local government bodies coordinate certain aspects of the cooperation. A good example is joint activities of existing administrative departments of some island cities and municipalities, instead of establishing a joint administrative department.

Croatian legislative framework does not contain provisions which define institutionalized IMC in order to decrease its number, as it is case in some other countries.

Croatian legislation does not restrict IMC to some local governments which spatially make a unique whole, as it is the case in some other countries. However, it is seen as an advantage and is recommended by the legislator (cities and municipalities on the islands), but it is not a condition for cooperation. The best example of cooperation among local governments whose territories do not make a unique whole is communal waste management.

Croatian local governments are mostly legally allowed to form institutionalized cooperation without asking consent by the central state level. At the same time, legislation does not regulate that the state level shall be in any way present (with its representatives or in any other way) in the bodies established by local governments. However, in some specific cases, central state body representatives are appointed in the joint bodies of local government units (institution management councils or company supervising boards). Central state bodies do not control significantly the activities performed by joint bodies of local governments.

As in other countries, IMC structures are appointed indirectly, by local government executive or representative bodies, and are responsible to them, instead to the citizens directly.

## 6. CROATIAN GOOD PRACTICE

### 6.1. Introduction

The purpose of the research about Croatian good practice in IMC is to determine a number, structure and geographic representation of local governments which have accomplished some model of IMC; define the existing IMC models; frequency of a certain IMC model; legal structure and financing; present examples of cooperation; and determine main problems and needs related to IMC.

During the research, the method of survey was used – a questionnaire to collect quantity data and in-depth interview to collect quality data. The questionnaire with closed and open questions was sent by e-mail and fax to all local government units, and 33% (185 local governments) responded. In-depth interview was conducted with 42 local governments. The sample of interviewed examinees is selected based on the criteria of IMC model proportionally to representation of a certain model of inter-municipal cooperation determined by the questionnaire and on even geographical representation.

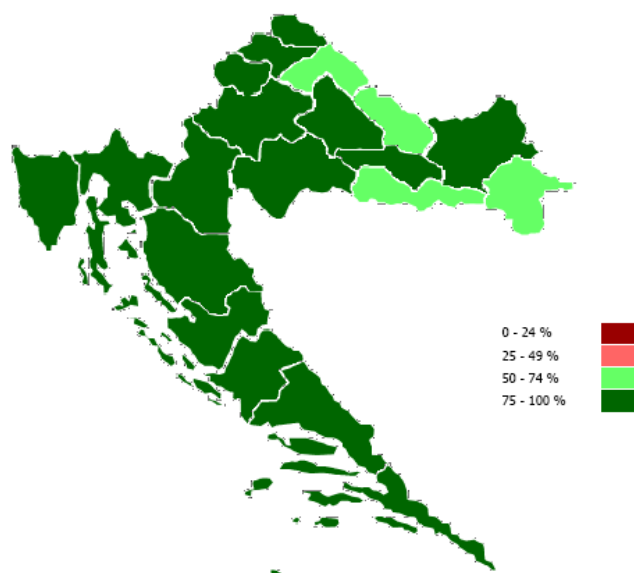
### 6.2. Representation of Inter-Municipal Cooperation in Croatia

Out of total number of examinees, 161 (88%) have already accomplished some form of inter-municipal cooperation (128 municipalities and 33 cities), which means that the majority of all examinees has accomplished some form of inter-municipal cooperation. IMC is equally present in the entire Croatia, and it most often occurs in larger and mid-sized municipalities with population from 1,000 to 15,000 and in smaller cities with population from 15,000 to 35,000. Additionally, IMC is more present in municipalities with medium or larger budget (3-10 million kuna) and in cities with budget above 15 million kuna. However, if we take into consideration that these local governments are the most numerous among the examinees and that their share is the biggest among the examinees which have not accomplished any form of IMC, we can conclude that cooperation is not related to geographical position, size of a local government or its budget, but that IMC depends on other factors.

#### *Have you ever accomplished any form of inter-municipal cooperation?*

Response	Number of examinees	%
YES	161	88 %
NO	22	12 %
<b>Total:</b>	<b>183</b>	<b>100.00 %</b>

## Share of LGs which have accomplished IMC by counties



Županija	Ukupno jed.	Jedinice koje su ostvarile suradnju		Jedinice koje nisu ostvarile suradnju	
Istarska županija	14	14	100,00 %	0	0,00 %
Osječko-baranjska županija	18	18	100,00 %	0	0,00 %
Dubrovačko-neretvanska županija	8	8	100,00 %	0	0,00 %
Zagrebačka županija	6	6	100,00 %	0	0,00 %
Varaždinska županija	13	13	100,00 %	0	0,00 %
Bjelovarsko-bilogorska županija	8	8	100,00 %	0	0,00 %
Karlovačka županija	10	10	100,00 %	0	0,00 %
Šibensko-kninska županija	2	2	100,00 %	0	0,00 %
Krapinsko-zagorska županija	13	12	92,31 %	1	7,69 %
Splitsko-dalmatinska županija	12	11	91,67 %	1	8,33 %
Zadarska županija	8	7	87,50 %	1	12,50 %
Sisačko-moslavačka županija	7	6	85,71 %	1	14,29 %
Međimurska županija	7	6	85,71 %	1	14,29 %
Ličko-senjska županija	5	4	80,00 %	1	20,00 %
Primorsko-goranska županija	15	12	80,00 %	3	20,00 %
Požeško-slavonska županija	4	3	75,00 %	1	25,00 %
Koprivničko-križevačka županija	7	5	71,43 %	2	28,57 %
Brodsko-posavska županija	7	5	71,43 %	2	28,57 %
Virovitičko-podravska županija	8	5	62,50 %	3	37,50 %
Vukovarsko-srijemska županija	11	6	54,55 %	5	45,45 %

**LGs which have accomplished IMC by population**

Population	Number of examinees	%
< 1,000	10	6.2 %
1,001 – 5,000	106	65.9 %
5,001 – 15,000	37	23 %
15,001 – 35,000	6	3.7 %
> 35,000	2	1.2 %
<b>Total:</b>	<b>161</b>	<b>100</b>

**LGs which have not accomplished IMC by population**

Population	Number of examinees	%
< 1,000	2	9.5 %
1,001 – 5,000	12	57.1 %
5,001 – 15,000	5	23.8 %
15,001 – 35,000	1	4.8 %
> 35,000	1	4.8 %
<b>Total:</b>	<b>21</b>	<b>100</b>

**LGs which have accomplished IMC by budget**

Budget (in million kuna)	Number of examinees	%
< 3	15	9.4 %
3 – 5	35	22 %
5 – 10	50	31.5 %
10 – 15	15	9.4 %
> 15	44	27.7 %
<b>Total:</b>	<b>159</b>	<b>100</b>

**LGs which have not accomplished IMC by budget**

Budget (in million kuna)	Number of examinees	%
< 3	3	14.3 %
3 – 5	4	19.1 %
5 – 10	4	19.1 %
10 – 15	3	14.3 %
> 15	7	33.3 %
<b>Total:</b>	<b>21</b>	<b>100</b>

### 6.3. Forms of Inter-Municipal Cooperation in Croatia

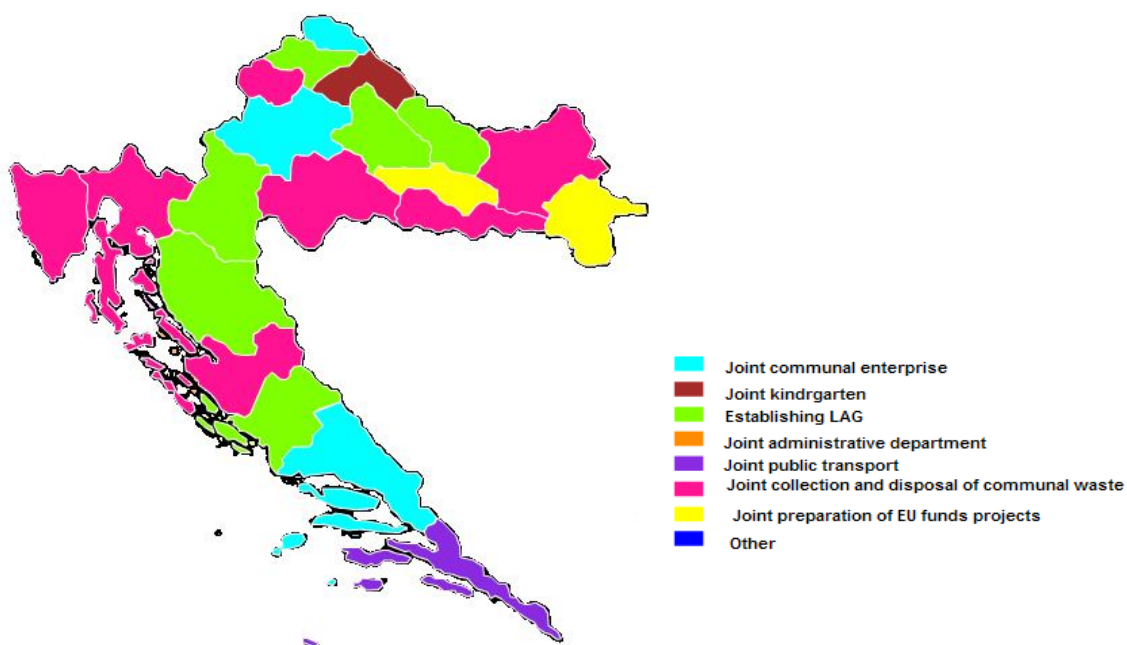
Local government units mostly cooperate in joint communal waste collection and disposal (21%), establishing local action groups – LAGs (18.6%), establishing joint communal enterprises (17.8%), preparation of EU funds projects (12.1%), establishing joint kindergarten (8.6%) and joint public transport (4.9%), whereas joint administrative departments and services are the least represented form of cooperation (0.8%). Category “other forms of cooperation” indicates *ad hoc* initiatives, short-term cooperation in joint funding of projects by non-refundable financial resources by European Union, World Bank and Croatian Government, mostly related to traffic and communal infrastructure.

The representation structure of certain IMC forms is shown in the individual statistics for each county.

## What form of cooperation have you accomplished with LGs in your environment?

Form of cooperation	Number of answers	%
Joint collection and disposal of communal waste	78	21 %
Establishing Local Action Group (LAG)	69	18.6 %
Joint communal enterprise	66	17.8 %
Other forms of cooperation	60	16.2 %
Joint preparation of EU funds projects	45	12.1 %
Joint kindergarten	32	8.6 %
Joint public transport	18	4.9 %
Joint administrative department	3	0.8 %
<b>Total:</b>	<b>371</b>	<b>100</b>

### The most represented IMC forms by county



<b>Bjelovarsko-Bilogorska County</b>	Establishing Local Action Group (LAG)	41.18 %
	Joint communal enterprise	17.65 %
	Joint collection and disposal of communal waste	17.65 %
	Joint preparation of EU funds projects	5.88 %
	Other forms of cooperation	17.64 %
<b>Brodsko-Posavska County</b>	Joint collection and disposal of communal waste	25.00 %
	Joint preparation of EU funds projects	12.50 %
	Other forms of cooperation	50.00 %
	Establishing Local Action Group (LAG)	12.50 %
<b>Dubrovačko-Neretvanska County</b>	Joint public transport	27.28 %
	Joint preparation of EU funds projects	18.18 %
	Joint collection and disposal of communal waste	18.18 %
	Joint kindergarten	18.18 %
	Other forms of cooperation	9.09 %
	Establishing Local Action Group (LAG)	9.09 %
<b>Istarska County</b>	Joint collection and disposal of communal waste	25.00 %
	Joint kindergarten	16.67 %
	Establishing Local Action Group (LAG)	12.50 %
	Joint preparation of EU funds projects	8.33 %
	Joint public transport	4.17 %
	Other forms of cooperation	33.33 %
<b>Karlovačka County</b>	Establishing Local Action Group (LAG)	20.69 %
	Joint collection and disposal of communal waste	20.69 %
	Joint communal enterprise	17.24 %
	Joint preparation of EU funds projects	17.24 %
	Joint kindergarten	13.79 %
	Other forms of cooperation	6.90 %
	Joint public transport	3.45 %
<b>Koprivničko-Križevačka County</b>	Joint kindergarten	28.57 %
	Joint communal enterprise	14.29 %
	Other forms of cooperation	57.14 %
<b>Krapinsko-Zagorska County</b>	Joint collection and disposal of communal waste	21.87 %
	Joint communal enterprise	18.75 %
	Establishing Local Action Group (LAG)	15.62 %
	Joint preparation of EU funds projects	12.50 %
	Joint kindergarten	9.38 %
	Joint public transport	3.13 %
	Other forms of cooperation	18.75 %

<b>Ličko-Senjska County</b>	Establishing Local Action Group (LAG)	27.28 %
	Joint communal enterprise	18.18 %
	Joint kindergarten	18.18 %
	Joint collection and disposal of communal waste	18.18 %
	Joint preparation of EU funds projects	9.09 %
	Other forms of cooperation	9.09 %

<b>Međimurska County</b>	Joint preparation of EU funds projects	12.50 %
	Joint collection and disposal of communal waste	12.50 %
	Other forms of cooperation	75.00 %

<b>Osječko-Baranjska County</b>	Joint collection and disposal of communal waste	28.13 %
	Establishing Local Action Group (LAG)	21.88 %
	Joint preparation of EU funds projects	18.75 %
	Joint communal enterprise	12.50 %
	Joint kindergarten	9.37 %
	Other forms of cooperation	9.37 %

<b>Požeško-Slavonska County</b>	Joint preparation of EU funds projects	22.22 %
	Joint communal enterprise	22.22 %
	Establishing Local Action Group (LAG)	11.11 %
	Joint public transport	11.11 %
	Joint collection and disposal of communal waste	11.11 %
	Other forms of cooperation	22.22%

<b>Primorsko-Goranska County</b>	Joint collection and disposal of communal waste	26.19 %
	Joint communal enterprise	26.19 %
	Joint public transport	11.90 %
	Joint kindergarten	9.52 %
	Joint preparation of EU funds projects	9.52 %
	Establishing Local Action Group (LAG)	4.77 %
	Other forms of cooperation	9.52 %
	Joint administrative department	2.39 %

<b>Sisačko-Moslavačka County</b>	Joint collection and disposal of communal waste	26.67 %
	Joint communal enterprise	26.67 %
	Establishing Local Action Group (LAG)	26.67 %
	Joint public transport	6.66 %
	Joint preparation of EU funds projects	6.66 %
	Other forms of cooperation	6.66 %

<b>Splitsko-Dalmatinska County</b>	Joint communal enterprise	27.27 %
	Joint collection and disposal of communal waste	22.73 %
	Joint kindergarten	13.64 %
	Establishing Local Action Group (LAG)	9.08 %
	Other forms of cooperation	18.20 %
	Joint administrative department	4.54 %
	Joint public transport	4.54 %
<b>Šibensko-Kninska County</b>	Establishing Local Action Group (LAG)	50.00 %
	Joint collection and disposal of communal waste	25.00 %
	Other forms of cooperation	25.00 %
<b>Varaždinska County</b>	Establishing Local Action Group (LAG)	40.00 %
	Joint collection and disposal of communal waste	16.67 %
	Joint preparation of EU funds projects	16.67 %
	Joint communal enterprise	6.67 %
	Joint public transport	6.67 %
	Other forms of cooperation	13.32 %
<b>Virovitičko-Podravska County</b>	Establishing Local Action Group (LAG)	27.27 %
	Joint communal enterprise	27.27 %
	Other forms of cooperation	27.27 %
	Joint collection and disposal of communal waste	9.09 %
	Joint public transport	9.09 %
<b>Vukovarsko-Srijemska County</b>	Joint preparation of EU funds projects	40.00 %
	Establishing Local Action Group (LAG)	30.00 %
	Joint kindergarten	10.00 %
	Other forms of cooperation	20.00 %
<b>Zadarska County</b>	Joint collection and disposal of communal waste	23.08 %
	Joint communal enterprise	23.08 %
	Establishing Local Action Group (LAG)	15.38 %
	Joint preparation of EU funds projects	15.38 %
	Other forms of cooperation	23.08 %
<b>Zagrebačka County</b>	Joint communal enterprise	33.33 %
	Joint collection and disposal of communal waste	25.00 %
	Establishing Local Action Group (LAG)	16.67 %
	Joint preparation of EU funds projects	16.67 %
	Joint administrative department	8.33 %

Local governments cooperate in carrying out tasks and authorities within their governmental scope (organization of settlements and housing; spatial planning; communal activities; child care; social welfare; primary health care; primary education). Relationship among local governments in joint organizing of activities and tasks within their governmental scope are defined by a specific agreement, in accordance with the Law, their statutes and general acts.

Inter-municipal cooperation can be institutionalized and uninstitutionalized. Institutionalized cooperation involves establishing of joint bodies, administrative departments and services, joint companies and institutions, in accordance with the law; whereas uninstitutionalized cooperation denotes a wide concept which refers to all other forms of cooperation.

### **6.3.1. Joint Collection and Disposal of Communal Waste**

Joint collection and disposal of communal waste in one of the most often areas of cooperation among local governments. Cooperation is mostly uninstitutionalized and defined by the Law on Communal Economy and refers to the set-up of joint communal police and public-private partnership contracts between a private company and several local governments, with a prior consent of the ministry responsible for the contract matter.

Local government units which answered that they accomplish this form of cooperation are: City of Biograd na Moru, City of Crikvenica, City of Daruvar, City of Duga Resa, City of Krapina, City of Labin, City of Novi Vinodolski, City of Novigrad, City of Otočac, City of Ozalj, City of Prelog, City of Pula, City of Sinj, City of Sisak, City of Skradin, City of Umag, City of Vrbovec, Municipality of Baška, Municipality of Bednja, Municipality of Bosiljevo, Municipality of Brod Moravice, Municipality of Cerovlje, Municipality of Cestica, Municipality of Čačinci, Municipality of Čavle, Municipality of Darda, Municipality of Dobrinj, Municipality of Donja Voća, Municipality of Đurmanec, Municipality of Ernestinovo, Municipality of Funtana, Municipality of Gračišće, Municipality of Gvozd, Municipality of Jagodnjak, Municipality of Jakšić, Municipality of Jalžabet, Municipality of Janjina, Municipality of Kamanje, Municipality of Kloštar Ivanić, Municipality of Kneževi Vinogradi, Municipality of Kolan, Municipality of Končanica, Municipality of Konjščina, Municipality of Kostrena, Municipality of Kraljevec na Sutli, Municipality of Lasinja, Municipality of Malinska-Dubašnica, Municipality of Marija Bistrica, Municipality of Martinska Ves, Municipality of Maruševac, Municipality of Motovun, Municipality of Oriovac, Municipality of Pakoštane, Municipality of Petrijevci, Municipality of Podcrkavlje, Municipality of Podgorač, Municipality of Popovac, Municipality of Punat, Municipality of Rakovec, Municipality of Satnica Đakovačka, Municipality of Selca, Municipality of Sirač, Municipality of Sv. Lovreč, Municipality of Sveta Nedelja, Municipality of Šestanovac, Municipality of Tar-Vabriga, Municipality of Tinjan, Municipality of Topusko, Municipality of Tučepi, Municipality of Vela Luka, Municipality of Viljevo, Municipality of Viškovo, Municipality of Vrbnik, Municipality of Vrhovine, Municipality of Vrsar, Municipality of Zagorska Sela, Municipality of Zlatar Bistrica and Municipality of Žakanje.

Examples of cooperation:

Name of the company	Local governments in cooperation	Form of cooperation
Gospodarenje otpadom Sisak, Ltd.	City of Sisak, Municipality of Lekenik and Municipality of Sunja	Each LG collects waste on its own, whereas the company disposes the waste at the joint landfill
Komunalac Vrbovec, Ltd.	City of Vrbovec, Municipality of Dubrava, Municipality of Gradec, Municipality of Farkaševac, Municipality of Preseka and Municipality of Rakovec	Via joint communal enterprise. Local government are co-owners of the enterprise.
Ponikve, Ltd.	City of Krk, Municipality of Baška, Municipality of Dobrinj, Municipality of Malinska Dubašnica, Municipality of Omišalj, Municipality of Punat and Municipality of Vrbnik	Via joint communal enterprise. Local government are co-owners of the enterprise.
Zelenjak, Ltd.	Municipality of Klanjec, Municipality of Kraljevec na Sutli, Municipality of Kumrovec, Municipality of Tuhelj and Municipality of Zagorska Sela	Via joint communal enterprise. Local government are co-owners of the enterprise.

### 6.3.2. Local Action Groups (LAGs)

Establishing Local Action Groups is the second most represented form of cooperation among local governments. However, we need to distinguish uninstitutionalized and institutionalized cooperation, i.e. cooperation whose purpose is to establish LAG in the future and cooperation within already established LAG with its legal status. Local Action Groups are organizations which gather representatives of public, private and civil sector, with the purpose to create and draft public policies in the area of rural development. LAG structure is prescribed by the European Union, within its program LEADER in accordance with the basic principles of democratic governance and balanced representation of powers among certain sectors (as a rule, LAG is composed of the representatives of all three sectors – public, private and non-governmental; representatives of public sector have up to 50%), as well as balanced representation of women and the youth (LAG has at least 30% of women and 1 person younger than 25). European Union provides expert and financial support for development of LAG capacities, through the Ministry of Agriculture, Fishery and Rural Development. Local Action Groups in Croatia are established as non-government organizations, whose co-founders are local governments, whereas their set-up and activities are defined by the Law on Associations.

There are 11 Local Action Groups registered in Croatia: LAG Baranja, LAG Četiri rijeke (Four Rivers), LAG Filozići - Island of Cres, LAG Gorski Kotar, LAG Karašica, LAG Laura, LAG Petrova Gora, LAG Prigorje-Zagorje, LAG Sutla, LAG Una and LAG Vallis Colapis. Additional 10 LAGs are in the process of establishing: LAG Cvelferija, LAG Sjeverozapad (North-West), LAG VIP and LAG Središnje Istre (Central Istria), as well as 5 Local Action Groups without the name.

Local government units which answered that they accomplish this form of cooperation are: City of Belišće, City of Biograd na Moru, City of Čabar, City of Daruvar, City of Duga Resa, City of Lepoglava, City of Novi Marof, City of Novigrad, City of Otočac, City of Ozalj, City of Sisak, City of Skradin, Municipality of Bednja, Municipality of Breznički Hum, Municipality of Brod Moravice, Municipality of Cerovlje, Municipality of Cestica, Municipality of Crnac, Municipality of Čačinci, Municipality of Darda, Municipality of Desinić, Municipality of Donja Voća, Municipality of Donji Lapac, Municipality of Draganić, Municipality of Đulovac, Municipality of Gračišće, Municipality of Gunja, Municipality of Gvozd, Municipality of Hrašćina, Municipality of Hrvatska Dubica, Municipality of Jakšić, Municipality of Jalžabet, Municipality of Janjina, Municipality of Kamanje, Municipality of Karojba, Municipality of Klinča Sela, Municipality of Končanica, Municipality of Koška, Municipality of Kraljevec na Sutli, Municipality of Krnjak, Municipality of Lišane Ostrovičke, Municipality of Lovas, Municipality of Magadenovac, Municipality of Mali Bukovec, Municipality of Marija Bistrica, Municipality of Maruševac, Municipality of Motovun, Municipality of Nova Rača, Municipality of Oriovac, Municipality of Petrijanec, Municipality of Petrijevc, Municipality of Pisarovina, Municipality of Podgorač, Municipality of Postira, Municipality of Promina, Municipality of Selca, Municipality of Severin, Municipality of Sv. Đurađ, Municipality of Šandrovac, Municipality of Tinjan, Municipality of Topusko, Municipality of Tovarnik, Municipality of Veliki Grđevac, Municipality of Viljevo, Municipality of Vinica, Municipality of Visoko, Municipality of Vrhovine, Municipality of Zagorska Sela and Municipality of Žakanje.

Registered Local Action Groups:

Name of the LAG	Local governments in cooperation
LAG Baranja	City of Beli Manastir, Municipality of Bilje, Municipality of Čeminac, Municipality of Darda, Municipality of Draž, Municipality of Jagodnjak, Municipality of Kneževi Vinogradi, Municipality of Petlovac and Municipality of Popovac
LAG Četiri rijeke (Four Rivers)	Rural area of the City of Sisak and Municipality of Martinjska Ves

LAG Filozići – Island of Cres	Local governments on the island of Cres
LAG Gorski Kotar	City of Čabar, City of Delnice, Municipality of Brod Moravice, Municipality of Fužine, Municipality of Lokve, Municipality of Mrkopalj and Municipality of Skrad
LAG Karašica	City of Belišće, City of Donji Miholjac, City of Našice, City of Valpovo, Municipality of Bizovac, Municipality of Donja Motičina, Municipality of Đurđenovac, Municipality of Feričanci, Municipality of Magadenovac, Municipality of Koška, Municipality of Marijanci, Municipality of Petrijevci, Municipality of Podgorač, Municipality of Podravska Moslavina and Municipality of Viljevo
LAG Laura	City of Benkovac, City of Biograd na Moru, Municipality of Lišane Ostrovičke, Municipality of Pakoštane, Municipality of Pašman, Municipality of Polača, Municipality of Stankovci, Municipality of Sv. Filip i Jakov and Municipality of Tkon
LAG Petrova Gora	Municipality of Barilović, Municipality of Gvozd, Municipality of Krnjak, Municipality of Topusko and Municipality of Vojnić
LAG Prigorje-Zagorje	City of Novi Marof, Municipality of Breznički Hum, Municipality of Budinščina, Municipality of Gornja Rijeka, Municipality of Hrašćina, Municipality of Kalnik, Municipality of Konjščina, Municipality of Ljubešćica, Municipality of Sveti Petar Orehovec and Municipality of Visoko
LAG Sutla	Municipality of Desinić and Municipality of Hum na Sutli, Municipality of Klanjec, Municipality of Kraljevec na Sutli, Municipality of Kumrovec, Municipality of Pregrada, Municipality of Tuhelj and Municipality of Zagorska Sela
LAG Una	Municipality of Dvor and neighbouring local governments along the River Una
LAG Vallis Colapis	City of Duga Resa, City of Ozalj, Municipality of Draganić, Municipality of Kamanje, Municipality of Netretić, Municipality of Ribnik and Municipality of Žakanje

Local Action Groups in the process of establishing:

Name of the LAG	Local governments in cooperation
LAG Cvelferija	City of Županja, Municipality of Bošnjaci, Municipality of Drenovci, Municipality of Gunja and Municipality of Vrbanja
LAG Sjeverozapad (North-West)	City of Ivanec, City of Lepoglava, Municipality of Bednja, Municipality of Cestica, Municipality of Donja Voća, Municipality of Klenovnik, Municipality of Maruševac, Municipality of Petrijanec, Municipality of Sračinec and Municipality of Vinica
LAG VIP	City of Orahovica, Municipality of Crnac, Municipality of Čačinci and Municipality of Zdenci
LAG Središnje Istre (Central Istria)	City of Pazin, Municipality of Cerovlje, Municipality of Gračišće, Municipality of Karojba, Municipality of Lupoglav, Municipality of Motovun, Municipality of Sv. Petar u Šumi and Municipality of Tinjan
/	City of Supetar, Municipality of Bol, Municipality of Milna, Municipality of Nerežišća, Municipality of Postira, Municipality of Pučišća, Municipality of Selca and Municipality of Sutivan
/	City of Otočac, Municipality of Brinje, Municipality of Perušić, Municipality of Plitvička Jezera and Municipality of Vrhovine
/	City of Ilok, Municipality of Bogdanovac, Municipality of Lovas, Municipality of Stari Jankovci, Municipality of Tompojevci and Municipality of Tovarnik
/	City of Daruvar, City of Grubišno Polje, Municipality of Đulovac and Municipality of Končanica
/	City of Drniš, City of Skradin, some areas of the City of Šibenik, Municipality of Bilica, Municipality of Promina, Municipality of Ružić and Municipality of Unešić

### 6.3.3. Joint Communal Enterprises

Joint Communal Enterprises are the most represented form of the institutionalized inter-municipal cooperation. Apart from the fact that communal services are the basic services that local governments provide to their citizens, the reason for such a high representation is the fact that the first Law on Communal Economy from 1995, adopted after the set-up of the local governments system we know today, defined obligation of organizing joint provision of communal services through companies co-owned by local governments if the system of communal infrastructure extends to the territory of several local governments within one or several counties, and makes a unique and indivisible functional whole.<sup>14</sup>

Local government units which answered that they accomplish this form of cooperation are: City of Biograd na Moru, City of Cres, City of Crikvenica, City of Daruvar, City of Gospić, City of Krapina, City of Labin, City of Lepoglava, City of Novi Vinodolski, City of Otočac, City of Ozalj, City of Pakrac, City of Pula, City of Sinj, City of Sisak, City of Stari Grad, City of Umag, City of Vrbovec, Municipality of Baška, Municipality of Bednja, Municipality of Bosiljevo, Municipality of Brod Moravice, Municipality of Cerovlje, Municipality of Crnac, Municipality of Čačinci, Municipality of Dobrinj, Municipality of Đulovac, Municipality of Đurmanec, Municipality of Gračišće, Municipality of Gvozd, Municipality of Jakšić, Municipality of Kamanje, Municipality of Kloštar Ivanić, Municipality of Kneževi Vinogradi, Municipality of Kolan, Municipality of Konjšćina, Municipality of Kostrena, Municipality of Kraljevec na Sutli, Municipality of Krnjak, Municipality of Malinska-Dubašnica, Municipality of Motovun, Municipality of Nova Bukovica, Municipality of Novo Virje, Municipality of Petlovac, Municipality of Podgorač, Municipality of Podstrana, Municipality of Punat, Municipality of Rakovec, Municipality of Rugvica, Municipality of Selca, Municipality of Sirač, Municipality of Sukošan, Municipality of Sveta Nedelja, Municipality of Šestanovac, Municipality of Tar-Vabriga, Municipality of Tinjan, Municipality of Topusko, Municipality of Tučepi, Municipality of Velika Ludina, Municipality of Viljevo, Municipality of Viškovo, Municipality of Vrbnik, Municipality of Vrsar, Municipality of Zagorska Sela, Municipality of Zlatar Bistrica and Municipality of Žakanje.

Examples of cooperation:

Name of the company	Local governments in cooperation	Form of cooperation
Darkom, Ltd.	City of Daruvar, Municipality of Dežanovac, Municipality of Đulovac, Municipality of Končanica and Municipality of Sirač	Local governments are co-owners of the company

<sup>14</sup> Article 4(4) of the Law on Communal Economy (1995.): „If the system of communal infrastructure extends to the territory of several local governments within one or several counties, and makes unique and indivisible functional whole, local governments are obliged to organize joint provision of communal services through companies from the Paragraph 1(1) of this Article in their co-ownership.”

Pula Herculanea, Ltd.	City of Pula, City of Vodnjan Municipality of Barban, Municipality of Ližnjan, Municipality of Marčana, Municipality of Medulin and Municipality of Svetvinčenat	Local governments are co-owners of the company
Vodovod i kanalizacija, Ltd. Rijeka	City of Bakar, City of Kastav, City of Kraljevica, City of Rijeka, Municipality of Čavle, Municipality of Jelenje, Municipality of Klana, Municipality of Kostrena and Municipality of Viškovo	Local governments are co-owners of the company
Ivkom, Ltd.	City of Ivanec, City of Lepoglava, Municipality of Bednja, Municipality of Donja Voća, Municipality of Klenovnik and Municipality of Maruševac	Local governments are co-owners of the company

#### 6.3.4. Cultural and Economic Cooperation

The examinees also described forms of IMC with other local governments which are not covered by predefined answers in the questionnaire. These answers are gathered under the title "Other forms of cooperation". They mostly refer to uninstitutionalized forms of cultural and economic cooperation in organizing cultural, economic and sports events and celebrations as well as in participation in joint projects through or in coordination of non-government organizations, cultural and artistic groups, ministries and development funds. Inter-municipal cooperation is accomplished in economy, tourism, agriculture, fishery, traditional crafts and trade and development plans and strategies. Cultural cooperation is related to enhancing knowledge about history and tradition; developing centres of national minorities and encouraging projects of social and cultural exchange and youth meetings through education and sport. Apart from that inter-municipal cooperation is accomplished in drafting development plans and strategies.

Institutionalized inter-municipal cooperation is present in economy, tourism and agriculture in the forms of tourist boards, entrepreneurship centres and development agencies.

Tourist boards are established pursuant to the Law on Tourist Boards and Promoting Croatian Tourism. They are financed from their regular and legally defined revenues, i.e. the sojourn tax in accordance with the specific law, tourist membership fee in accordance with the specific law and income earned by performing economic activities. Apart from these incomes, tourist boards can obtain some financing from the local, regional and state budget; voluntary contributions and presents; property etc. Joint tourist board, under the working title Kockavica, is at the moment being established by Municipalities of Donja Dubrava and Donji Vidovec.

Entrepreneurship centres are mostly present in the form of companies or associations, and are financed by providing services (consulting, project preparation, education, office lease, etc.), projects and grants. Example of IMC in establishing a joint entrepreneurship centre is the company Vinodol, Ltd., established by the City of Novi Vinodolski and Municipality of Vinodolska. They were later joined by the City of Crikvenica.

Development agencies can be registered as companies or associations. They are established on the basis of the Law on Regional Development, and are mostly established by local governments for which they provide services.

Examples:

Name of the organization	Local governments in cooperation
Tourist board Kockavica	Municipality of Donja Dubrava and Municipality of Donji Vidovec
Entrepreneurship centre Vinodol, Ltd.	City of Crikvenica, City of Novi Vinodolski and Municipality of Vinodolska

### 6.3.5. Joint Preparation of EU Funds Projects

This is mostly uninstitutionalized and often informal form of cooperation, important for development of inter-municipal cooperation (regardless of the fact that a majority of project proposals does not gain financial support and is not implemented), since local governments during joint preparation of the project proposal develop good communication, team work and determine jointly their problems and needs, which increases quality of future cooperation in priority areas. Cooperation is organized in the same way as cooperation in culture and economy.

Local government units which answered that they accomplish this form of cooperation are: City of Belišće, City of Čabar, City of Ilok, City of Krapina, City of Lepoglava, City of Otočac, City of Ozalj, City of Pakrac, City of Pleternica, City of Pula, City of Sisak, City of Umag, Municipality of Antunovac, Municipality of Bednja, Municipality of Bosiljevo, Municipality of Brod Moravice, Municipality of Cestica, Municipality of Đurmanec, Municipality of Ernestinovo, Municipality of Funtana, Municipality of Gorjani, Municipality of Gunja, Municipality of Hrašćina, Municipality of Kamanje, Municipality of Klinča Sela, Municipality of Lišane Ostrovičke, Municipality of Lovas, Municipality of Maruševac, Municipality of Pisarovina, Municipality of Privlaka, Municipality of Punat, Municipality of Rakovica, Municipality of Sirač, Municipality of Slivno, Municipality of Sveti Martin na Muri, Municipality of Tar-Vabriga, Municipality of Tovarnik, Municipality of Viljevo, Municipality of Vinica, Municipality of Viškovo, Municipality of Vrpolje, Municipality of Vuka, Municipality of Zagorska Sela, Municipality of Zažablje and Municipality of Žakanje.

### 6.3.6. Joint Kindergarten

Joint kindergarten is an institutionalized inter-municipal cooperation in the form of public institution. Pursuant to the Law on Preschool Care and Education, local and regional governments have the right and obligation to decide on the needs and interests of their citizens in organizing and implementing programs of preschool education and establish kindergartens in order to meet the needs and requests of their citizens. The same Law defines that local and regional governments can establish kindergartens jointly with other physical and legal entities, since joint public institution rationalizes expenses and improves quality of services. Kindergarten is run by the management council, which has 3 to 7 members. At least half of the members in the management council are appointed by the founder among public employees; one is elected among parents and other management council members are elected by secret vote among educators and associates. Financing is provided by founders in accordance with the act on establishing. Services are charged based on the criteria determined by the representative bodies of local governments.

Local government units which answered that they accomplish this form of cooperation are: City of Gospić, City of Labin, City of Otočac, City of Ozalj, City of Solin, City of Zlatar, Municipality of Baška, Municipality of Cerovlje, Municipality of Dobrinj, Municipality of Draganić, Municipality of Đelekovec, Municipality of Funtana, Municipality of Gola, Municipality of Gračišće, Municipality of Janjina, Municipality of Kraljevec na Sutli, Municipality of Lovas, Municipality of Malinska-Dubašnica, Municipality of Motovun, Municipality of Petrijevc, Municipality of Podgorač, Municipality of Rakovica, Municipality of Satnica Đakovačka, Municipality of Slivno, Municipality of Sv. Lovreč, Municipality of Sveta Nedelja, Municipality of Tinjan, Municipality of Tučepi, Municipality of Vrbnik, Municipality of Vrsar, Municipality of Zagorska Sela and Municipality of Žakanje.

Examples:

Name of the kindergarten	Local governments in cooperation
Kindergarten "Katarina Frankopan"	City of Krk, Municipality of Baška, Municipality of Dobrinj, Municipality of Omišalj, Municipality of Malinska, Municipality of Punat and Municipality of Vrbnik
Kindergarten "Olga Ban"	City of Pazin, Municipality of Cerovlje, Municipality of Gračišće, Municipality of Karojba, Municipality of Lupoglav, Municipality of Motovun and Municipality of Sv. Petar u Šumi
Kindergarten Orebić	Municipality of Janjina and Municipality of Orebić

Kindergarten "Radost", Poreč	City of Poreč, Municipality of Sveti Lovreč, Municipality of Višnjan and Municipality of Tar-Vabriga
Kindergarten "Zvončić", Našice	City of Našice, Municipality of Donja Motičina, Municipality of Feričanci and Municipality of Podgorač

### 6.3.7. Joint Public Transport

Local governments organize joint public transport by the model of public-private partnership with a private service provider. Public transport service is regulated by the contract on provision of public services, concluded in accordance with the Law on Public Procurement; laws which define type of transport and other relevant laws. This is the way to provide more efficient and quality services. Public transport provider earns income by collection of user fees and subvention from local budgets.

Local government units which answered that they accomplish this form of cooperation are: City of Labin, City of Novi Marof, City of Pula, City of Zlatar, Općina Brod Moravice, Općina Cestica, Općina Čavle, Općina Jakšić, Općina Kamanje, Općina Konavle, Općina Kostrena, Općina Lastovo, Općina Martinska Ves, Općina Mljet, Općina Nova Bukovica, Općina Tučepi, Općina Viškovo i Općina Vrbnik.

Examples:

Name of the company	Local governments in cooperation
KD Autotrolej, Ltd.	Owners: City of Rijeka, City of Bakar, City of Kastav, City of Kraljevica, Municipality of Čavle, Municipality of Jelenje, Municipality of Klana, Municipality of Viškovo and Municipality of Kostrena; users of the service: City of Opatija, Municipality of Lovran and Municipality of Matulji
Promet Split, Ltd.	City of Split, City of Solin, City of Kaštela, City of Trogir, City of Omiš, Municipality of Kaštelanska Zagora, Municipality of Klis, Municipality of Marina, Municipality of Muć, Municipality of Podstrana, Municipality of Seget, Municipality of Šolta and Municipality of Šestanovac
Pulapromet, Ltd.	City of Pula, Municipality of Barban, Municipality of Ližnjan, Municipality of Marčana, Municipality of Medulin, Municipality of Svetvinčenat and Municipality of Vodnjan

### 6.3.8. Joint Administrative Departments and Services

Pursuant to the Law on Local and Regional Government, local and regional government units organize their administrative departments and services or a single administrative department. For performing tasks and activities from their governmental scope, two or more local

governments can jointly organize their bodies (joint administrative department, service or company), as defined by the Law. All administrative, expert and other tasks in local government bodies are performed by employees. Rulebook on internal structure of administrative department defines workplaces and number of employees, description of tasks for each workplace, as well as expert and other conditions for disposition to certain workplaces. Local and regional governments which receive grants from the State budget for the activities from their governmental scope are obliged to abide restrictions on the total amount for salaries regulated by specific laws. These regulations also provide supervision of state bodies over legal spending of budget resources for salaries of local administration employees. Apart from that, central state bodies supervise if performing of tasks and authorities which are devolved to local and regional governments in the deconcentration process are performed pursuant to the law.

Although the legislative framework allows their establishing, there are no joint administrative departments of two or more local governments in Croatia. The only joint body organized by several local governments is the Service for Budget, Finance and Legal Issues, jointly organized by Municipalities of Kaštelir-Labinci, Sv. Lovreč and Vižinada. The Service operates in the Municipality of Kaštelir-Labinci, but is financed by all three municipalities, on the basis of their agreement.

#### **6.4. Satisfaction with Accomplished Cooperation**

According to the results of the survey, the majority of local governments are satisfied with the accomplished inter-municipal cooperation, which proves multiple benefits of IMC in more efficient and quality provision of services to the citizens. It is supported by the fact that the majority of cities and municipalities are aware of the IMC benefits and plans to continue cooperation with other LGs.

The examinees who are not satisfied with IMC, as a main reason indicate problems with financing joint projects (56% of examinees) and lack of efficient management (28%).

#### **Are you satisfied with the accomplished cooperation?**

	<b>Number of answers</b>	<b>%</b>
Yes	80	49.2 %
Mostly yes	77	47.2 %
No	3	1.8 %
Mostly no	3	1.8 %
	<b>163</b>	<b>100</b>

## 7. OPINION OF LOCAL OFFICIALS

### 7.1. Introduction

Local officials are stakeholders who to a great extent influence inter-municipal cooperation among local governments. Therefore, it is necessary to provide them all the relevant information and enable them to understand the given legislative, financial and institutional framework for IMC, since that can largely increase the opportunities for more intense cooperation among local governments.

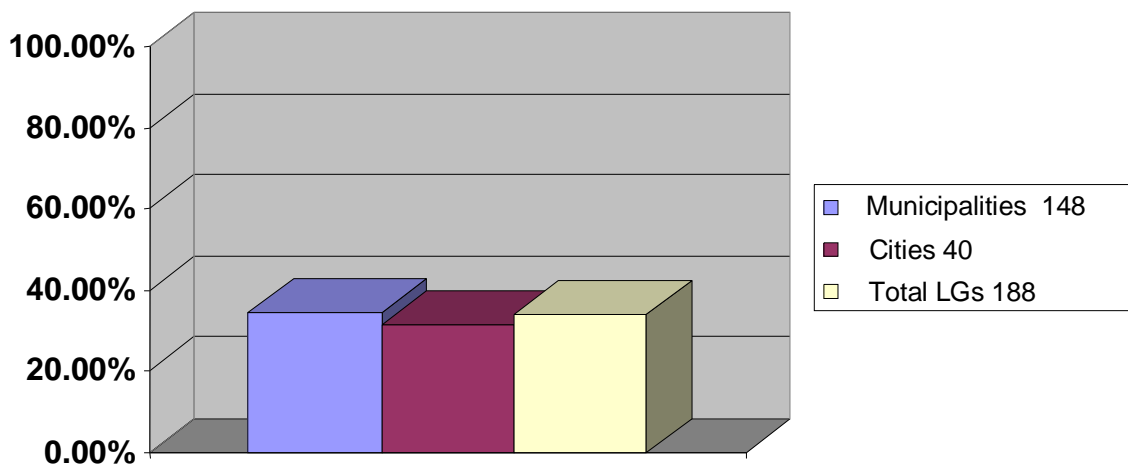
Opinion and ideas of local officials about IMC are extremely important since they provide first-hand subjective and objective circumstances, which prevent or encourage cooperation and at the same time define areas of potential cooperation that have not been previously addressed.

Opinion of local officials is gathered by a special questionnaire with questions about the understanding of existing obstacles and benefits of IMC, as well as plans for future cooperation.

### 7.2. Sample

Questionnaire is delivered to all local governments in Croatia (429 municipalities and 126 cities), beside the City of Zagreb<sup>15</sup>. 40 cities (31.7% of total number of cities) and 148 municipalities (34.5% of total number of municipalities), i.e. 188 local government units (33.9 % of total number of local governments) responded.

**Survey sample**



<sup>15</sup> The City of Zagreb is the biggest city in Croatia, and has a special status of city and county. Taking into consideration all the differences in comparison to other cities and municipalities in Croatia in authorities, size, population, fiscal capacity, human resources and other features, we concluded that response by the officials in Zagreb is not relevant for the total results of the survey.

The sample by population is as follows:

POPULATION	CITIES	MUNICIPALITIES
< 1000	0	11
1001 – 5000	7	116
5001 – 15000	24	20
15001 – 35000	6	1
> 35000	3	0
<b>TOTAL:</b>	<b>40</b>	<b>148</b>

The sample by budget in 2009 is as follows:

BUDGET (u mil kuna)	CITIES	MUNICIPALITIES
< 3	0	16
3 – 5	0	44
5 – 10	1	54
10 – 15	8	11
> 15	31	21
<b>TOTAL:</b>	<b>40</b>	<b>146</b>

The sample by budget and by population reflects the Croatian local government average.<sup>16</sup>

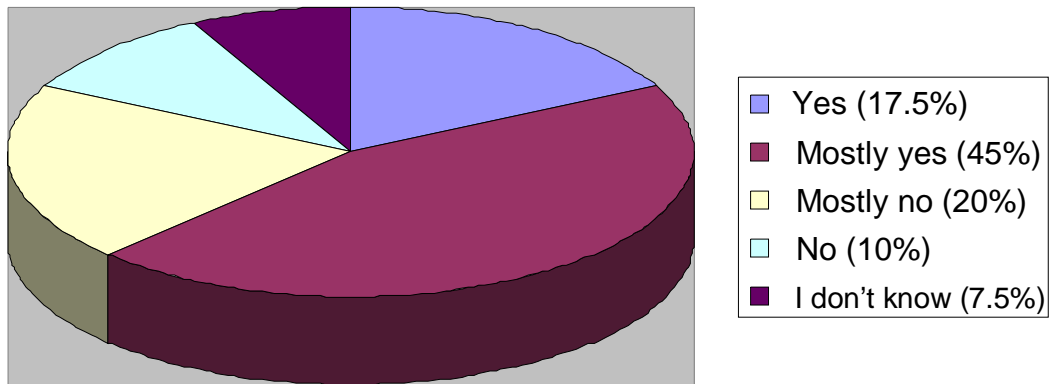
### 7.3. Results

The majority of examinees (131 municipalities and 34 cities, i.e. 87.8% of examinees) responded that they had already achieved cooperation with local governments in its surrounding, which shows that IMC is a familiar concept to Croatian local governments. Examinees who had not accomplished any form of inter-municipal cooperation indicated as some of the reasons lack of need, financial resources or administrative support. One city mentioned lack of interest among local governments and another city insufficient legislative framework.

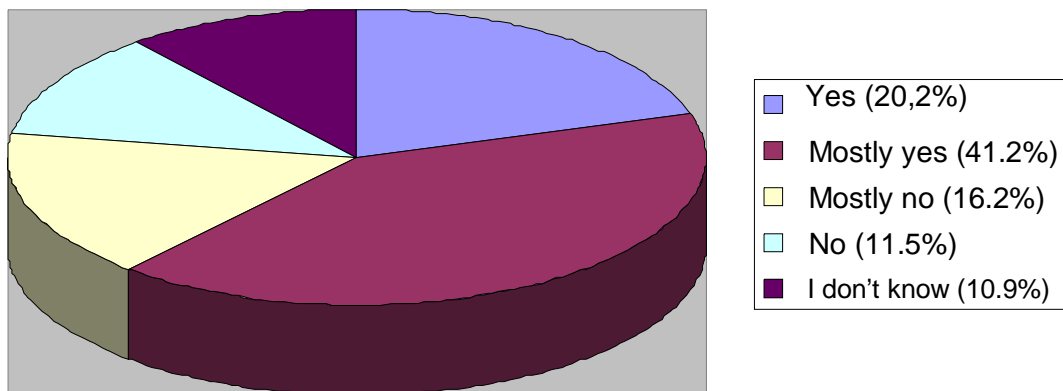
The majority of examinees think that the existing legislative framework is sufficient and supportive towards IMC, but the share of those who do not find legislative framework sufficient or do not know if it is sufficient is significant (more than 35%). At the same time, lack of knowledge about the legislative framework is higher with municipality (10.8%) than with city (7.5%) officials.

<sup>16</sup> For average size of LG in terms of population see 1.3 About the Local Government System in Croatia.

**Is the legislative framework sufficient and supportive towards IMC? (CITIES)**



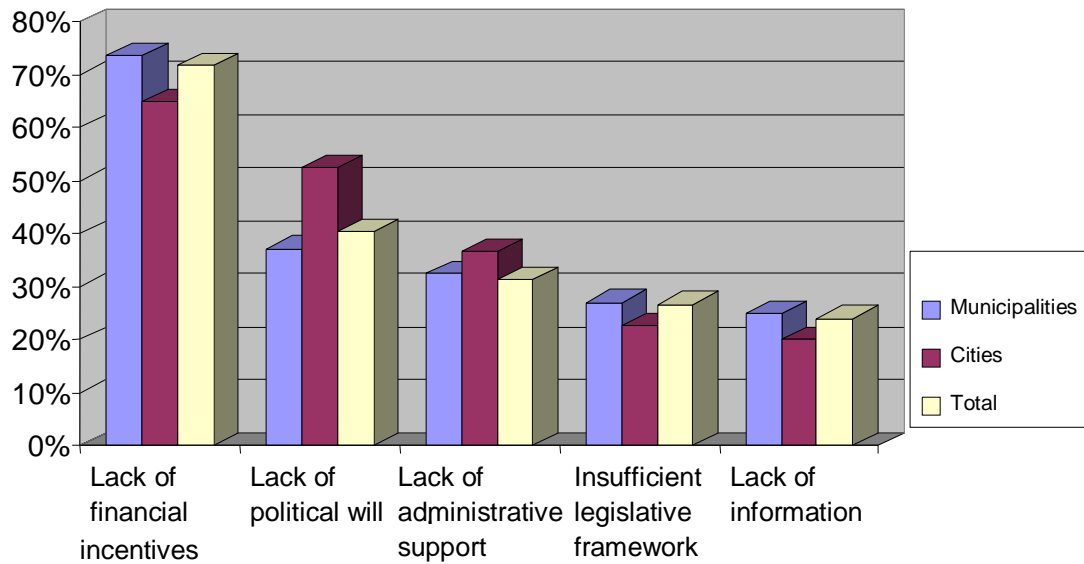
**Is the legislative framework sufficient and supportive towards IMC? (MUNICIPALITIES)**



A large majority expect the central government to financially support IMC (89.9% municipalities and 85% cities).

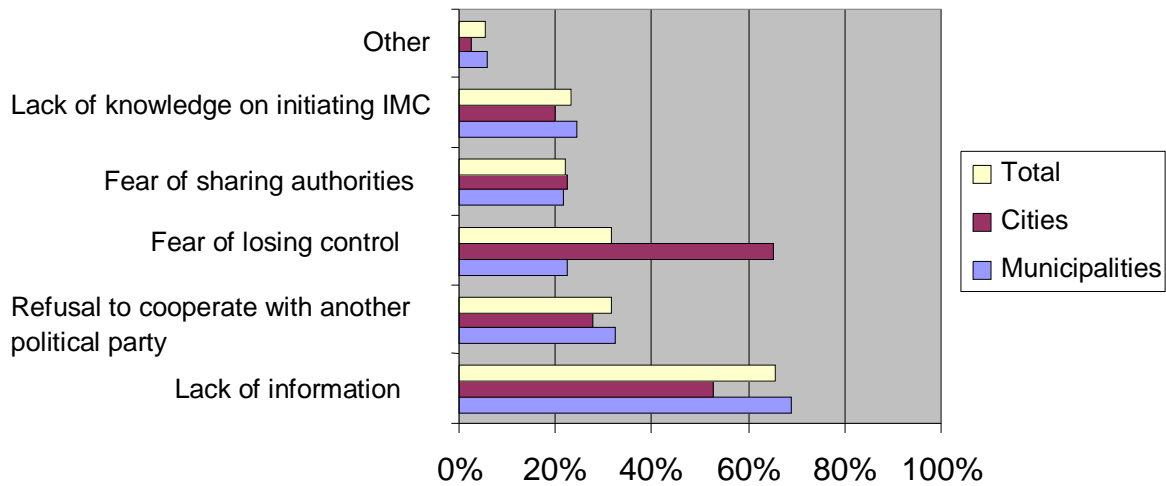
The main obstacle for more intense cooperation among local governments is a lack of financial incentives (73.6% of municipalities and 65% of cities). Other reasons are lack of political will to establish cooperation (37.1% of municipalities and 52.5% of cities), lack of administrative support (32.4% of municipalities and 36.7% of cities), insufficient legislative framework (27% of municipalities and 22.5% of cities) and lack of information about IMC (25% of municipalities and 20% of cities).

### Main obstacles for IMC



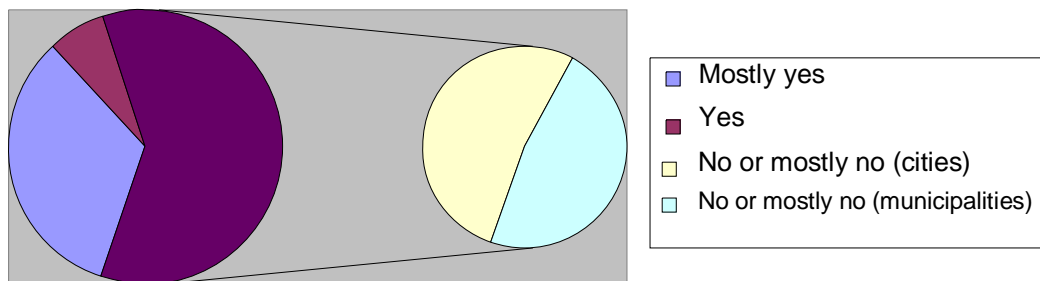
When answering the question why local officials are reserved towards more intense cooperation with other local governments, a large number of examinees mentions as the first problem lack of information about IMC (68.9% of municipalities and 52.5% of cities). Other reasons are the following: local politicians do not want to cooperate with politicians from another political party (32.4% of municipalities and 27.5% of cities); they are afraid of sharing political authority (21.6% of municipalities and 22.5% of cities); and they do not know how to start cooperation with other local governments (24.3% of municipalities and 20% of cities). What is interesting is that a significant number of city examinees think that the fear of losing control is the main obstacle (65.2%), whereas only a fifth of municipality examinees see this as a main problem (22.2%). A possible explanation is that city officials, in comparison to municipality officials, manage more local resources (communal infrastructure, human resources, legal entities, etc.), which in case of inter-municipal cooperation they fear to lose control of (e.g. when a city cooperates with several municipalities, it might fear to be outnumbered in decision-making).

### Why are local officials reserved towards IMC ?



The majority of examinees (59.6%) think they are not enough informed about IMC benefits. 58.7% of municipalities and 62.5% of cities responded with “no” and „mostly no”. If we compare this to the previous indicators, this fact clearly signifies the lack of information as one of the main threats to further development of IMC in Croatia.

### Are you enough informed about the IMC benefits?



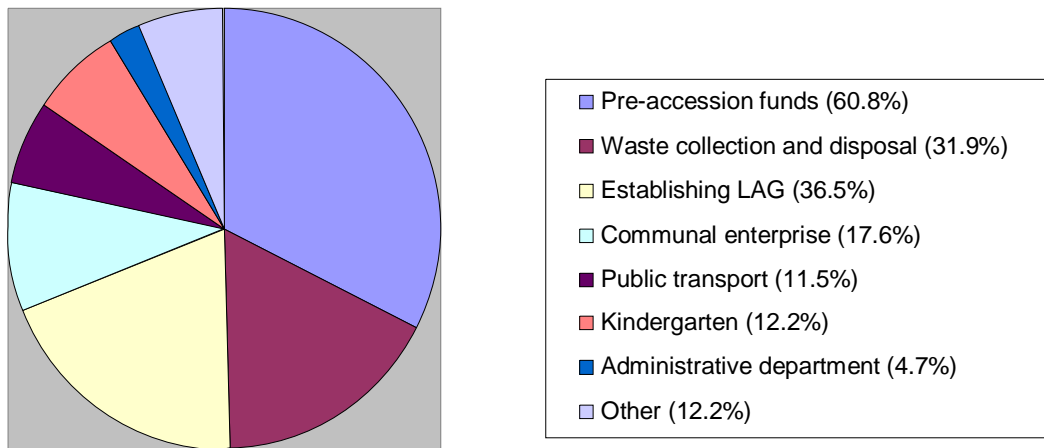
The second part of the questionnaire contained questions related to future cooperation and understanding of obstacles for cooperation, in order to determine the real interest of local officials for cooperation with other local governments in their surroundings.

The majority of examinees responded positive to the question on future cooperation with local governments in their surrounding (88.5% of municipalities and 87.5% of cities). If we compare it to the previous answers on so far accomplished cooperation, we can see that the concept of inter-municipal cooperation is familiar to Croatian local governments and that it takes place in Croatia, regardless of the existing obstacles.

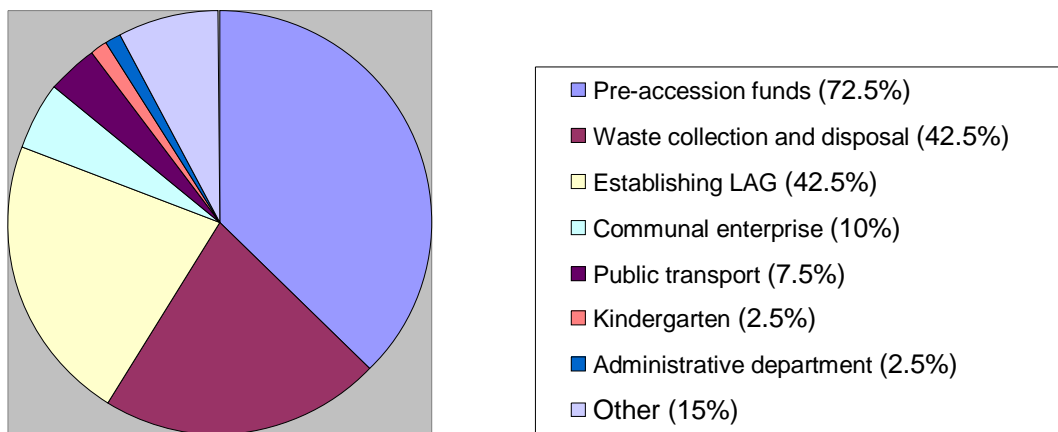
Area in which they plan to initiate cooperation is mostly preparation of projects for pre-accession and other EU funds (60.8% of municipalities and 72.5% of cities), which is indicative, if we take into account restricted fiscal and human capacities in smaller local governments which disable them to apply for EU funds. Other areas of future cooperation are

joint collection and disposal of communal waste (31.1% of municipalities and 42.5% of cities) and establishing Local Action Group (36.5% of municipalities and 42.5% of cities). A smaller percentage plans cooperation in establishing communal enterprise (17.6% of municipalities and 10% of cities) and organizing joint public transport (11.5% of municipalities and 7.5% of cities), and a very small percentage in establishing a joint kindergarten (12.2% of municipalities and 2.5% of cities) or forming joint administrative department (4.7% of municipalities 2.5% of cities).

**Which area do you plan IMC in?  
(MUNICIPALITIES)**



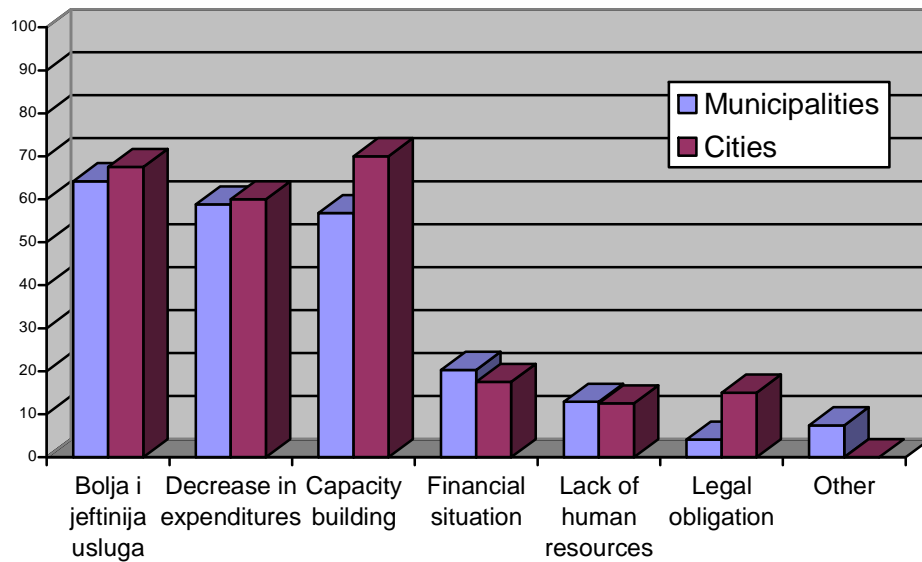
**Which area do you plan IMC in?  
(CITIES)**



Main reason for cooperation with other local governments is the fact that cooperation will provide better and cheaper services for the citizens (64.2% of municipalities and 67.5% of cities). If we compare this to the question about the future plans for cooperation, we will see that the answers are not completely concurrent, since the majority of local governments plan cooperation in the area which does not cover services for the citizens. Second and third

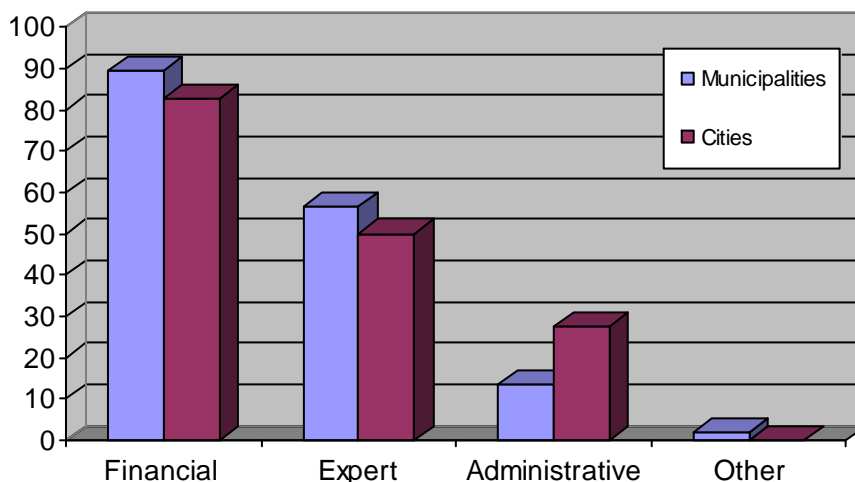
reason for cooperation are decrease in expenditures (58.8% of municipalities and 60% of cities) and capacity building (56.8% of municipalities and 70% of cities), which are rational and almost managerial concept of IMC and its effect to local governments. Other reasons are necessity to cooperate due to financial situation (20.3% of municipalities and 17.5% of cities), lack of human resources (12.9% of municipalities and 12.5% of cities) and obligatory legislative provisions (4.1% of municipalities and 15% of cities). Insignificant percentage of examinees indicates other reasons (7.4% of municipalities and 0% of cities).

### Reasons for cooperation with other LGs



When answering the question about the necessary support for achieving plans in future cooperation, the majority said they need financial support (89.3% of municipalities and 82.5% of cities). Significant percentage emphasizes the need for expert (56.7% of municipalities and 50% of cities) or administrative support (13.5% of municipalities and 27.5% of cities). Insignificant percentage of examinees indicates other forms of support (2% of municipalities and 0% of cities).

### Necessary support for future cooperation



Three areas that have the largest IMC potential in the future, according to both municipality and city officials, are joint project proposals for EU pre-accession and structural funds (80.4% of municipalities and 80% of cities). Communal infrastructure development comes to the second place with a difference in opinion between city (77.5%) and municipality (64.8%) officials. It is interesting to notice that the similar difference is seen in the third priority for IMC – tourism development (54.7% of municipalities and 67.5% of cities). As the fourth area with the biggest potential for cooperation, local officials selected provision of communal services (52.7% of municipalities and 52.5% of cities). Areas with the least IMC potential are provision of social, education and cultural services; public transport and organization of joint administrative departments.

#### **7.4. Conclusion**

Taking into consideration limitations of the questionnaire and the sample, certain trends can be noticed and conclusions reached on the basis of the survey results. First of all, local officials in Croatia are aware of the possibilities of inter-municipal cooperation, which results in some limited cases of inter-municipal cooperation in limited areas. One of the main obstacles to the more intense cooperation is a lack of financial incentives, however we must not neglect the insufficient legislative framework and lack of local officials will to cooperate.

In that respect, we must emphasize the lack of information among the local officials who are responsible for political legitimacy and initiative, but also among the local employees. Namely, the survey shows that the lack of relevant information and knowledge on how to launch the cooperation are the most significant obstacles for local officials, whereas political differences and other reasons, although influence the frequency and intensity of cooperation, do not have a dominant importance. On the other hand, more than a majority of the examinees expressed their need for expert support in future IMC, which clearly indicates a lack of capacities in local government, derived from lack of information and education of key stakeholders (local officials and employees).

Finally, the most perspective area of cooperation is joint preparation of EU funds projects (stimulated further by EU rules on financing development projects), communal infrastructure development, provision of communal services and tourism development. However, extremely low percentage of local officials sees possibility and need for cooperation in the area of provision of social, education and cultural services; public transport and organization of joint administrative departments, although these are main authorities of local governments where cooperation can bring savings and provide a better service quality.

### **8. SWOT ANALYSIS**

#### **8.1. Introduction**

SWOT analysis was used to define key advantages and weaknesses of IMC environment in Croatia. It was conducted after previous analysis of results of the research on various aspects of IMC in Croatia, such as legislative, financial, institutional, good practice, etc. Besides, SWOT analysis was completed after the survey in which local officials expressed their

attitude about IMC and the meeting where a certain number of local officials and representatives of the Ministry of Administration commented on the survey results.

SWOT analysis shows that IMC environment in Croatia has few strengths and more opportunities, and at the same time, relatively few weaknesses and more threats.

## **8.2. Strengths**

Key strengths of the IMC environment in Croatia are legislative system which allows cooperation among local governments and a smaller number of regulations which define obligatory cooperation; the existence of certain institutionalized forms of cooperation; and examples of good practice among local governments.

## **8.3. Weaknesses**

Weaknesses are not numerous; however, they are significant and continuous work is needed to eliminate them. First of all, the key stakeholders agreed that culture of cooperation is not present in Croatia. Further, although legislative system does not ban cooperation, it is not precise enough and does not encourage cooperation and sometimes discourages initiatives for cooperation in the very beginning. A weakness is also inertness of the central state bodies which slowly react to requests for cooperation, and do not support local governments in administrative and expert way. The last, but not the least weakness is a lack of financial incentives which further discourages IMC.

## **8.4. Opportunities**

IMC environment in Croatia has the largest number of opportunities which can influence encouraging of inter-municipal cooperation in the future. EU accession process will further encourage the culture of cooperation, since cooperation is one of the basic standards in Europe. At the same time, the provisions of the European Charter on Local Government which define cooperation as one of the rights of local governments, as well as the initiative by the Council of Europe to encourage political decision-makers to consider IMC as one of the means to rationalize local government work, might further encourage development of IMC in Croatia. The opinion that a better information flow might encourage political leaders to consider IMC as an alternative to some other measures can be supported by the fact that the Guidelines and Principles for Functional Decentralization and Territorial Reorganization, adopted by the Government in July 2010, recognize IMC as one of the measures that should be taken into account. Economic crisis emphasized limited resources of certain local governments and the Law on Salaries in Local and Regional Government, adopted at the beginning of 2010, additionally limited local government human resources, so IMC proves as a possible way to solve partially the existing problems. Finally, the fact that a limited number of local officials consider IMC as a solution to problems in their local governments as well as the fact that the competitiveness among local officials forces them to show their voters they are innovative managers opens possibilities for more intensive IMC in the future.

## 8.5. Threats

Competitiveness among local officials represents at the same time a threat, because it can lead to further strengthening of self-sufficiency, which is highly present in Croatian local governments (many units want to have their own companies and institutions they control themselves). Another threat is the possibility that decentralization and territorial reorganization are conducted by administrative measures from the central state bodies, without consultations with all stakeholders. We must add the lack of readiness of local officials to cooperate from a different personal reasons (fear of losing control, lack of knowledge on how to initiate and accomplish cooperation, etc.), as well as a high level of political influence at the local level, which additionally limits activities of local officials (refuse to cooperate with local governments of another political party). Finally, the lack of information about IMC benefits discourages launched initiatives.

<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Legal system allows IMC</li> <li>• Some regulations define obligatory cooperation</li> <li>• Institutionalized forms for IMC (companies, public institutions)</li> <li>• Examples of good practice</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• No culture of cooperation</li> <li>• Legal system is imprecise and unsupportive towards IMC</li> <li>• No financial incentives for IMC</li> <li>• Central government bodies react slowly to IMC initiatives</li> </ul>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• EU defines cooperation as a standard of procedures</li> <li>• European Charter on Local Government defines cooperation as a right of local governments</li> <li>• Guidelines and Principles for Functional Decentralization and Territorial Reorganization recognize IMC as an efficient tool</li> <li>• Council of Europe raises awareness of possibilities and advantages of IMC</li> <li>• Economic crisis encourages cooperation</li> <li>• Large number of local governments have limited resources for performing authorities from their governmental scope</li> <li>• Law on Salaries in Local and Regional Government limits human resources of local governments</li> <li>• Local officials are competitive</li> <li>• A certain number of local officials sees IMC as a solution to problems</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Local officials are competitive</li> <li>• Decentralization and territorial reorganization are conducted administratively, without participation of key stakeholders</li> <li>• Local officials are not ready to cooperate because of their own limitations (fear, lack of knowledge...)</li> <li>• High level of political influence in local government</li> <li>• Lack of information on IMC benefits</li> <li>• Well established culture of self-sufficiency</li> </ul>

## 9. CONCLUSION

Taking into consideration all the limitations of the system in Croatia, in which inter-municipal cooperation is taking place, as well as the fact that IMC was not much paid attention to and that the systematic informing of local official about the IMC benefits failed, the IMC is rather well developed. Various institutionalized forms and a rich practice in some areas, as well as the fact that IMC exist in entire Croatia, show that local officials have realized the values and advantages of IMC.

Legislative and institutional framework do not set direct obstacles for cooperation: cooperation is allowed, in rare cases even obligatory. However, legislative and institutional framework is not easily adaptable and imprecise, which makes cooperation difficult to implement. Thus, smaller interventions in the legislative framework would change the existing situation and encourage IMC. On the other hand, European experience offers models for institutionalized IMC forms, so the one that fits the best in Croatian legislative and local government system can be chosen and amended to the existing institutionalized framework.

Local officials see the lack of financial incentives by the central state as one of the most significant obstacle. Mechanism of financial incentives functions in some European countries, so it is worth to consider in what way it can be applied in Croatia. In-depth analysis of the existing financial support to local government cooperation, aimed primarily at capital investments on the islands, will show to which extent it rationalized the work of local government. If financial incentives prove to be efficient, we must consider defining additional incentive measures which will promote IMC in the inland local governments.

Central state administration reacts slowly to all local government requests for support in implementing IMC, so local governments are left implement initiatives themselves or seek help from their associations. Stronger cooperation between local government associations and central state administration in discussing implementation of certain IMC models will provide detailed information to the final users and influence further cooperation among local governments. The fact that the Croatian Governments recognizes IMC as one of the tolls to rationalize activities of the local governments speaks in favour of stronger engagement by the central state.

SWOT analysis of the IMC environment in Croatia shows strengths and opportunities, which, if properly utilized, can compensate for weaknesses and threats. At the same time, a further effort is needed to provide local officials with information on advantages and models of IMC implementation, where equally important role should be given to central state administration and local government associations. Quality and timely informing of key stakeholders will influence the establishment of the culture of cooperation, which, according to the opinion of stakeholders themselves, does not exist in Croatia.

Finally, the initiative by the Council of Europe to investigate the present situation in Croatia and propose measures for its improvement should stimulate further activities in this matter. Knowledge and experience by the Council of Europe, as well as its expert and technical support will give a further value to the efforts of central state administration and local government associations, which is highly important in the announced process of decentralization and territorial reorganization in Croatia.

## REGULATIONS

- **Constitution of the Republic of Croatia** (*Official Gazette*, No. 56/90)
- **Law on Local and Regional Government** (*Official Gazette* No. 33/01, 60/01, 129/05, 109/07, 125/08 and 36/09)
- **Law on Socially Encouraged Construction** (*Official Gazette*, No. 109/01, 82/04 and 38/09)
- **Law on Spatial Planning and Construction** (*Official Gazette*, No. 76/07 and 38/09)
- **Law on Communal Economy** (*Official Gazette*, No. 26/03 – consolidated text, 82/04, 178/04, 38/09 and 79/09)
- **Law on Preschool Care and Education** (*Official Gazette*, No. 10/97 and 107/07)
- **Law on Primary and Secondary Education** (*Official Gazette*, No. 87/08, 86/09, 92/10 and 105/10)
- **Institution Act** (*Official Gazette*, No. 76/93, 29/97, 47/99 and 35/08)
- **Law on Sports** (*Official Gazette*, No. 71/06 and 150/08)
- **Consumer Protection Act** (*Official Gazette*, No. 79/07, 125/07, 79/09 and 89/09)
- **Law on Environment Protection** (*Official Gazette*, No. 110/07)
- **Law on Social Welfare** (*Official Gazette*, No. 73/97, 27/01, 59/01, 82/01, 103/03, 44/06 i 79/07)
- **Law on Health Care** (*Official Gazette*, No. 150/08, 155/09 and 71/10)
- **Law on Protection and Rescue** (*Official Gazette*, No. 174/04)
- **Law on Firefighting** (*Official Gazette*, No. 106/99, 117/01, 36/02, 96/03, 174/04, 38/09 and 80/10)
- **Road Traffic Safety Act** (*Official Gazette*, No. 67/08)
- **Islands Act** (*Official Gazette*, No. 34/99, 149/99, 32/02 and 33/06)
- **Law on Ratification of the European Charter on Local-Self Government** (*Official Gazette – International Agreements*, No. 14/97, 4/08 and 5/08)
- **Law on Local Self-Government and Government** (*Official Gazette*, No. 90/92, 94/93, 117/93, 5/97 and 128/99)
- **Law on Territories of Counties, Cities and Municipalities in the Republic of Croatia** (*Official Gazette*, No. 10/92 and 29/94)

- **Law on the City of Zagreb** (*Official Gazette*, No. 90/92, 76/93, 69/95, 14/97 and 36/98)
- **Law on the Election of Members in the Representative Bodies in Local and Regional Government** (*Official Gazette*, No. 90/92, 69/95, 59/96, 63/96 and 64/00)
- **Law on Financing Local and Regional Government** (*Official Gazette*, No. 117/93, 69/97, 33/00, 73/00, 127/00, 59/01, 107/01, 117/01, 150/02, 147/03, 132/06 and 26/07 – Decision by the Constitutional Court of the Republic of Croatia)
- **Law on Regional Development Fund** (*Official Gazette*, No. 107/01 and 124/10)
- **Law on Regional Development of the Republic of Croatia** (*Official Gazette*, No. 153/09)
- **Law on State Grant in Agriculture, Fishery and Forestry** (*Official Gazette*, No. 87/02, 117/03, 82/04, 12/05, 85/06, 141/06, 134/07 and 85/08)
- **Company Act** (*Official Gazette*, No. 111/93, 34/99, 121/99 – authoritative interpretation, 52/00 – Decision by the Constitutional Court of the Republic of Croatia, 118/03, 107/07, 146/08 and 137/09)
- **Law on Concessions** (*Official Gazette*, No. 125/08)
- **Law on Preservation and Protection of Cultural Heritage** (*Official Gazette*, No. 69/99, 151/03, 157/03, 87/09 and 88/10)

## ABBREVIATIONS

<b>IMC</b>	Inter-Municipal Cooperation
<b>LGI</b>	<i>Local Government and Public Service Reform Initiative</i>
<b>USAID</b>	<i>United States Agency for International Development</i>
<b>UNDP</b>	<i>United Nations Development Programme</i>
<b>EU</b>	European Union
<b>LLRG</b>	Law on Local and Regional Development
<b>LG</b>	Local Government
<b>LAG</b>	Local Action Group
<b>PFU</b>	Public Firefighting Unit