

Report: 2010 China International Friendship Cities Conference



NALAS Delegation: Vladimir Moskov, President; Emil Draghici, ACOR President; Kelmend Zajazi, ED; Dusica Perisic, ZELS ED

Conference:

The 2010 China International Friendship Cities Conference took place in Shanghai on 8-10 September, bringing together over 800 representatives from 49 countries, including Jimmy Carter, the Former U.S. President and Alain Juppe, Mayor of Bordeaux and former Prime Minister of France.

The main theme of the conference was "Friendship Cities Lead to a Better Life", while the discussion topics ranged from the financial crisis, environmental protection, creating a low-carbon economy, city branding, etc.

NALAS President, Mr Vladimir Moskov addressed the audience on the first session titled "How do provinces and cities tackle the impact of global financial crisis?". His speech was accompanied by a video clip (NALAS - Success story from SEE) presented in the big screen. (see below the speech).

Background:

The conference was co-organized by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and the China International Friendship Cities Association (CIFCA). The Associations exist since 1973 and have so far established sister cities arrangements between 1724 pairs of cities connecting provinces and cities from China with cities from about 120 countries in the world. In the CIFCA publication, there are about 50 cities from the NALAS region who have so far established sister-friendship relations with Chinese cities.

Bilateral meeting / cooperation perspective:

A bilateral meeting between CPAFFC General Secretary and his deputy and the NALAS delegation took place on 10 September. CPAFFC is interested to extend cooperation with NALAS especially in creating opportunities for local governments in NALAS countries to establish twinning (sister city) arrangements with Chinese provinces and cities. Because of the difference in the size of local communities, CPAFFC looks at NALAS as a good platform for cooperation with this region instead of having bilateral cooperation with each country separately. The content of the twinning would be mainly focused on economic development and cultural exchange. CPAFFC target is to double their total number of twinning until 2020 (currently they have around 1700). Another area of interest is to exchange information on the delivery of social services, as the aging population is gradually becoming an issue in China. Also health, urban construction, energy and other services are of great interest. It was agreed that a simple exchange of available information would start soon. CPAFFC GS stated that they intend to support NALAS to have even more important role in Europe. CPAFFC proposed that a forum between China and Europe is established through NALAS. CPAFFC is interested to attend the Sarajevo nexpo 2011 and they will invite entrepreneurs from China to present their booths. CPAFFC also offered to present a photo exhibition of successful twinning during the Sarajevo fair. The next sister city conference will be held in two years in west China, and the target is that by then CPAFF and NALAS would promote the twinning.





The Speech of NALAS President, Mr Vladimir Moskov:

Your Excellencies,
Ladies and gentlemen,

With 70 million visitors of the Shanghai Expo and a theme so true and encouraging, one can assume the global financial crisis is way behind. Back at home, we see a different picture: many cities, provinces and local authorities, including some present at this Expo, are still struggling to overcome the times of hardship. What started as a housing market crisis turned into banking crisis before extending to global economic crisis and now arrived at the stage to be a public finance crisis. The cities and provinces are left to deal with the aftermath of these economic processes and quite often this is increasingly difficult because of the complicated matter of the crisis itself: it has multidimensional impact on all aspects of life, from local investments to social services, from sustainable development to day-to-day activities. The cities and provinces often face very difficult choice and compromise so they can continue delivering quality services to the citizens. The necessity to reduce public spending is putting most pressure on the cities and provinces because the central governments often decide to cut grants and transfers to local governments, thus preventing higher national budget deficits. Despite the difficult times we all experience, there still are good examples of creativity, excellence and determination in dealing with the effects of the Global Financial Crisis. As it turns out for South East Europe, this is precisely the time to think for better cities and plan and act for the future. Big changes usually happen during crisis, when there is unity against a common concern and when there is no other choice but to be brave and bold for innovation. And this is where NALAS, the Network of Local Government Associations in South Eastern Europe becomes a valuable helping hand.

NALAS brings together most of South East Europe through 15 local government associations and 4 other organizations. It stands for around 4000 municipalities directly elected by 80 million citizens. The Network has roots at the Council of Europe, has observer status in the Committee of the Regions at the European Commission, and addresses very specific areas in the fields of energy efficiency, fiscal decentralization, solid waste and water management and urban planning, all very much relevant for our common cause which is to enhance local governance in the region.

As the financial crisis started emerging, NALAS organized a series of meetings to discuss possible approaches for avoiding, or at least reducing the negative effects. Municipalities all over South East Europe united through their associations in NALAS and addressed the central governments and international organizations with a single voice documented in a declaration known as the Dubrovnik Declaration. Just as importantly, as the financial crisis transformed into a public finances crisis, mayors tried brave approaches to achieve better and more beneficial terms for financing through carefully measured actions, often with great success. Recommendations for optimization and better use of resources were shared within NALAS. It was concluded, for example, that local governments should negotiate shares in taxes that are stable even in times of crisis, as is the case of property tax or income tax. Value added tax, for instance, proved to be volatile source of revenue. If cuts in the budget are unavoidable, it is advisable to negotiate indexed cuts, in order to avoid disproportional reductions. Swift from short term expenditure cuts (like freezing expenditures, dismissing staff) to structural adjustments, for example reducing costs through energy efficiency measures, cutting staff versus cutting salaries of best paid staff, outsourcing, creating associations of several municipalities to provide shared services, improve coordination between central and local government in providing services and reconsider social and welfare expenditures looking for less costly solutions.

I could give you some concrete examples of local governments finding ways to overcome the negative impacts of the Global Financial Crisis. Sofia is home to over 1.4 million inhabitants, is the capital of my country, and is high-growth, services-oriented economy, which produces 38% of Bulgaria's GDP. To mitigate the financial crisis, Sofia developed an action plan focusing on improving the activities of the Municipality, impacting on the local economy and promoting fiscal discipline and administrative capacity. Some of the measures, for example, helped to speed up and direct the investment programme of the Sofia Municipality and that of the Council for Management of the Municipal Guarantee Fund towards the infrastructural projects with the highest public significance.

Sofia's predictable political environment, sound fiscal policy, and stable governance have helped it earn a credit rating of BB+/Positive (Standard & Poor's 2009), one of the highest in the region. There has been a broad political consensus on the need to attract and support foreign investors, to which Sofia Municipality has been a reliable and efficient partner.

Somebody here might say, yeah, it is much easier for the big cities to deal with crisis because they have lots of sources of income, and therefore big budgets to spend. I must reassure you that smaller local government units can also tackle the impact of the Global Crisis through wise investments and careful planning. The Municipality of Samokov, Bulgaria, is a tiny LGU with less than 40 thousand inhabitants, is a good example how to keep the pace of development even in times of crisis. Just 7 years ago Samokov Municipality was one of the least developed, with municipal budget of 10 million levs (around 5 million Euros) of which 2 million levs debts and low percentage of own income. Since 2004, due to the effort of the local government, Samokov Municipality reached the most prosperous 5 municipalities in Bulgaria – with one of the highest budget means per capita, and a large scale capital investment program.

One of the most successful steps of the municipality was the recovery of the municipal lands and forests. Municipality has assets in several joint ventures that are expected to bring dividends in the future, it also deposited money with very good interest rate which also turned out to be beneficial in the light of the global crisis. Due to its wise investments Samokov municipality managed to keep its budget high while at the same time a lot of others induced debt. In a few words, the success story of the municipality is down to thorough analysis and use of local advantages, careful planning, and flexibility when negotiating with potential partners.

Even after some shy indications on recovery in the economy in some of the economies in the world, the financial burden is far from lifting off the local governments yet. In fiscal conditions like these it is essential to make most of the scarce resources the municipalities have, to utilize every cent, every opportunity to reduce municipal spending. In times like these every saving is a breath of fresh air and an achievement. There are still possibilities to make "lemonade out of the lemon", to make the financial burden more bearable. The financial crisis made us more aware of the opportunities to save on paying bills, especially those on energy, to explore possibilities for the municipalities to use the resources they have in more rational and effective way. A knowledge network like NALAS can play a tremendous role in exchanging advice and uniting the local governments to speak with one voice.

In conclusion, I would like to encourage you to look for and find good solutions for your particular case, and to reach out to the others and share your experience, good or bad.

I wish you all courage and prosperity. Thank you for your attention.