

THE CONGRESS
OF LOCAL AND REGIONAL AUTHORITIES

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12TH PLENARY SESSION

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Part II

TWELFTH SESSION

(Strasbourg, 31 May – 2 June 2005)

5th Forum of Cities and Regions of South-East Europe
(Budva, Serbia and Montenegro, 11-12 October 2004)¹

Rapporteur:

Mr Goran ANGELOV, "The former Yugoslav Republic of Macedonia"
Chamber of Local Authorities
Political Group: EPP/CD

EXPLANATORY MEMORANDUM

¹ Submitted for consideration by the Ad hoc Working Group of Local and Regional Representatives of South-East Europe on 30 May 2005

Introduction

The forum held in Budva (Serbia and Montenegro) on 11 and 12 October 2004 was the 5th Forum of Cities and Regions of South-East Europe, the annual rendezvous for local and elected representatives organised by the Congress since November 2000. Like previous forums, it benefited from the support of the Stability Pact for South-Eastern Europe and continued the “Economic Forums” organised by the Congress since 1996, in close co-operation with the European Foundation for the Sustainable Development of the Regions (FEDRE).

The Budva forum follows on from the previous four forums, held in Skopje (16-18 November 2000), Istanbul (2-3 November 2001), Novi Sad (18-20 April 2002) and Prijedor (22-23 September 2003) respectively. These forums have been the main activities organised by the Congress in south-eastern Europe over the last five years, together with its ongoing assistance to the Local Democracy Agencies (LDAs) and, more recently, its support for the creation of an Adriatic Euroregion, launched at the Termoli Conference (8-9 November 2004).

The Rapporteur wishes to thank Mr Rade Jovanovic, Mayor of Budva, for the warm welcome participants received during the forum, and the Union of Municipalities of Montenegro for its help in organising this event. The Mayor’s personal commitment and that of his staff provided optimal conditions for the smooth running of the forum.

A. GENERAL BACKGROUND TO THE FORUM

1. Preparation of the Budva forum

The organisation and preparation of the forum were overseen by the Congress’s Ad hoc Working Group of Local and Regional Representatives of South-East Europe (GT-SEE), which spent a number of its meetings preparing the forum and discussed the conclusions of the preparatory visit to Budva by a Congress Secretariat representative and FEDRE representatives.

2. Follow-up to previous forums

After each forum, the Congress has adopted a number of recommendations and resolutions enabling it to evaluate and follow up its activities in south-eastern Europe. These texts, adopted by the Congress on the basis of the conclusions of the various forums, have made it possible to give practical form to several of the proposals put forward on these occasions, particularly the setting up of the NALAS network².

² - Skopje forum (16-18 November 2000): Recommendation 91 (2001) and Resolution 111 (2001) adopted on 31 May 2001 (Rapporteurs Mr Haegi and Mr Mildon)

- Istanbul forum (2-3 November 2001) and Novi Sad forum (18-20 April 2002): Recommendation 112 (2002) and Resolution 135 (2002) adopted on 6 June 2002 (Rapporteurs Mr Mildon and Mr Masters)

- Prijedor forum (22-23 September 2003): Recommendation 146 (2004) and Resolution 174 (2004) adopted by the Congress on 27 May 2004 (Rapporteurs Mr Sofianski and Mr Polic)

The Ministers’ Deputies adopted a reply to Recommendation 112 (2002) on 12 February 2004.

The Ministers’ Deputies adopted a reply to Recommendation 146 (2004) on 22 September 2004.

3. Main themes of the Budva forum

The main aim of the Budva forum, like the previous forums (held in Skopje, Istanbul, Novi Sad and Prijedor respectively), was to develop co-operation among the cities and regions of south-eastern Europe, and between the latter and other European cities and regions, for the purpose of sharing their own experiences and, where appropriate, establishing partnerships in specific fields. The long-term political goal is to promote exchanges, co-operation and better governance in those cities and regions of south-eastern Europe that have had to deal with the repercussions of recent conflicts, thereby fostering stability in this part of Europe.

Although some themes have been common to all the forums, the Budva forum had a particular focus (cf. Appendix 1 - programme) on:

- the socio-economic situation at local and regional level, with particular emphasis on public services supplied by local authorities,
- the impact of privatisation,
- access to home loans and social assistance measures for refugees and displaced persons,
- tourism as a tool for kick-starting local and regional economies (a discussion of particular relevance to the tourist city of Budva),
- the role local and regional authorities can play in combating corruption and various forms of trafficking, particularly in a cross-border context,
- the funding arrangements made available to local and regional authorities by the Council of Europe Development Bank and European Union programmes,
- developments in respect of partnerships between local and regional authorities in south-eastern Europe and their European partners.

4. Participants

The Budva forum attracted about 200 participants (primarily local and regional elected representatives from south-eastern Europe and various European countries), as well as a large number of eminent personalities and experts.

At the opening session, following the welcome address by Rade Jovanovic, Mayor of Budva and Vice-President of the Union of Municipalities of Montenegro, statements were made by:

- Terry Davis, Secretary General of the Council of Europe, whose message was read out by Ulrich Bohner, Chief Executive of the Congress,
- Branimir Gvozdenovic, Deputy Prime Minister of the Republic of Montenegro,
- Michael C. Mozur, Deputy Special Co-ordinator of the Stability Pact for South-Eastern Europe,

- Sphetim Çausi, Ambassador, Permanent Representative of Albania to the Council of Europe and Rapporteur on Local and Regional Co-operation (RAP-LARC) of the Ministers' Deputies of the Council of Europe,
- Giovanni Di Stasi, President of the Congress,
- Maurizio Massari, Ambassador and Head of the OSCE Mission to Serbia and Montenegro,
- Nada Sevo, Mayor of Prijedor (host city for the 4th Forum of Cities and Regions of South-East Europe in September 2003).

A full list of participants is appended to the publication containing the forum proceedings.

The forum participants were mainly:

- representatives of international and European organisations (Stability Pact for South-Eastern Europe, OSCE, Council of Europe Development Bank, European Agency for Reconstruction),
- representatives of national and governmental authorities,
- local and regional elected representatives and members of national and regional associations of local and regional authorities in south-eastern Europe,
- representatives of non-governmental organisations, including the European Foundation for the Sustainable Development of the Regions (FEDRE) and the Association of Local Democracy Agencies,
- representatives of civil society and the business community.

Twenty members of the Congress also took part in the forum.

5. Exhibition

As at previous forums, the European Foundation for the Sustainable Development of the Regions (FEDRE) co-ordinated the setting up of information stands near the conference room, enabling forum participants to find out about co-operation projects and initiatives by large companies in south-eastern Europe. For its part, the Congress had put up an information stand providing further information about the activities of the Congress and of the Council of Europe in general.

B. MAIN CONCLUSIONS OF THE FORUM

As with previous forums, the main conclusions of the Budva forum are set out in a Final Declaration (cf. Appendix 2), unanimously adopted by participants at the closing session on 12 October 2004. This session was chaired by Giovanni Di Stasi, President of the Congress, and Claude Haegi, President of the FEDRE, with contributions from Ulrich Bohner, Chief Executive of the Congress, and Rade Jovanovic, Mayor of Budva.

The main points emerging from the Budva forum may be summarised as follows:

1. At political level

In addition to the specific themes discussed during the forum, participants condemned the violence in south-eastern Europe, particularly in spring 2004. They reaffirmed that respect for minority rights is a factor in civic peace, and thus in the region's economic development.

Concerning Kosovo, participants hoped for political developments acceptable to all communities, and encouraged the Belgrade and Pristina authorities to continue their dialogue aimed at improving living conditions and freedom of movement for all communities.

The Congress has naturally been monitoring this issue since the forum, paying particular attention to local government reform in Kosovo.

2. Socio-economic situation in south-eastern Europe: Action taken by local and regional authorities

This was the main theme of the forum, and was addressed from various angles. The President of the Congress and Ambassador Massari from the OSCE, in their contributions, emphasised the importance of economic development for the progress of local and regional democracy. Local and regional authorities help to create the right conditions and environment for local and regional economic development, although all participants acknowledged the inadequacy of local authorities' financial resources. A number of speakers highlighted the need to take advantage of the expertise of small and medium-sized enterprises, and, naturally, the opportunities afforded by the development of environmentally friendly tourism. The discussions highlighted the need to extend the tourist season (particularly by targeting retired people from northern Europe), to provide proper training for tourism managers and to improve tourism services and facilities.

Unemployment is still a major problem in most parts of south-eastern Europe. Some alarming figures were quoted: in Mitrovica, for instance, the number of employees fell from 24000 in 1989 to 1000 in 2002. Although the private sector has grown, this does not off-set job losses from state-owned enterprises, and many rural areas are becoming increasingly poor. Many young people who continue their studies cannot find jobs in their own countries and are forced to emigrate. The prospect of enlarging the European Union to include the countries of south-eastern Europe may consequently create momentum, but will necessitate a joint effort by all parties.

Regions with unemployment rates ranging from 20 to 40%, not counting the "grey economy", offer fertile ground for the development of trafficking and illicit flows of money.

In particular, the speakers stressed that local and regional authorities can and must play a role, *inter alia* by:

- helping to develop the rule of law and enhance social justice, partly with a view to combating extremism,
- maintaining better control over budget deficits at local and regional level,

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- improving access to the justice system for individuals and public corporations, and combating the practice of bribes designed to secure procurement contracts,
- combating the lack of political accountability among local and regional elected representatives.

Although some speakers noted an increase in the level of international investment in the region, particularly in the energy field, it is still insufficient.

A number of other issues should be explored at future forums or conferences, including:

- the significant fall in population in some parts of south-eastern Europe,
- migration policies and the brain drain,
- the role of the media in perceptions of economic development.

3. Social and economic challenges for local and regional authorities

The following points were highlighted:

- the importance of business start-ups, particularly by young people;
- “public/private” partnerships as a means of attracting private citizens (based on models such as those found in Slovakia);
- the role of associations of local authorities and NGOs;
- the importance of financial reforms in speeding up economic development and transfers of responsibilities (reform of fee schedules for public services);
- the role of regional policies in reducing regional disparities.

a. Public services

The Congress’s former President, Mr Chenard, gave a very comprehensive presentation on this subject, emphasising the need to provide essential services to the populations for whom elected representatives are responsible, irrespective of who distributes them. In particular, he emphasised the need for proper management of the delegation of public services (cf. summary of discussions).

b. Housing for refugees and displaced persons

Discussion of this issue (already addressed at the Prijedor forum) was resumed in Budva and taken a stage further. The UNHCR representative stressed, in Budva, that the solution to the refugee question depends on local integration. Some progress appears to have been made in returning property to its owners, particularly in Bosnia and Herzegovina. However, it is important to wait and see whether this trend continues. The fact that most refugees owned their own homes must be taken into account.

The challenge that has yet to be overcome is indeed that of the public/private relationship. Refugees should be able to resume ownership of their property if they are reintegrated into their country of origin. Municipalities are responsible not only for property matters, but also for aspects

of general local development, including both amenities and general development projects. Although the UNHCR has built a large number of housing units in several countries, other funding agencies, such as the European Union's European Agency for Reconstruction, also have a vital role to play in this respect.

With regard to social cohesion, the Stability Pact representative said that particular consideration had been given to promoting co-operation in the energy field. As for freedom of trade, 28 agreements have been concluded between south-east European countries, and are having an impact on the day-to-day lives of all citizens. Ministers in the region have also looked at ways to develop employment. Given the difficult economic situation, investments in the social field are long- and medium-term investments. Action is also being taken in the fields of social dialogue, social protection, public health and housing.

With regard to the Stability Pact's "Migration, Asylum, Refugees Regional Initiative" (MARRI), it must be pointed out that one million homes were destroyed during the war. Given that 90% of homes were privately owned, the issue must be addressed as a whole. According to the speaker, appropriate legislative provisions are needed in order to give authorities a greater role in building homes for refugees, by means of decentralisation laws. Housing co-operatives need to be developed. In the Vienna Declaration, housing ministers in the region stated that legal solutions were urgently needed in respect of illegal housing, which accounts for 50 to 60% of the region's housing stock. Hundreds of millions of euros in subsidies have been used to rebuild homes. Yet this process appears to be inadequate. Loans from international funding agencies are just part of the solution. It is consequently important to strengthen the banking system, which alone is in a position to finance municipalities and individuals at acceptable rates. Hence the idea of a "guarantee fund" system for housing. This is a project that would make it possible to offer loans to all those in need of housing. It is an avenue worth exploring, particularly in terms of the opportunity for governments to guarantee loans offered by banks. It is also important to bear in mind the fact that the practice of low-rent housing is not very popular in the region, and that the idea of renting is not well established. The issue of unregulated housing should also be resolved, and consideration given to the question of property located in another country.

c. Fiscal decentralisation and municipal property

Our colleague, Mr Frécon, noted the three fundamental areas on which the European Charter of Local Self-Government is based: the responsibilities of local authorities, the powers assigned to them, and financial resources. He also gave a detailed explanation of the concepts of own and transferred financial resources (cf. summary of discussions). Lastly, he pointed out the role the Congress can play in helping countries to draft legislative texts in these areas, emphasising that it is up to each country to decide on the laws and principles it wishes to put in place.

d. Tourism as a tool for kick-starting local and regional economies

This theme was particularly relevant to the city of Budva, giving rise to a fairly lengthy discussion.

The Mayor of Bijelo Polje (and Chair of the Governing Board of the Union of Municipalities of Montenegro) emphasised, inter alia, the development opportunities in northern Montenegro, with its many mountains and forests, and the role local authorities can play in the forms of tourism to be developed. As Montenegro does not yet have any experience of mountain tourism, the Mayor advocated environmentally friendly tourism. The Director of Tourist Organisations of Budva, for his part, stressed that tourism had been the mainspring of development on the coast, which had brought about far-reaching changes, making Budva one of the most developed municipalities in the region. Tourism had the capacity to promote investment at local level, create highly skilled jobs and benefit other sectors such as small and medium-sized enterprises and traditional agriculture. Tourism had enabled poor countries to take their place in the global economy, as was the case in Montenegro. The legislation had enabled local authorities to take steps to align themselves with major European and international trends by setting up a tourism body in the Budva municipality. In this connection, he called for the Budva museum to enter the international museum network. He was in favour of tourism development, but it was important to guard against adverse environmental impact.

The director of a tourism agency, for his part, saw things differently, estimating that tourism accounted for just 15% of Montenegro's gross national product, and that with the underground economy this contribution might be as much as double. He called for the adverse impact of tourism development to be limited, and stressed that tourism must be controlled.

The discussion highlighted:

- the social, cultural, economic and environmental dimensions of tourism,
- the many problems connected with amenities, modernisation of hotels and training for tourism operators. The Delegate of the Local Democracy Agency (LDA) of Niksic outlined a tourism development project in northern Montenegro (cultural and adventure tourism).

As well as developing infrastructure, it is clearly necessary to extend the tourist season, to renovate hotel stock and to provide better training for hotel staff and management.

The President of the Congress took up the suggestion that co-operation be developed between schools and universities specialising in tourism, which was included in the Budva Declaration, and whose implementation may be assigned to the FEDRE.

4. Combating corruption and various forms of trafficking in south-eastern Europe: the role of local and regional authorities

This issue, which was already addressed at the Prijedor forum, was taken a stage further in Budva. Emphasis was placed on cross-border aspects of corruption and on the implementation of the document drafted by the Congress in 1999: the code of practice for local and regional elected representatives.

The main points raised were as follows:

- Corruption is a scourge that must be opposed by local elected representatives, since it threatens democratic values, hinders economic development and increases poverty. It has both social and economic implications, and consequently affects individuals, companies and the local and regional economy as a whole.
- In addition to the necessary legal proceedings, the fight against corruption requires municipal officials to be politically neutral; this means that they must be paid properly and must not be involved in matters bound up with private interests.
- Countries emerging from many years of one-party systems find it difficult to establish civil services made up of officials who are mindful of such responsibilities. Efforts to combat corruption can be effective only in democratic systems, that is, in an environment characterised by pluralism, tolerance, freedom of expression, freedom of the media and personal safety.
- Existing anti-corruption measures have not been very effective as yet. Strong action, such as reforming the financial and legal systems, is needed. The criminal nature of the problem must be addressed. Early detection is essential, and legislation must be changed with a view to combating corruption effectively at local level.
- The role of local authorities will be even more effective if citizens play a greater part in institutional life and are aware of the impact of their involvement.
- Local authorities, which are close to citizens, are an easy target in this struggle. Anti-corruption programmes must therefore be launched not only at national level, but at all levels. Transparency among local authorities must be improved, with a greater level of involvement in community affairs by associations of citizens. Examples were given, such as the setting up of a 24-hour anti-corruption telephone line in the Budva municipality.
- In order to fight corruption, young people must also be alerted to this important issue at an early stage.
- Appropriate legislation on procurement contracts (such as that drafted with assistance from the Stability Pact Anti-Corruption Initiative (SPAI)) must be adapted to local authorities.
- Local authorities must be informed of, and be able to contribute to, the implementation of Council of Europe guidelines on fighting corruption (GRECO) and major international and European conventions (cf. the Council of Europe conventions adopted at the Summit of Heads of State on 17 May 2005).

- South-east European countries must be able to count on international support for the drafting and implementation of new laws in this field. The establishment of an independent Secretariat in Sarajevo represents the first step by countries in the region in a collective campaign against corruption.
- As well as putting in place legal arrangements consistent with European and international standards, it is important to set up institutions to fight crime and money laundering, engaging in co-operation with other countries. The campaign against corruption must cover the largest possible area and provide scope for international co-operation.
- New laws must incorporate the role that local authorities can play in this field (transparent management of public services, provision of information to citizens, etc.).
- Traffickers and criminals of all kinds (arms, drugs, trafficking in human beings, trafficking in organs) have been operating across borders for a long time. These various forms of trafficking generate huge quantities of money, representing a considerable loss of resources for south-east European countries. There is consequently a need for high-level training for police officers (teaching them to co-operate across borders), discussion and action at local and regional level, and better training for the media and young people.
- In this respect, local radio stations play a key role in keeping the various communities informed. Yet the number of such stations is falling. Regional radio and television stations play a significant role in developing training for journalists, enabling them to contribute to this campaign, to detect acts of corruption and to conduct proper investigations.
- *Inter alia*, our colleague, Mr Masters, stressed that local and regional media in border regions should co-operate more fully with one another in this area. He emphasised the importance of civic education for young people, who must become increasingly aware of their history and their environment. Education in the values, cultures and religions of others is consequently essential. He suggested that a transfrontier programme be developed on the history of the other and civic education. This would give the young people involved a better understanding of the issues surrounding trafficking and corruption, and put them in a position to identify and reject the latter.
- National authorities have an important role to play in combating cross-border crime. However, there is also a lack of co-operation between police forces and insufficient expertise on the part of local authorities. The head of the East-West Institute stressed that the shortcomings of municipal and border police are primarily the result of a lack of co-operation. Positive examples do exist, however, such as the cross-border council in the south-east Adriatic, bringing together representatives of the authorities of each country.

5. Access to European funds for local and regional authorities in south-eastern Europe

a. Loans offered by the Council of Europe Development Bank

This issue had already been discussed widely at the Novi Sad forum. It was included once again out of a desire to continue the positive co-operation between the Congress and the Bank. With 4.3 billion Euros of own resources, the Council of Europe Bank's main purpose is to provide aid to refugees and in the event of natural disasters. In the Balkans, it is difficult to offer long-term loans (15 years maximum). In some cases, the term may be extended to 20 years, or even beyond. Funding can normally represent up to 50% of a project's cost, but central government guarantees are necessary in order to enable local authorities to secure loans.

The Bank has two main areas of action in the Balkans: social cohesion (aid for refugees, migrants and displaced persons) and the development of human capital (education and public health). Individual projects are the most common in the Balkans. Sectoral projects are reserved for natural and ecological disasters, and multi-project programmes (for banks) must be guaranteed by governments. It was pointed out that, in the case of local authorities, requests must be made by the Ministry of Finance on their behalf, and that funds are transferred by means of internal procedures. The Council of Europe Bank intends to focus on social housing and local infrastructure (social cohesion, health and education objectives). The Council of Europe Bank cannot really intervene unless national legislation is conducive to the development of investments by local authorities.

b. European Union programmes

These programmes were presented by a representative of the European Agency for Reconstruction in Montenegro, who explained that European aid to the Balkans consists of assistance for reconstruction, development and stabilisation. Administration is co-ordinated from Thessaloniki. The agency works closely with the governments concerned and municipalities. About 2.3 billion Euros have been spent since 2000. *Inter alia*, these funds have been invested in infrastructure, roads and sewage treatment plants, and, in 2004, schools and public services. In the future, it is envisaged that such investments will be directed towards international financial institutions, with the agency playing a role in the areas of consultancy, technical assistance and project monitoring. In Montenegro, European Union funds have helped to step up investments in municipal services and infrastructure. Success will depend on local authorities' ability to create a healthy environment for citizens. The purpose of the agency is to help local authorities equip themselves with sustainable management tools, and to develop more effective public services.

6. Partnerships with local authorities in south-eastern Europe

This has been the common theme of all the previous forums. In Budva, the aim was to consider the extent to which partnerships between cities have developed. Chaired by our colleague, Mr Martini, President of the Association of Local Democracy Agencies (ALDA), this session afforded an opportunity to assess the development of such partnerships, which take the form of exchanges of information, advice to project commissioners and in-service training for technical and administrative staff and elected representatives.

In the future, such co-operation between cities could focus on the modernisation of local government finances and the development of exchanges between associations of elected representatives across Europe and even globally. The strengthening of decentralised co-operation links (taking the form of agreements freely concluded by local authorities themselves, in areas within their competence) may serve as a powerful catalyst for the stabilisation of areas having experienced conflicts. It was stressed that the development of partnerships is a long-term project requiring a great deal of consultation and exchange between officials, in a spirit of mutual respect. It is not just a question of dialogue between donors and beneficiaries, but a long-term effort making it possible to take advantage of one another's achievements, experience and expertise.

a. Project for an Adriatic Euroregion

This project was presented in detail during the forum, together with the draft partnership agreement to be signed in Termoli (Molise, Italy) on 8 and 9 November 2004. This project could serve as a model for other Euroregions in Europe, as the aim is to put in place an easily manageable structure designed to address common problems through close co-operation in the fields of tourism, culture, fishing, infrastructure and transport. The Vice-President of the Molise region concluded his contribution as follows: "The Adriatic must be a sea that brings us together, rather than one that divides us".

b. Network of Local Democracy Agencies

As at every forum, the Association of Local Democracy Agencies was able to outline the latest developments with regard to the LDAs. The Deputy Mayor of Kragujevac, and Vice-President of the ALDA, whose city now has 40,000 people out of work, reaffirmed that democracy will not be able to take hold in a lasting way without economic development and vice versa. As far as partnerships are concerned, he noted that these have not developed as planned, because economic reforms have not followed and local authorities do not have adequate powers or resources. The LDAs are an important instrument available to local authorities, particularly for setting up partnerships at local level, but also for fostering socio-economic development and upholding human and minority rights. By pooling experience with an Italian partner city, the Kragujevac municipality has been able to help with the establishment of small businesses in central Serbia.

c. SEDECO (Service for Decentralised Co-operation in Europe) Project and development of partnerships

The SEDECO project was presented at the Budva forum following a study on the needs and expertise of local authorities in the field of decentralised co-operation (in Vaud and Geneva cantons in Switzerland, Annecy in France and in Bulgaria), among a sample of municipalities, associations and NGOs. One of the objectives of this project was to set up a database putting offers of, and requests for, partnerships with foreign municipalities on line, as well as to ascertain their needs in terms of establishing international partnerships. It emerges from this study that the main obstacles faced by municipalities tend to be a lack of human resources and fear of the costs entailed, along with the geographical distance between the partner municipalities. In addition, many municipalities do not have specific departments responsible for international affairs, and this constitutes a serious impediment. If the language difficulties encountered are also taken into account, the major obstacles to the development of decentralised co-operation are obvious.

Moreover, although many south-east European municipalities wish to develop partnerships with municipalities in western Europe, the number of partnerships offered by west European municipalities is much lower. Most co-operation initiated with foreign cities is the product of the personal investment of one or more particularly motivated local elected representatives. Should they change jobs, the partnership is liable to be scaled back. One of the difficulties is consequently to reconcile the lack of enthusiasm among west European municipalities for establishing partnerships with the lack of expertise and financial resources among those south-east European municipalities wishing to take advantage of such decentralised co-operation with a view to local development.

A number of partnership and twinning projects with south-east European cities have been presented during the various Forums of Cities and Regions of South-East Europe. Some of these have proven to be successful. In Budva, for instance, the Mayor of Targoviste (Romania) outlined a worthwhile project by local authorities in Romania, Bulgaria and Turkey, aimed at setting up a training and retraining centre for unemployed young people. This project was made possible by the cities' geographical proximity and existing twinings between the municipalities in question.

However, other long-standing partnerships revived shortly after the conflicts are now less active, or have even been put on the back burner. The question even arises as to whether such partnerships can continue when the political majorities in the partner cities change.

The SEDECO project is currently on the back burner, in that the project partners have withdrawn their involvement.

Nevertheless, the Congress continues to believe that pooling experience and establishing personal contacts with elected representatives in south-eastern Europe is still a good way to demonstrate European citizens' interest in stability and the development of local democracy in this part of Europe.

d. NALAS Network

During the Budva forum, the Rapporteur was able to pass on the latest information regarding the development of the Network of Associations of Local Authorities of South-East Europe, set up following the first forum in Skopje in November 2000. This network has allowed considerable pooling of experience by the heads of associations of local authorities in south-eastern Europe, as well as the organisation of new joint projects, with financial support from a number of donors and the Stability Pact.

The background to the NALAS network, its main activities and the problems it faces are discussed in a separate report presented during the 12th plenary session (CG (12)12 Part II).

7. General conclusions of the forum

The general conclusions gave rise to the adoption of the Budva Declaration. In particular, the speakers emphasised the following points:

- the need for active participation by citizens in municipal life in south-eastern Europe. It is essential that local authorities fight corruption in order to regain citizens' trust and foster the overall development of society;
- the forum demonstrated that south-east European elected representatives from different backgrounds could sit around the same table to exchange opinions, but that it is now time to enter a phase of more active co-operation. The aim is therefore to move from words to actions, particularly in respect of issues relating to corruption, management of local finances and the free movement of people and goods;
- a number of speakers emphasised the impatience among political leaders and citizens in this region regarding accession to the European Union in the near future. In this connection, Mr Haegi pointed out that, pending accession to the Union, close co-operation can be developed with a view to living alongside Europe even without being a member of it. Given that legislative harmonisation is already under way, it is also a question of changing the political and economic behaviour of local and regional elected representatives in anticipation of this prospect;
- the idea of creating an "Adriatic Euroregion" may provide a means of overcoming differences and conflicts through practical projects and help to bring the countries in question into line with the European institutions;
- in the economic sphere, considerable training is needed for leaders, and transfrontier agreements must be concluded, particularly in the energy field;
- with regard to tourism, south-eastern Europe has undoubted potential. However, it is important not to make the same mistakes as other regions, particularly through excessive densification. Nature must be a central focus of tourism;
- co-operation between the Congress and the Committee of the Regions of the European Union and the organisation of a joint conference aimed at informing local and regional representatives in the Union about the situation with regard to local democracy in south-eastern Europe is a positive sign with a view to building bridges between the European Union and other Council of Europe states;
- the Mayor of Budva strongly supported the proposal to set up a network of training centres for tourism managers (taken up in the Final Declaration);
- international co-operation is absolutely essential in order to enable local and regional authorities to fight corruption;
- European and international financial institutions have an important role to play in economic development in south-eastern Europe, at local and regional level;

- economic success cannot come solely from outside or from the authorities, but rather from active participation by south-east European citizens, who must become more involved in local and regional democracy.

C. Final observations

This summary of the main contributions to the Budva forum shows that such conferences can address a very broad range of topical themes relevant to local and regional authorities. With experience of five forums, the Ad hoc Working Group of Local and Regional Representatives of South-East Europe now has the weighty task of drawing lessons from these events and, above all, preparing for the 6th forum, scheduled to be held in Sinaia (Romania) in November 2005 at the invitation of the Romanian authorities.

The Rapporteur considers that, in future, it would be best to select a limited number of priority themes, presented by a small number of speakers, in agreement with the Romanian authorities, in order to set aside more time for discussion and questions from participants.

Lastly, given that one of the tangible results of the previous forums was the setting up of the NALAS network, representing associations of local authorities in the region, it would be a good idea to involve this network directly in the organisation and preparation of the next forum.

The recommendations made by the 3rd Summit of Heads of State of the Council of Europe (Warsaw, 16-17 May 2005) and the guidelines set by the Stability Pact for South-Eastern Europe at its recent meetings must also be taken into account.

APPENDIX 1

5th FORUM OF CITIES AND REGIONS OF SOUTH-EAST EUROPE 11th Economic Forum

Budva, Serbia and Montenegro, 11 – 12 OCTOBER 2004
Venue: Grand Hotel Avala – Mediteranska 1 – Budva

PROGRAMME

Monday 11 October 2004

- 09.00** **Welcoming address by Rade JOVANOVIĆ**, Mayor of Budva, Vice President of the Union of Municipalities of Montenegro, Serbia and Montenegro
- Opening ceremony**
Message from Terry DAVIS, Secretary General of the Council of Europe, read by **Ulrich Bohner**, Chief Executive of the Congress
Branimir GVOZDENOVIC, Deputy Prime Minister of the Republic of Montenegro
Michael C. MOZUR, Deputy Special Co-Ordinator of the Stability Pact for South Eastern Europe
Shpëtim ÇAUSHI, Ambassador, Permanent Representative of Albania to the Council of Europe, Rapporteur on Local and Regional co-operation (RAP-LARC) of the Committee of Ministers of the Council of Europe
- Statements by:**
Giovanni DI STASI, President of the Congress of Local and Regional Authorities of the Council of Europe
Ambassador Maurizio MASSARI, Head of the OSCE Mission to Serbia and Montenegro
- Communication by:**
Nada SEVO, Mayor of Prijedor, Host City of the 4th Forum of Cities and Regions of South-East Europe
- 11.00** **Socio-economic and political situation at local and regional level in South-East Europe**
- Chair:**
Claude HAEGI, President of the Foundation for the Economy and Sustainable Development of the Regions of Europe (FEDRE)
- Kristof BENDER**, Senior Analyst, European Stability Initiative
Gordana COMIC, Member of the Congress, Member of the Assembly of Vojvodine, Serbia and Montenegro
Dragan BIŠENIĆ, Journalist, Serbia and Montenegro
Alain DERIAZ, FEDRE
General Discussion
- 14.30** **Challenges for local and regional authorities of South-East Europe in the field of socio-economic development**
- Chair and introduction by:**
Michael C. MOZUR, Deputy Special Co-ordinator of the Stability Pact for South Eastern Europe

Miljenko DORIC, Member of the Committee on the Environment, Agriculture and Local and Regional Affairs of the Parliamentary Assembly of the Council of Europe
Ludmila SFIRLOAGA, Vice President of the Congress, Romania

1. Public services provided by local/regional authorities (water, energy, infrastructures, etc.) – consequences of privatisation

Alain CHENARD, Former President of the Congress, Former President of the Nantes Urban Community Public Transport Company, France

2. Access to funding of houses for refugees and internal displaced persons as well as for social purposes

Dario CARMINATI, United Nations High Commissioner for Refugees (UNHCR) Representative in Bosnia and Herzegovina

Jela BACOVIC, Deputy Minister for Foreign Economic Relations of Serbia and Montenegro, Co-chair of the sub-Table of the Working Table II on Social Cohesion of the Stability Pact for South Eastern Europe

Kilian KLEINSCHMIDT, Head of MARRI "Migration, Asylum, Refugees Regional Initiative" Liaison Office Brussels, Stability Pact for South Eastern Europe

16.30

Chair: Giovanni DI STASI, President of the Congress

Fiscal decentralisation and municipal property as a means to achieving adequate resources by local and regional authorities

Jean-Claude FRECON, Vice President of the Congress

Tourism as means of relaunching local and regional economies

Tarzan MILOSEVIC, Mayor of Bijelo Polje, President of the Union of Municipalities of Montenegro Governing Board

Ivan KRAPOVIC, Director of Tourist organizations of Budva, Montenegro

Branko- Diki KAZANEGRA, Director of Tourist Agency "Adriatic express" from Budva, Montenegro

Dijana CELIK, Manager of hotel "Splendid", Hotel-tourist enterprise "Montenegrostars", Cecici, Budva, Montenegro

Kerim MEDJEDOVIC, Delegate of the Local Democracy Agency of Niksic, Montenegro

Tuesday 12 October 2004

9.00

Role of local/regional authorities in the fight against corruption and various traffics (money laundering, trafficking of human beings, etc.) in particular within a transborder framework

Chair:

Keith WHITMORE, President of the Congress Sustainable Development Committee, United Kingdom

Veselin MARKOVIC, Deputy Mayor of Budva, Serbia and Montenegro

Veselin SUKOVIC, Executive Secretary of Regional Secretariat Liaison Office of SPAI (Stability Pact Anti-Corruption Initiative)

Pedrag MITROVIC, Director of the Administration for the Prevention of Money Laundering, Montenegro

Anka VOJVODIC, Mayor of Bar, Member of the Union of Municipalities of Montenegro Governing Board

Owen MASTERS, Head of the Council of Europe Office in Kosovo: Statement on civic education and media training as a means of prevention

Sasha HAVLICEK, Senior Director, Regional and Transfrontier Cooperation programme, East-West Institute: Crossborder trafficking in the Dubrovnik / Herceg-Novi / Kotor / Trebinje region

Debate

11.00 **The access of local and regional authorities of South East Europe to European funds and their management**

Chair:

Alain CHENARD, Former President of the Congress, France

Financing mechanisms of the Council of Europe Development Bank

Christian TABACARU, *Senior Loan Officer* within the Directorate General for Loans

Financing programmes of the European Union

Neil BOLLAND, European Agency for Reconstruction (EAR) Operational Centre in Podgorica, Serbia and Montenegro

Debate

14.00 **Current trends of partnerships with South-East local/regional authorities and their impact on the socio-economic development**

Chair:

Gianfranco MARTINI, President of the Association of Local Democracy Agencies, Member of the Congress

Pierre POUGNAUD, Technical Adviser, National Committee on Decentralised Co-operation (CNCD), Ministry for Foreign Affairs, France

Antonio CHIEFFO, Vice President of the Region Molise, Italy, Euro Adriatica Initiatives

Dobrica MILOVANOVIC, Vice President of the Association of Local Democracy Agencies, Deputy Mayor of Kragujevac (Serbia)

Sandrine BOUILLE, Research and Information Officer of the SEDECO Joint Project Congress/Syni Lausanne/UNOPS – Service for European Decentralised Cooperation

Goran ANGELOV, Acting President of the Network of Associations of Local Authorities of South-East Europe (NALAS), Chairman of ZELS (Association of Units of Self-Government of "The Former Yugoslav Republic of Macedonia")

Debate

17.00 **General conclusions of the Forum and adoption of the Final declaration**

Chair:

Giovanni DI STASI, President of the Congress

Relja JOVANCEVIC, President of the Union of Municipalities of Montenegro, Mayor of Berane

Kilian KLEINSCHMIDT, Head of MARRI "Migracion, Asylum, Refugees Regional Initiative" Liaison Office Brussels, Stability Pact for South Eastern Europe

Presentation of the draft Final declaration

Closing session of the Forum:

Claude HAEGI, President of the Foundation for the Economy and Sustainable Development of the Regions of Europe (FEDRE)

Ulrich BOHNER, Chief Executive of the Congress

Rade JOVANOVIC, Mayor of Budva, Vice President of the Union of Municipalities of Montenegro

APPENDIX 2

<p style="text-align: center;">5th Forum of Cities and Regions of South-East Europe 11th Economic Forum BUDVA, Serbia and Montenegro, 11 and 12 October 2004</p>

BUDVA DECLARATION

Adopted unanimously on 12 October 2004

The participants at the 5th Forum of Cities and Regions of South-East Europe (11th Economic Forum) meeting in Budva on 11 and 12 October 2004 at the invitation of the City of Budva and at the initiative of the Congress of Local and Regional Authorities of the Council of Europe as part of the Stability Pact for South-East Europe, and in co-operation with the Foundation for the Economy and Sustainable Development of the Regions of Europe (FEDRE);

1. Extend their thanks to the Municipality of Budva for its warm welcome and the Union of Municipalities of Montenegro for its support for the Forum;

2. At political level:

2.1. Denounce the violence in South-East Europe, particularly in Spring 2004, and reaffirm that full respect for minority rights is an indispensable factor for civic peace and stability, and an essential condition for economic development;

2.2. Concerning Kosovo:

- hope that the framework document for the reform of local government and public administration in which the Council of Europe participated will facilitate acceptable political development for all the communities in the spirit of the European Convention on Human Rights and the European Charter of Local Self-Government;
- encourage the Pristina and Belgrade authorities to continue their dialogue aimed at improving living conditions and freedom of movement for all the communities;
- encourage all the communities:
 - . to contribute to the development of democracy and human rights;
 - . to participate fully in the upcoming elections to the Kosovo Assembly;
- request the political parties to fully respect and adhere to the electoral legislation and regulations;

2.3. Reaffirm the essential role that local and regional authorities must play in promoting political stability and economic development in South-East Europe with a view to European integration;

2.4. Underline the importance to develop the transfrontier cooperation between local and regional authorities in South-East Europe and in this context invite the governments of the

region to sign and ratify the Outline Convention of the Council of Europe on Transfrontier Cooperation;

2.5. Back the European Union's efforts to enhance the role played by local and regional authorities in the process of consolidating democracy in the West Balkan region, and invite the European Commission to associate the Council of Europe, particularly the Congress, in the implementation of the CARDS programme and the New Neighbourhood Policy;

2.6. Support the work of the Committee of the Regions of the European Union in this field and welcome the initiative for a Conference on local and regional authorities in South-East Europe to be organised jointly by the Congress and the Committee of the Regions in the Venice Region in Spring 2005, as a follow-up to the 5th Forum held in Budva;

2.7. Welcome the recent officialisation of the Network of Associations of Local Authorities of South-East Europe (NALAS Network), and notably the signature of its legal statutes during the 11th Plenary Session of the Congress in May 2004, and the forthcoming election of the Network's President;

2.8. Recall that the NALAS Network is a concrete result of the previous Forums of Cities and Regions of South-East Europe held since 2000 and a major tool for cooperation between the local authorities of South-East Europe;

2.9. Welcome the proposal that the NALAS Network and the Association of Local Democracy Agencies (ALDA) be invited to the South-Eastern Regional Ministerial Conference on "Effective Democratic Governance at Local and Regional Level" (Zagreb, 25-26 October 2004, organised under the auspices of the Stability Pact for South-Eastern Europe and the Council of Europe);

2.10. Hope that this Zagreb Ministerial Conference will lead to concrete results, especially legislative improvements, closer dialogue between central and local government, stronger leadership and strategic management in local and regional authorities, greater citizen participation and better local public services;

3. Regarding the socio-economic situation at local and regional level in South-East Europe:

3.1. Are convinced that improving economic conditions at local and regional level is a key factor for the development of democratic institutions in South-East Europe;

3.2. Give their full support to the idea developed in the United Nations (UN) of securing "basic utilities" for the local population, namely access to water, energy, housing, health, education, etc. , and encourage the initiatives taken by FEDRE and UNITAR in this framework;

3.3. Underline the role that sustainable tourism can play in the improvement of socio-economic conditions. They stress the importance to prolong the touristic season, particularly by targeting retired people from Northern Europe, ensure good training of touristic managers, and to improve many tourist facilities and infrastructures;

3.4. Improve the use of European Union funds and all other financial resources by taking account at all level of the principles of sustainable development with a view of allowing candidate countries to join European Union in the best possible conditions;

3.5. Ensure that central and regional/cantonal authorities should grant powers and sufficient financial resources to local authorities, in the spirit of the European Charter of Local Self-Government so that they are able to carry out consistent policies and priorities;

3.6. Request the governments of South-East Europe to give local authorities power to administer public property in their respective municipalities, including properties which may be subject to privatisation and support the actions and contacts of FEDRE Foundation with private companies in this respect;

3.7. Ask for the development of public and private partnerships at local and regional level, particularly through public enterprise, namely for the quick realisation of highly needed infrastructure;

4. Regarding anti-corruption measures:

4.1. Recognise that unstable economic conditions, increase unemployment, uncontrolled privatisation and linking of private and public interests favour corruption and also that corruption is preventing investment, and therefore socio-economic development;

4.2. Consider that:

- It is necessary to ensure that local and regional authorities are fully supporting and participating partners in the process of drafting the National Strategies on Anti-Corruption, and notably their Action Plans containing specific anti-corruption measures;
- Training of staff and elected representatives is a major tool for prevention of corruption and invite the Congress and the European Network of Training Organisation for Local and Regional Representatives (ENTO Network) to develop specific training activities based on the “European Code of Conduct for Local and Regional Elected Representatives” adopted by the Congress in 1999;
- Each local and regional authority should take specific measures to prevent of corruption, control and report corruption, and increase public awareness of the fight against corruption, while emphasising that corruption should be combated not just at national, but also at local and regional level, due to the specificities and nature of cities and regions;
- The establishment and enhancement of the Public Information Offices working to increase public awareness and perception of anti-corruption measures should not be run only by the central authorities but should also involve local and regional authorities closely;
- A programme of civic education to raise awareness in young people of the fight against corruption;

4.3. In this respect, propose that specific liaison committees involving representatives of all levels of authority (local, regional, national) be established with strong involvement of all National Associations of local and regional authorities in South-East Europe;

4.4. Support full use of Council of Europe instruments to prevent corruption (conventions, implementation by the member States of European norms, training and technical assistance);

5. Regarding the situation of refugees and internally displaced persons:

5.1. Call on all the governments concerned and the international community, in view of the problems faced by municipalities, to give them easier access to funding for the provision of adequate housing for refugees and internal displaced persons;

5.2. Welcome the transfer of the Migration, Asylum and Refugees Regional Initiative MARRI created in the framework of the Stability Pact for South Eastern Europe to regional ownership;

5.3. Call on Governments and local authorities to ensure unimpeded and non-discriminatory Access to Rights to refugees, returnees and displaced populations and particularly to employment, education and municipal services in line with international standards and acquis;

5.4. Call on governments to fulfill their commitment to resolve the issue of informal settlements as expressed in the Vienna Declaration on National and Regional Programmes regarding Informal Settlements in SEE, signed by Ministers from the Region on 28 September 2004;

5.5. Call on all the governments of SEE, with the support of the international community and the commercial and international finance institutions, to provide easier access to housing finance and cooperate in the development of national and regional guarantee funds;

5.6 Encourage municipalities in SEE to develop housing associations and cooperatives and explore public-private partnership options in order to develop a sound and balanced housing market accessible for all sections of society, including affordable and social rental housing based on existing best practice from post war reconstruction in Europe;

5.7. Request international organizations to associate the Congress and especially UN-HABITAT for sustainable Housing solutions and socio-economic integration of Refugees and United Nations High Commissioner for Refugees (UNHCR), with its activities on return and integration of refugees and internally displaced persons at local and regional level and; in this connexion, take account of the Congress report on “Migration flows in South-East Europe: the role of local and regional representatives” adopted at the 11th Plenary Session of the Congress in May 2004;

6. Regarding the Association of Local Democracy Agencies (ALDA):

6.1. Welcome the forthcoming opening of a new LDA in Mostar and the extension of the ALDA's activities to the South Caucasus, with the project for an LDA in Georgia;

6.2. In order to support the increasing number of activities of the Association in the fields of local democracy, transborder co-operation, inter-cultural dialogue and local economic development, invite Donors to continue and upgrade their financial and technical contributions;

7. Regarding the development of partnerships/exchanges with local and regional authorities in South-East Europe (decentralised co-operation):

7.1. Invite the Congress to continue and intensify its activities aimed at fostering the establishment of concrete co-operation projects between local and regional authorities, and more especially the Forums of Cities and Regions of South-East Europe (Economic Forums), the Local Democracy Agencies, the SEDECO Project (Service for Decentralised Co-operation in Europe) and the NALAS Network;

7.2. And, in this connexion to facilitate more especially exchanges of information on existing partnerships, partnerships sought and offered, European Union's specific funding programmes and activities for the promotion of partnerships;

8. Concerning access by local and regional authorities of South-East Europe to European funds:

8.1 Invite the Council of Europe's Development Bank to give local and regional authorities in South-East Europe easier access to loans for socio-economic development and particularly the building of housing for refugees;

8.2 Ask the European Union and its specific agencies, the World Bank and other funding institutions, to contribute to the improvement of infrastructure at local and regional level, especially in the fields of sustainable transport, environment, energy and water management;

9. Concerning co-operation in the Adriatic Region:

9.1 Welcome the joint Council of Europe' Congress/Parliamentary Assembly initiative to promote co-operation between local/regional authorities around the Adriatic and the Ionian Sea (including Greece),

9.2 Trust that the Conference on "Transfrontier Co-operation and sustainable development of the Regions of the Adriatic Basin" (Termoli, Molise Region, Italy, 8th - 9th November 2004) will lead to the creation of a Euroregion, organised in a Council of the Adriatic and five specific committees. The major fields of co-operation will be: environment, tourism and culture, fisheries, agriculture, transport and infrastructure.

9.3 Consider that this initiative will provide a framework for efficient management of common resources, ensure the best conditions for sustainable development and prepare integration of these countries within the European Union;

9.4. Support the project of a Network of high schools and universities dealing with tourism and the hotel industry in the Adriatic Region which could be developed by the FEDRE Foundation particularly concerning evaluation, contacts and fund raising.