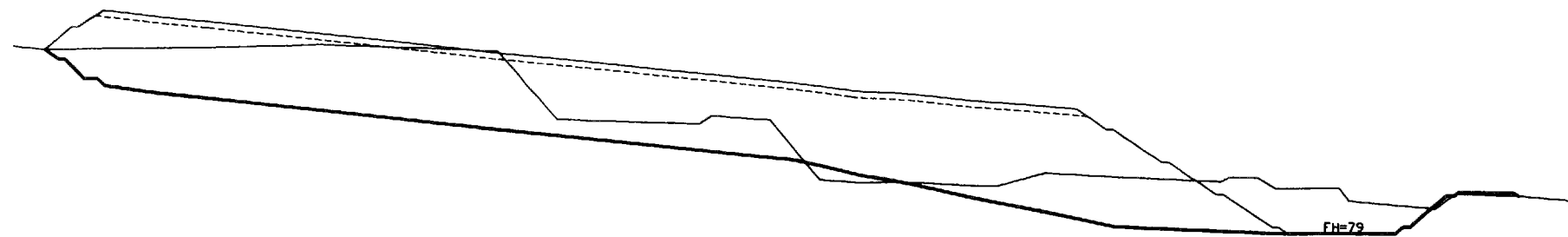
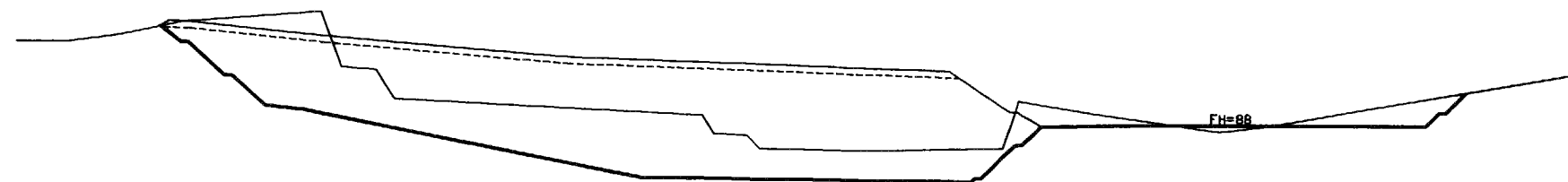


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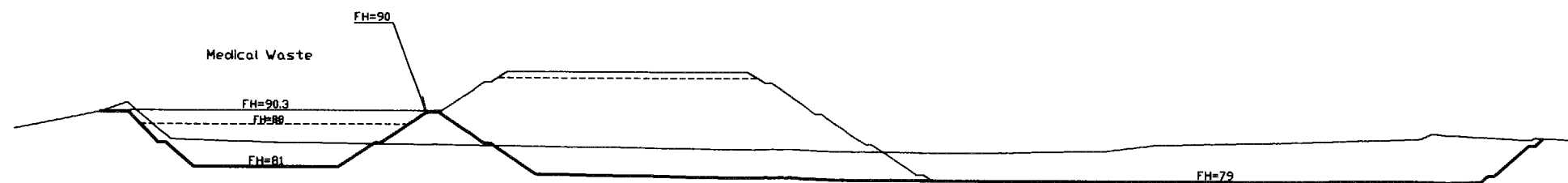
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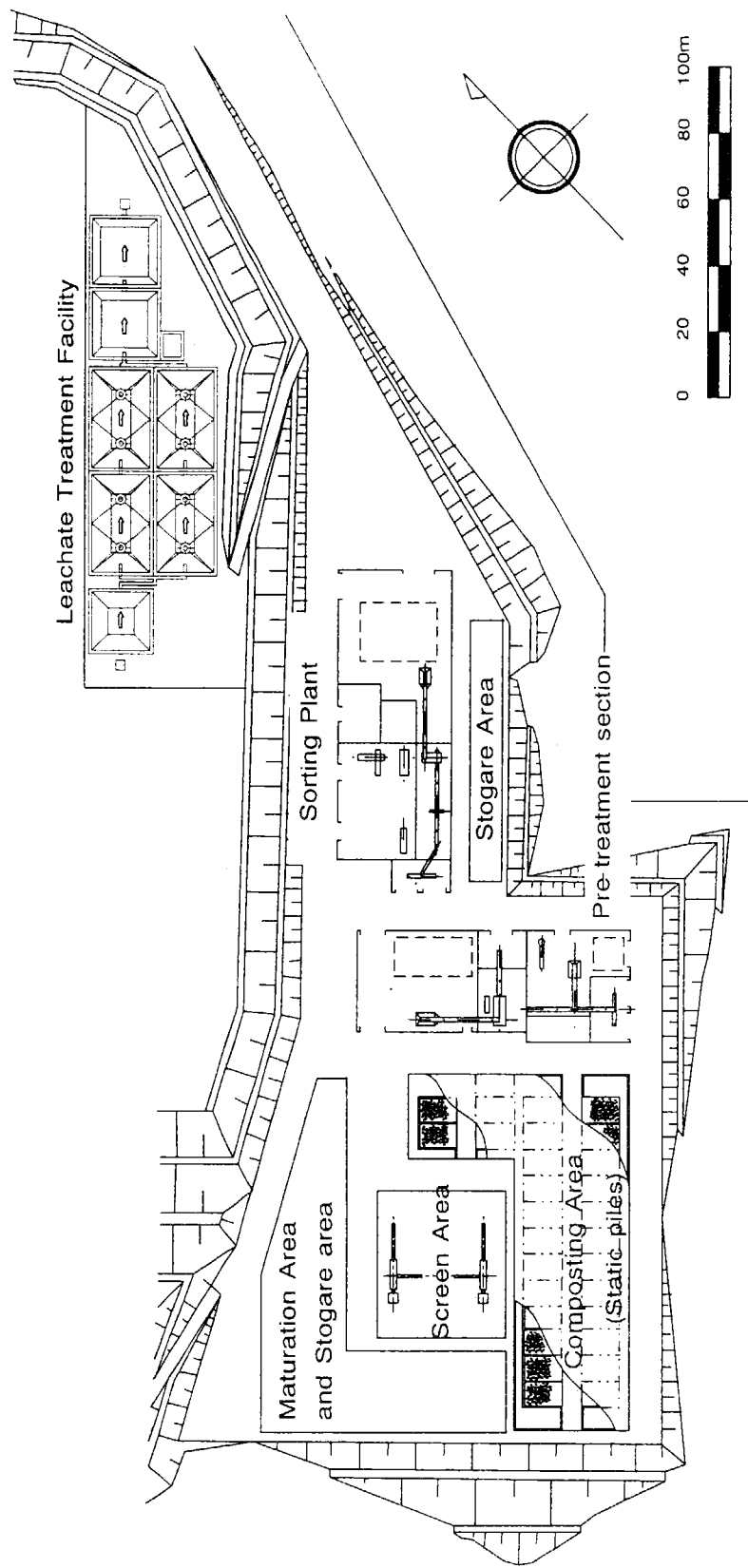
Landfill Site Cross Section

Drawing No.

C7

The Study on Regional Solid Waste Management  
for Adana-Mersin in the Republic of Turkey

Japan International Cooperation Agency (JICA)



**Title** Plan of Sorting and Compost Plants,  
Leachate Treatment Facility

**Drawing No.**

**C8**

The Study on Regional Solid Waste Management  
for Adana-Mersin in the Republic of Turkey

Japan International Cooperation Agency (JICA)

# Data 9

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*Guidelines with Proposal for Articles  
of Association for the Creation of  
Inter-municipal Co-operation*

# **Data 9      Guidelines with Proposal for Articles of Association for the Creation of Inter-municipal Co-operation**

## **1      Introduction**

Local authorities often lack the important tools of funding and know-how for the provision of adequate technological services within environmental protection. In Europe and Japan, local authorities have formed inter-municipal co-operations in order to create capable public units performing environmental services at high level, and this approach is deemed applicable in Turkey as well.

Today the majority of Danish and Japanese municipalities have entered into contracts concerning co-operation within the field of solid waste management.

The reasons for the Danish and Japanese municipalities to enter into Inter-Municipal Co-operations have been the increasing burdens that the society have laid on the municipal administrations. Increased demands to protect the environment and to improve management of resources have resulted in:

- High technology to be introduced within treatment of solid waste (incineration plants, composting plants, sanitary landfills, etc.).
- Differentiated collection systems (source separation and separate collection of waste, recycling centres, special containers for recyclable materials deployed in the cities, etc.).
- Increased requirements to the municipal administrations regarding public information.
- Increased requirements to the municipal administrations regarding development of know-how within solid waste management.

During the last 20-25 years a number of inter-municipal co-operations have been formed in Denmark and Japan with the aim of carrying out municipal obligations within solid waste management. The basis of forming of the Co-operations has often been a major investment due to required treatment/disposal facilities.

Inter-municipal Co-operation is not only applicable to solid waste management, but can be applied within most municipal services, e.g., waste water treatment, water supply, energy supply, etc.

The strategies and utilisation/disposal systems applied in the Co-operations in Denmark and Japan are very different, varying from an agreement on common operation of a sanitary landfill to co-operations with total, integrated collection, utilisation and disposal systems.

This guideline deals with Inter-Municipal Co-operation on solid waste management and describes and evaluates:

- Advantages of inter-municipal Co-operation
- The extent of feasible inter-municipal Co-operation

- Different Co-operation models
- Financing of inter-municipal Co-operations
- Administration of inter-municipal Co-operations
- Procedures for establishing inter-municipal Co-operations

A proposal for Articles of Association for an Inter-Municipal Company is included in Appendix 1. The proposal may be used as a starting point for local authority's considerations on inter-municipal Co-operation.

## **2 Objective**

The objective of these guidelines is to support municipal authorities in their decision-making on whether to establish inter-municipal co-operation or not.

## **3 Advantages of Inter-Municipal Co-operation**

In consequence of the Turkish Government's strengthening of environmental policies and standards, the municipalities will be imposed considerable demands to the municipal services, which necessitates comprehensive funding and know-how in relation to technical, financial and organisational development.

There are several reasons for the prevalence of inter-municipal co-operations:

- Better possibility of operating profitable waste systems/treatment plants/ultimate disposal sites due to large-scale operations.  
Better possibility to employ better and environmentally desirable technologies.
- Better possibility to make use of the most suitable sites for waste treatment plants and for landfills.
- Better possibility of obtaining and accumulating the necessary know-how and experience within Solid Waste Management.
- The responsibilities (including risks) for investments and operation are spread between several municipalities.
- Better possibility to influence the countries decision makers.

The actual benefits that can be obtained by a municipality depends on:

- The model for the Inter-Municipal Co-operation.  
As an Inter-Municipal Co-operation imply the creation of a company with shared ownership and jointly and severally responsibility, the model for the Co-operation is decisive for obtaining benefits like spreading of risk and financial burdens.
- The size and financial capability of the municipality.  
Obviously, smaller municipalities will obtain benefits by combining forces with other municipalities.

However, also bigger municipalities can obtain benefits by combining forces with neighbouring municipalities. Especially, if there is a shortage of suitable sites for waste treatment plants and final disposal sites.

Of course, the price of obtaining these benefits from a Co-operation is that the municipalities give up their right of self-determination in favour of democratic decision making in an Inter-Municipal Co-operation.

Precisely, the loss of right to self-determination and reduced influence on decisions may be decisive for a municipality, and may cause the municipality to opt out an Inter-Municipal Co-operation. However, it is inevitable that a Co-operation between parties leads to compromises in the decision making, and thereby a theoretic limitation of local influence.

## **4 The Extent of Co-operation**

Typically, inter-municipal Co-operations in Japan and Denmark have the main objective of undertaking recycling, treatment, and disposal of waste. Due to a desire for local arrangements and local employment of haulage contractors, the execution of waste collection is widely undertaken by each single municipality.

Principally, this division of responsibilities in Japan and Denmark is due to historical conditions. However, an inter-municipal Co-operation must be established in accordance with local conditions, and the responsibility of the Co-operation may therefore include all or selected waste systems/plants.

Relevant systems/plants may be:

- Collection of municipal waste from households
- Collection of municipal waste from commerce, institutions, industry, etc.
- Collection of special waste from households (recyclable materials, bulky waste, garden waste, etc.)
- Collection of special waste from commerce, institutions, industry (recyclable materials, hazardous waste, etc.)
- Operation and management of transfer stations.
- Operation and management of waste treatment plants (incineration, composting, recycling, etc.)
- Operation and management of sanitary landfills.

Prior to decision making on the extent of inter-municipal Co-operation, it is important to assess the interplay between systems/plants that are transferred to the inter-municipal Co-operation and systems/plants that remain the responsibility of the single municipality.

It may have high priority that the operation of systems/plants are carried out by private contractors. However this priority does not write off the possibility of obtaining benefits to municipalities in an Inter-Municipal Co-operation. A Co-operation between more municipalities may create better conditions for tendering:



- The works that are called for tender will be bigger and attract more and competent contractors.
- Municipalities in an Inter-Municipal Co-operation will make up a more powerful opponent when negotiating contracts and when carrying out supervision.

## **5 Initiation of Inter-Municipal Co-operation**

The idea of inter-municipal co-operation has to be born and feed.

The process of establishing an inter-municipal Co-operation may be as follows:

- Informal research amongst municipalities whether the idea is appropriate or not.
- Assessment of the model for Co-operation.
- Development of the idea, preparation of drafts regarding the basis for Co-operation
- Formally correct approach to potential municipalities
- Establishment of an inter-municipal working group with responsibility for the elaboration of required pre-investigations and proposal for basis of Co-operation.
- Introduction of proposal for Co-operation to the municipalities
- Decision by each municipality
- Operationalisation

It is important that the establishment of an inter-municipal Co-operation is not forced or takes place without the required basis and the required time for thorough considerations in each municipality. This is due to the long term consequences and the political character of the decision.

Thus, it is recommended that the model for co-operation should not be decided until all potential municipalities have had the opportunity to assess the possibilities.

Especially, the creation of an inter-municipal company may take long time, 2-3 years are not unusual.

The establishment of inter-municipal agreements on Co-operation may take 1 year or more depending on the character of the Co-operation.

## **6 Models for Inter-Municipal Co-operation**

The model for inter-municipal co-operation must adopt to local legislation and to the possibility of municipalities for entering into such co-operations.

In principal an inter-municipal co-operation within solid waste management may be formalised through:

- Agreements on inter-municipal co-operation, please refer to Section 5.1
- Inter-municipal companies, please refer to Section 5.2

The optimum model of co-operation depends on the extend of co-operation as discussed in Chapter 3.

## **6.1 Agreements on Inter-Municipal Co-operation**

The most simple model of Inter-Municipal Co-operation is the model that imply agreements between municipalities to co-operate within the construction and operation of normally rather simple waste handling systems and plants.

On the basis of agreements with other municipality, normally one municipality decides to finance construction and operation of the required waste handling systems/plants. Ownership and risk remain at the financing municipality, while systems and plants are used by other municipalities on agreed conditions.

It is required that agreements on Inter-Municipal must have a period of validity that corresponds to the period that is required for the depreciation of the system/plant. An agreement on collection of e.g., recyclable material may therefore have a period of validity that is shorter than the period of validity that is required for an agreement regarding supply of organic waste to a new composting plant.

Further, the possibility for a municipality to raise an agreement and the required penalty for doing so must adapt the size of the investment, the period of depreciation, and the risk of the financing municipality.

The advantage of agreements on inter-municipal co-operation is that they imply flexibility for the municipalities. Thus, a municipality may chose to construct and operate own systems/plants within certain waste service, while the municipality may enter into contracts within other waste services.

An agreement on Inter-Municipal Co-operation must include:

- Specifications of output from the system/plant
- Legal basis for the Contract
- Requirements to quantity and composition of waste to be supplied
- Payment
- Rules for sanctions, disputes, and dissolution

Specifications of output to be provided by the system/plant has to be described in way that it is clear what is sold and bought. However, the extent of detailing the specifications has to be adapted in a way that no unreasonable requirements to technology, solutions etc. may emerge, if it has no importance for the contractual relationship.

Requirements to quantity, composition, and delivery of waste can be the source for later contractual complications. Experience has shown that exactly these issues have caused many disputes, in particular in case composting plants or incineration plants are involved. Such plants are particular sensitive to

- The quantity of waste in order to secure capacity of the plant.
- The composition of waste (contents of organic materials, calorific value etc.) in order to secure income of the plant.
- The continuous delivery of waste in order to secure continuous operation of the plant.

It is tempting to prepare detailed specifications in the contract regarding requirements to the waste. However, such specifications cannot replace the necessity of preparing careful studies regarding the waste stream and its characteristics before the technology and system for waste treatment is selected. Also, such studies have to be carried out after the system/plant has been constructed in order to check the waste stream.

During contract negotiations it is a serious issue to consider exclusiveness, that has to be agreed within the following fields:

- The municipalities that want to make a contract with the municipality that owns the system/plant must agree to supply waste in accordance with the contract and not to start negotiating with competing waste systems/plants. The quantity and quality of waste agreed upon in the contracts must be delivered.
- The municipality that owns the system/plant must agree always to provide enough capacity of the system/plant to handle the waste agreed upon in the contracts with the municipalities.

In most cases, it will be suitable that the conditions for payment will be in accordance with the quantity of waste that is received, the number of collection points or similar. In such cases the guarantee for payment is closely related to contract negotiations regarding exclusiveness. The agreed quantity and quality of waste must be supplied and system/plant must have capacity to treat the agreed quantity and quality of waste. Thus, the income of the system/plant will be as expected.

Alternatively, it may be agreed that a fixed price that provides safety for the financing of the system/plant should be paid. Or, if fluctuations of the waste quantity is expected, a fixed minimum price may be agreed.

## **6.2 Inter-Municipal Company**

The formation of an Inter-Municipal Company is relevant when a number of municipalities have of wish to co-operate on integrated package solutions, and it is found inconvenient to base the co-operation on e.g., a number of agreements on inter-municipal co-operation

### **Model of an Inter-Municipal Company**

As environmental pollution may have a longer perspective than the lifetime of a private company it is generally agreed in Denmark and Japan that environmental management is a task to be performed under public control.

Thus, in Denmark and Japan private operation of waste systems is limited to activities where the environmental risks are small or at least well defined and sufficiently covered by performance guarantees etc. The activities are typically related to waste collection or other activities that are suitable for a competitive bidding and can easily be controlled by the municipality.

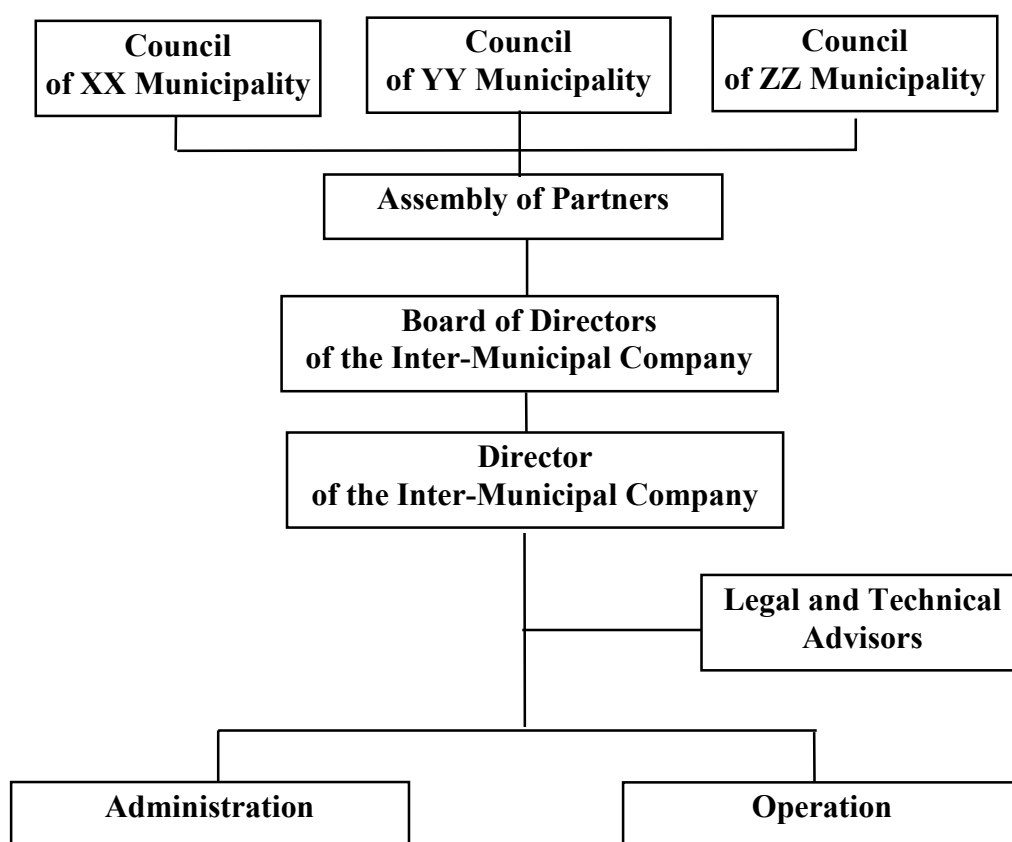
However, it is also recognised that a private company generally has better possibilities of operating independently of political changes.

As environmental protection is considered a non-profit business from a public point of view, the inter-municipal companies are formed as non-profit partnerships of municipalities under public control, however, with management and decision-making structures as those of a private company.

The prevailing organisation model for the Danish and Japanese inter-municipal companies is the partnership model combining the advantages of municipal responsibility and operation as a private company. In the partnership model the member municipalities are jointly and severally liable.

A typical organisation chard of a municipal company in Denmark and Japan is presented as follows.

#### **Organisation Chard of an Inter-Municipal Company**



The Assembly of Partners are appointed by the member municipalities and the representatives are normally politicians. The Assembly of Partners must include at least one representative from each municipality.

The and Board of Directors are selected by the Assembly of Partners.

The Director of the Inter-Municipal Company is full-time employed by the Board of Directors to take care of daily operations.

The Assembly of Partners is convened once a year and the Board of Directors once a month depending on the activity level of the Company. The Chairman of Board of

Directors and the Director of the Company are jointly responsible for the preparation of projects for decision-making in the Board of Directors.

Upon the approval of Board of Directors and Assembly of Partners annual accounts, annual report and budget for the next year are sent to the municipalities for information, only.

The Board of Directors is the most important organ in the organisation. The member municipalities have seats in accordance with the number of inhabitants, however, not directly proportional. Thus, smaller municipalities have a higher representation than bigger municipalities. Decisions are normally taken unanimously, which puts considerable demands on the preparation of proposals in order to meet the demands of all municipalities.

The advisors have the task of supporting the Director within legal and technical issues, e.g., when preparing and implementing new projects.

The Company may chose either to employ own administration or to let one of the member municipalities carry out the administration of the Company. The later case may be feasible for small companies that have little administrative work to be carried out, or as a provisional solution until the Company has established own administration. In case one of member the municipalities carries out the administration of the Company, the municipality is paid by the other municipalities, by way of example as a percentage of the turn over of the Company.

### **Decision Making of an Inter-Municipal Company**

The Assembly of Partners must include at least one representative from each municipality.

However, a proportional representation in accordance with number of inhabitants in the municipalities will not be a suitable basis for decision making in the Assembly of Partners. As an example, a proportional representation in accordance with number of inhabitants in the municipalities will imply unacceptable conditions in a company that includes a large city municipality and surrounding villages. On the reverse side, the principle of “one municipality/one member” of the Assembly of Partners will provide unacceptable conditions for a big municipality.

No hard-and-fast rules are available to determine:

- the composition of members from the different municipalities for the Assembly of Partners.
- the appropriate procedure for decision-making in the Assembly of Partners.

The composition of members for the Assembly of Partners and rules for voting procedures depend on the number of municipalities joining the Inter-Municipal Company, and has to be considered very carefully when preparing Articles of Association of the Inter-Municipal Company. Issues as follows must be considered:

- The sizes of the municipalities
- Considerations regarding the required competence of the Company to transact business.

- Considerations on the right of each municipality to be able to participate in decision making.

The raising of loans must be subject to approval by all municipalities. Therefore, this issue should not give rise to any greater discussion when establishing the Company.

The crucial point is related to localising sites for waste treatment plants and landfills.

### **Establishment of an Inter-Municipal Company**

Inter-municipal companies in Denmark and Japan have often been formed at a time when a major investment was required for the region, e.g., composting plant, sanitary landfill etc.

However, experience shows that it takes long time to establish an inter-municipal company. The reason is that an inter-municipal company must be able to make autonomic decisions, budgets, and administration. Especially due to this requirement, many municipalities object to the idea of an inter-municipal company when initiating the negotiations and many negotiations are required to bring about the basis for an agreement.

The establishment of an inter-municipal company is subject to an entrance fee from each municipality. The entrance fee of the municipalities are normally based on their number of population.

Concerning transfer of assets (e.g., land or equipment) to the inter-municipal company, there are several models for compensation to the municipalities. All are based on a valuation of assets, which can be very difficult when treatment and disposal facilities are involved:

- The inter-municipal company may raise a loan and pay out the municipalities in cash. The loan will then be repaid in instalments during the operation period of the company.
- The municipalities which do not possess assets contributes with cash to the inter-municipal company.
- Assets are transferred to the inter-municipal company and pawned as capital in the company. The company takes over debts and responsibilities, but there will not be any cash payment for assets.

In case of resignation from a municipality, the assets must be transferred back to the municipality in accordance with conditions defined in Articles of Association.

### **Articles of Associations of an Inter-Municipal Company**

The Articles of Associations form the legal basis for activities of the Company and interplay between the municipalities.

A draft proposal for Articles of Associations should be prepared at an early stage of negotiations. Thus, the municipalities may use these draft Articles of Associations for their evaluation of the model for co-operation, the actual conditions for member ship, and the municipalities may at an early stage present amendments.

Amendments of Articles of Associations should be expected throughout the period of negotiations and until the Contract is agreed.

When preparing Articles of Associations it may be required to obtain legal advice; but in most cases one or more municipalities have employed lawyers that can undertake the final co-ordination with prevailing laws.

A proposal for Articles of Associations of an Inter-Municipal Company is presented in Appendix 1. The proposal is based on Danish and Japanese Articles of Associations of Inter-Municipal Companies, and may be used as starting point for preparing the draft proposal for other Articles of Associations.

The proposal contains 15 articles under the following headings:

- General terms and conditions
- Management of the company
- Accounts, audit and authority to sign for the company
- Financing of the company etc.
- Amendment of Articles of Association and dissolution of the Company
- Disputes
- Commencement

The draft is based on the following main principles:

- The Company is responsible for establishment and operation of the waste management as well as for joint planning and administration.
- The municipalities are obliged to assign the management of the waste types defined in the Articles of Association to the company. The company is obliged and has the exclusive right to manage such waste.
- The municipalities have joint, several and unlimited liability for obligations incumbent on the company. Each municipality is liable for such obligations in proportion to the number inhabitants.
- The management of the company consist of the Board of Directors with representatives appointed by the district councils and a management appointed by the Board. It is recommended to establish a technical consulting committee consisting of representatives from all the municipalities for the purpose of assisting the management.
- A quorum is formed by a minimum of two third of the members of the Board. All resolutions require a majority by at least two third of the members present at the Board meeting. However, dissolution of the Company requires a majority by least three fourths of the Board members followed by approval by the district councils.
- Raising of loans and other incurring of debts require resolution by the district councils.
- The accounts and accounting policies of the company comply with those of the municipalities.

- The Company can claim damages for any loss caused by withdrawal of a municipality.
- Disputes which cannot be settled amicably will be settled by arbitration.

The following comments are made on the articles of the draft:

- The municipality should agree on the scope of work of the company in terms of waste types. The draft Articles of Association includes municipal solid waste, non-hazardous waste offices, trade and industry as well as construction and demolition waste. Contaminated soil and sludge are examples of types of waste which may be included if so agreed. Hazardous waste may also be a relevant of co-operation.
- The draft Articles of Association allow of establishment of special waste management schemes if so desired by one or more municipalities. In such cases, a special agreement about the scheme in question should be made and the municipalities participating in the scheme should bear all costs involved (article 3).
- In general, the number of inhabitants of each municipality as of 1. January will form the basis of contributions and liability (article 5 and 12).
- Withdrawal from the Company requires due notice and it should be considered to introduce a period of 5-10 years or more after the formation of the company during which withdrawal is not allowed (article 14).

### **Financing of an Inter-Municipal Company**

Due to increasing municipal burdens, many municipalities prefer to remove all tasks within collection, treatment, and disposal of waste from the municipal tasks. Thus, many Inter-Municipal Companies in Denmark and Japan have reached a financial status of being self-financing which leaves the best conditions for long-term planning of activities in the Company.

Self-financing may be secured as follows:

1. The member municipalities are required to contribute with a payment based on the number of households or inhabitants or the previous waste quantity that was delivered by the municipalities.
2. The member municipalities approve that the Inter-Municipal Company raises a loan. Depending on the financial capability of the Company, the municipalities must stand as guarantors for the loan. Depreciation of the loan will be included in fees and charges for waste services to be paid by the municipalities.
3. Fees from municipal waste services including treatment and disposal. These are based on the number of households or inhabitants and they are collected from the citizens by the member municipalities through the property tax.
4. Fees for handling waste from industries.
5. Income from sale of compost, energy and recyclable materials.

Further, it may be possible to obtain donations and grants from national funds.



During the first years of operating the Company or in case of a later major investment, it is required to secure capital from the municipalities (1+2). Without secure foundation of capital, the Company cannot establish adequate basis for the development of its activities.

However, payment in accordance with the principle called “Polluter Pays Principle” must be introduced in order to cut down the municipalities expenditures (1+2). Thus, it is a must that the Inter-Municipal Company receives payment through fees for waste services (3+4), and that the payment can cover at least costs for operating the system/plant.

Subject to the level of fees for waste services at the time of constructing the system/plant, it may be necessary gradual to introduce self-financing by first obtaining coverage of operational costs and at a later stage also coverage of capital costs.

Some Danish and Japanese inter-municipal companies have introduced differentiation of fees for waste services. Thus the fee for a waste service carried out for a member municipality may be different than the fee for the same waste service carried out for a private company or a municipality that is not member of the Inter-Municipal Company.

Of course, it is important to pay due attention to the possible income from sale of energy, compost, and recyclable materials (5). However, the lesson to be learned from Denmark and Japan is that most activities related to recycling, waste treatment and disposal are not in themselves profitable.

The Inter-Municipal Company cannot earn profit to the member municipalities, but a profit for reinvestment and consolidations is agreed in every budget.

Collection, treatment, and disposal of waste from private and municipalities that are not members of the Inter-Municipal Company may improve the financial circumstances of the Company.

## **7 Conclusion**

The establishment of inter-municipal waste management co-operation has several advantages, including sharing and minimising of financial burdens and risks and a better basis for accumulating know-how.

## **8 Recommendations**

The following general recommendations on establishing inter-municipal co-operations can be made:

- Inter-municipal waste management co-operation should be established in accordance with a carefully elaborated time schedule ensuring timely and necessary time for municipalities considerations and decisions-making. At the same time, the time schedule should not be expanded to avoid impeding interest.
- The decision-making basis should be developed and negotiations conducted by a working group having the required authority and competence. It is important that

all parties involved in the co-operation have confidence in the works and recommendations of the working group.

- For the purpose of determining the full range of consequences and aspects involved, the decision-making basis prepared by the working group should be of a detailed and objective nature. Draft Articles of Association should be presented at an early stage as the Articles define essential principles relating to influence, decision-making and liability which are of greatest interest during negotiations whether to enter inter-municipal co-operation or not.

## **APPENDIX 1:**

### **Proposal for Articles of Association for an Inter-Municipal Company**

#### **ARTICLES OF ASSOCIATION of Municipal Company XX**

##### **I: General Terms and Conditions**

###### Article 1

1. The name of the Company is xx.
2. The registered office of the Company is xx.

###### Article 2

1. At the time of formation the partners of the Company are the municipalities of xx, yy and zz.
2. Other municipalities may enter the partnership on conditions stipulated by the Board of Directors and upon approval by all municipalities in the partnership.

###### Article 3

1. The object of the Company is to establish and operate or make contracts for establishment and operation of the plants and facilities necessary for the municipalities in the partnership for management (collection, treatment, disposal and possibly sale) of the following types of waste:  
*Municipal solid waste.*  
*Garden and park waste.*  
*Bulky waste.*  
*Waste similar to municipal solid waste from offices, trade and industry.*  
*Construction and demolition waste.*  
*Possibly other types of waste where so decided.*
2. The extent of the joint management of the above types of waste shall be determined by the Board of Directors on the basis of an assessment of the most appropriate solution for the municipalities as well as technical, financial and environmental considerations.
3. The object of the Company is, moreover, to manage the joint waste planning and the joint administration in co-operation with the municipalities.
4. At the request of one or more municipalities the Company shall assume the responsibility for establishing and operating special waste schemes on a contractual basis as it is presumed that all costs pertaining to such schemes shall be borne by the respective municipalities. Such special waste schemes shall be offered to all the municipalities in the partnership.
5. With the explicit approval by the Board of Directors the Company can enter agreements on management of waste from areas outside the Company.

#### Article 4

1. The municipalities shall be obliged to supply and the Company shall be obliged to and have the exclusive right to manage all waste included in article 3 (1) above only.
2. Subject to explicit approval by the Board of Directors the Company can enter into agreements on management of waste outside the area of the Company where such agreements are deemed appropriate for financial and/or environmental reasons.

#### Article 5

1. The municipalities shall have joint, several and unlimited liability to any third party for the commitments incumbent on the Company.
2. Each municipality shall be liable for the obligations incurred by the Company in relation to the number of inhabitants of each municipality as at 1 January of the year in question.

### **II: Management of the Company**

#### Article 6

1. The supreme power and management of the Company shall be the Board of Directors.
2. The Board of Directors shall consist of one member from each municipality. The members of the Board of Directors and their personal proxies shall be elected by the district councils.
3. The electoral period shall follow the municipal electoral period.
4. The Board of Directors shall by simple majority elect a chairman and a vice-chairman. Where the elections of chairman and vice-chairman, respectively, result in parity of votes in the Board of Directors, lots shall be drawn between the candidates having obtained the same number of votes.
5. Where the chairman retires during an electoral period, the vice-chairman shall take his place until the next Board meeting at which a new chairman shall be elected.
6. The Board of Directors shall convene a Board meeting as often as the chairman deems it necessary or if requested in writing by at least two members of the Board, cf. article 8 (3) below.
7. At Board meetings any member of the Board may bring one employee from the municipality in question, provided always that such employee shall have no voting power.
8. The Board of Directors shall be inquorate where less than two thirds of the members are present.
9. All resolutions to be passed by the Board of Directors shall always be subject to at least two thirds of the members present being in favour hereof unless otherwise stipulated by these Articles of Association, cf. sub-article (4) hereof and article 13 (4) below.

10. A minute book to be signed at the end of the meeting by all members of the Board attending the meeting shall be kept of all the proceedings at the Board meeting.
11. The Board of Directors shall decide on subjects to be included in the agenda of the Board meeting.
12. The Company shall pay attendance fees and travelling expenses to the members attending the Board meeting according to the rules in force from time to time. The chairman shall receive an annual fee of xx.

#### Article 7

1. The day-to-day operation and management of the Company shall be the responsibility of a Managing Director appointed by the Board of Directors, who shall also be the secretary of the Board.
2. The Managing Director shall appoint and dismiss the Management of the Company and shall in co-operation with the Board of Directors lay down the terms of employment as well as the rules governing competence.
3. A technical consulting committee consisting of one technician from each municipality shall be set up for the purpose of supporting the Managing Director.

### **III: Accounts, Audit and Authority to Sign for the Company**

#### Article 8

1. The financial year of the Company complies with the municipal financial year.
2. The accounts and budget shall be prepared and drawn up in conformity with the rules governing companies owned by municipalities. The Board of Directors shall lay down more detailed accounting policies.
3. The annual accounts as well as the audit report and the budget for the subsequent financial year shall be submitted at the annual general meeting in the month of xx for approval by the Board of Directors. After approval by the Board and not later than one month after the annual general meeting the accounts as well as the audit report and the budget for the subsequent financial year shall be sent to the municipalities of the partnership.
4. The accounts of the Company shall be audited by a State-Authorised Public Accountant appointed by the Board. The auditor shall have access to all the accounts, vouchers and assets of the Company and shall be supplied with all information required to certify the correctness of the accounts. The auditor is under an obligation to keep a long form audit report in which comments on each audit are entered. The audit report shall be presented to the Board of Directors at a Board meeting.

#### Article 9

1. Raising of loans and other incurring of debts as well as assumption of guarantee obligations and real property transactions shall be subject to resolution in the district councils of the municipalities.

#### Article 10

1. The Company shall be legally bound by the joint signatures of the chairman or vice-chairman and the Managing Director.
2. The Board of Directors may grant power of attorney.

#### **IV: Financing of the Company, etc.**

#### Article 11

1. The investments made by the Company can be financed by raising of loans, contributions from the municipalities in the partnership (cash or in the form of fixed assets) and the owners' equity continually accumulated.
2. The contribution or share of the loan shall be proportional to the number of inhabitants of each municipality as at 1 January of the year in question. The contributions are repaid over xx years and carry annual interest at a rate corresponding to the official discount rate.

#### Article 12

1. The costs of the Company shall be financed by the sales income and the fees for waste management determined by the Board of Directors.
2. Any profit or loss recorded at the closing of the annual accounts shall be carried forward to the next financial year. Subject to resolution by the Board of Directors any loss can be extraordinarily covered by the municipalities proportionally to the number of inhabitants of each municipality as at 1 January of the year in question.
3. Waste management fees shall be collected continually, provided always that waste included in municipal schemes are settled by the month. The terms of payment shall be determined by the Board of Directors.

#### **V: Amendment of the Articles of Association and Dissolution of the Company**

#### Article 13

1. Amendments of these Articles of Association are subject to explicit resolution by the district councils of all municipalities in the partnership as well as the consent by higher authorities.
2. A municipality can withdraw from the Company at 1 year's written notice submitted on 1 January, but not earlier than 1 January xx.
3. Where withdrawal results in a financial loss for the Company as a consequence of poor exploitation of plant/facility capacity or otherwise, the municipality can only withdraw subject to full compensation paid to the Company by the withdrawing municipality. The size of the compensation shall be calculated by the Board of Directors and approved by the district councils. Even where the Board of Directors estimates that the Company will not suffer any loss as a consequence of the withdrawal of any one municipality, the withdrawing municipality shall not be entitled to receive payment of any part of the net worth of the Company.
4. Dissolution of the Company shall be subject to resolution passed by the Board of Directors by a majority of at least three thirds and to subsequent resolution in all district councils as well as approval by higher authorities. The net worth shall be

split according to the number of inhabitants of each municipality as at 1 January of the year in question.

## **VI: Disputes**

### **Article 14**

1. Any dispute pertaining to the understanding, construction or completion of these Articles of Association or pertaining to relations between the Company and one or more municipalities shall be settled by arbitration where agreement cannot be reached between the parties through negotiations.
2. The party requesting arbitration shall notify the other party/parties involved in the dispute by registered letter of the said request as well as its reason.
3. The arbitration tribunal consists of three arbitrators of whom the parties shall appoint one each and one umpire by mutual consent. Where the two parties cannot reach an agreement as to the appointment of umpire, the said umpire shall be appointed by xxxx (a relevant higher court). Where one of the parties does not appoint his arbitrator within 30 days from receipt of the written request to that effect by the other party, the other party shall appoint both arbitrators.
4. The arbitration tribunal shall autonomously plan the legal procedure. When a case has been set down for award by the arbitration tribunal the said tribunal shall be obliged to make an award not later than four weeks thereafter.
5. The award of the arbitration tribunal shall contain stipulations as to the payment of legal costs by the parties involved, including the fees payable to the arbitrators and the umpire.
6. The award is final, conclusive and binding on both parties and shall be enforced not later than 14 days after the award has been made.

## **VII: Commencement**

### **Article 15**

1. The present Articles of Association come into force upon approval by all district councils of the municipalities mentioned in article 2 (1) above and higher authorities.

### **Adopted and Acceded to by:**

For the municipality of xx: (signature)

For the municipality of yy: (signature)

For the municipality of zz: (signature)