



Local & Regional
Europe

Decentralisation at a crossroads Territorial reforms in Europe in times of crisis



October 2013

About CEMR

The Council of European Municipalities and Regions (CEMR) is the broadest organisation of local and regional authorities in Europe. Its members are 57 national associations of municipalities and regions from 41 European countries. Together these associations represent some 150 000 local and regional authorities.

CEMR's objectives are twofold: to influence European legislation on behalf of local and regional authorities and to provide a platform for exchange between its member associations and their elected officials and experts.

Moreover, CEMR is the European section of United Cities and Local Governments (UCLG), the worldwide organisation of local government.

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Frédéric Vallier
Secretary General
of CEMR



Foreword

Since the beginning of the financial, economic, and social crisis of 2008, local and regional authorities have had to adapt to a new political and economic context. Numerous reforms have been made concerning the practices of these governments, as well as the functions of subnational authorities. These legislative and organisational modifications, often initiated by local governments, call into question the role of the local and regional level within the inner workings of states.

The purpose of this publication is to provide a picture as complete as possible of the reforms that have been put in place since the beginning of the crisis. Sixty years after the signing of the *European Charter of Municipal Liberties* in 1953, this study also aims to present an overview of the consequences of the crisis on local and regional autonomy in Europe. The budget restrictions currently in place, the tendencies by national governments to recentralise competences, as well as the ever increasing disengagement of states all weaken the freedom of local and regional authorities to act. It is therefore necessary to highlight the importance of local governments in the definition of a new political project in Europe.

This publication would not have been possible without the active contributions of CEMR's member associations and their experts, who we graciously thank for their involvement. Thanks are also extended to Victor Gnis, for his quality work and engagement with us, and to Boris Tonhauser for ensuring the follow-up. This study complements previous studies on the financial consequences of the crisis for local and regional European governments, presented within the context of the *Observatory on Crisis and Decentralisation*, a working structure funded by the Association of Netherlands Municipalities, whom we would also like to thank for their support.

Local and regional governments are the daily interlocutors of the population and must therefore be involved in policies implementing a return to sustainable growth in Europe. Principles of local democracy, including proximity to citizens of their representatives, must be taken into consideration when it comes to developing national legislation and European directives. The Council of European Municipalities and Regions (CEMR), representing 57 national associations in 41 countries, stands by local and regional governments and their representative associations and is honoured to act as a spokesperson in representing their interests during these trying times.

A handwritten signature in blue ink, which appears to be 'Frédéric Vallier'. The signature is stylized and includes a horizontal line underneath the main part of the name.

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Analysis



Strong participation

This questionnaire was completed by 41 associations members of the CEMR. While the questions generally concerned any reforms recently adopted or in preparation in each country, they also focused in particular on the transfer of competences, the country's territorial structure, the economic situation as well as the internal organisation of local administrations. The topics on which local authorities were consulted, any links to the economic crisis and the effects of these reforms on local self-government were also addressed.

1. Benchmark and methodology

The commitment of CEMR

Ever since the first signs of the financial and economic crisis appeared in 2008, the Council of European Municipalities and Regions (CEMR) has been endeavouring to analyse its effects on the management of local and regional authorities and has worked alongside its members to stand up for the principle of local self-government and the full financial capacity of European local and regional authorities. Two publications were issued in 2009 as a result, followed by a report jointly prepared with Dexia Crédit Local in 2012, which analysed the crisis' impact on local and regional governments in Europe, primarily from an economic point of view. That same year, in close collaboration with the Council of Europe, CEMR called for an economic recovery in Europe that would be sustainable and local in a work entitled "*Local Government in Critical Times*".

CEMR's governing bodies have on several occasions expressed their concern regarding the burdens brought in by the crisis and undertook different commitments in this regard, notably in Oslo in 2010 where a call was launched for both greater interregional cooperation and European integration always in the objective of achieving closer proximity to the citizens. These same

commitments were reiterated at CEMR's General Assembly in Cadiz in September 2012 by its member associations, who expressed their interest in taking on a project more focused around local self-government and covering a wider territory than just the 27 member states of the European Union.

The present publication can be viewed as part of the work carried out by CEMR and its observatory on the crisis and decentralisation. It sets out to present an overview of the effects the crisis has had on the organisation of local and regional authorities as well as any reforms that have been undertaken in this context in Europe in recent years, with a special emphasis on the principle of local self-government.

The questionnaire sent to the associations

In February 2013, CEMR sent out a questionnaire to its member associations, representing local and regional authorities from 40 European countries, in order to update its data on any territorial reforms completed or in preparation, as well as to solicit local and regional authorities' views on these legislative changes and on the issue of local self-government in their country. Although the final document also relies on previous CEMR publications as well as substantial research work, the responses given to this

questionnaire constitute one of the primary sources of information for the present study. Monitoring the development of local self-government in Europe is essential to ensuring the construction of a society close to its citizens, in keeping with the principle of subsidiarity. The purpose then here is to explore in particular what kind of impact territorial reforms have had on the autonomy of European local and regional authorities.

2. Introduction

A process of reform

Reforms involving territorial reorganisations have become quite common over the past few decades in Europe, usually carried out as mergers of municipalities or regionalisation of the territory. This reform movement, based on the concept of a Europe of regions, was very active in the 1980s and 1990s and, ever since the first signs of the financial crisis, now seems to have found new life.

Its goal is no longer exclusively to advance decentralisation but also to adjust the functioning of local and regional authorities to the budgetary and operational restrictions imposed by the central governments. It is worth noting that almost every single association responding to the questionnaire mentioned a legislative change affecting local and regional authorities in their country.

It should also be mentioned that some reforms implemented in recent years, for example the *Kallikratis* reforms in Greece, were planned out prior to the onset of the crisis, which then altered the way in which the changes were carried out.

Huge disparities between situations at European level

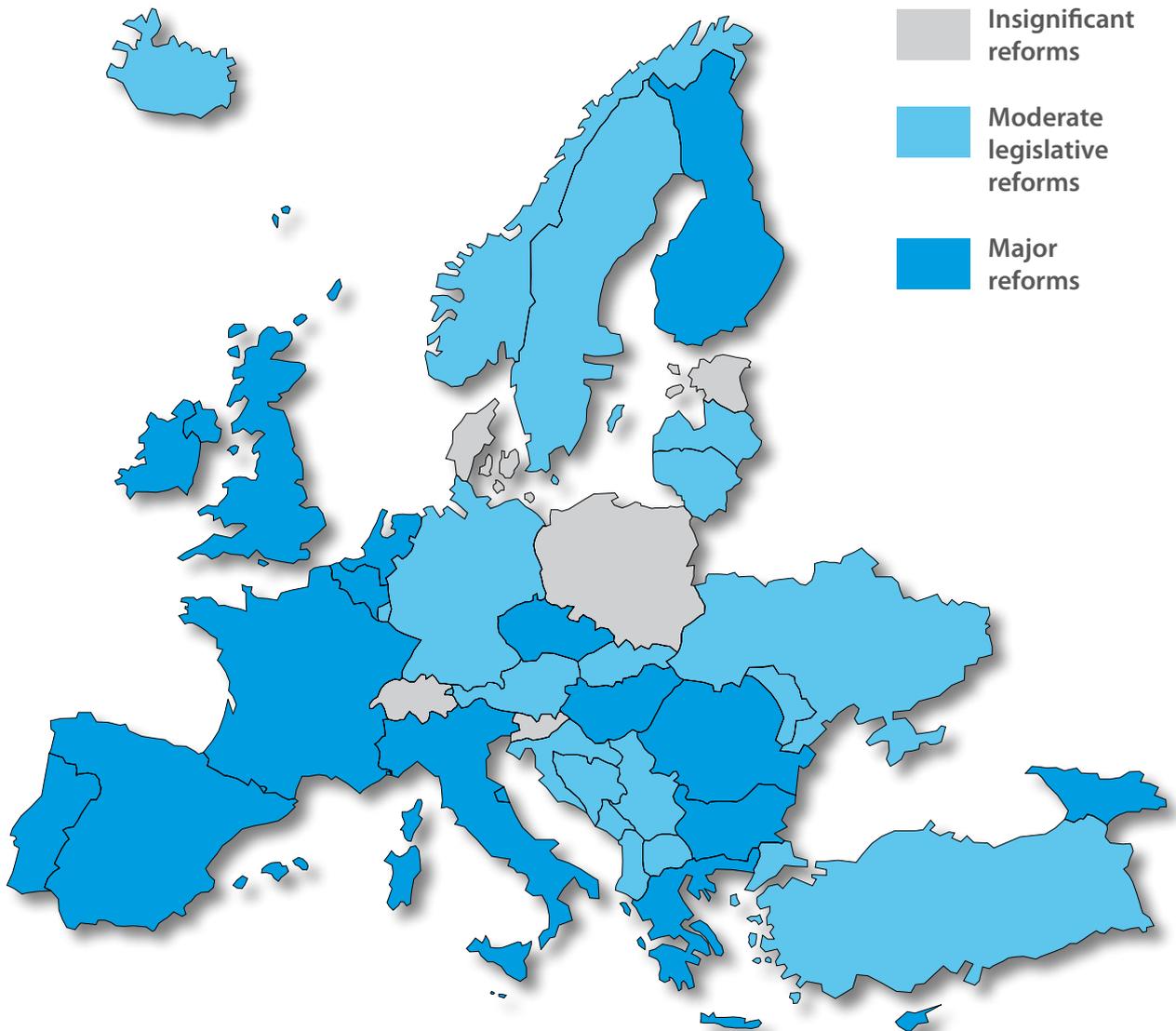
While the process of reform is much the same and generalised at European level, reactions in response to the crisis vary from one country to another, mainly owing to the different political cultures and the place occupied by local authorities within the different administration models. Consequently, huge differences can be seen in the levels of territorial organisation and decentralisation reached by each country.

Even though processes to promote stabilisation or reduce public expenditure have been the order of the day in most European countries, territorial reforms do seem to have taken these specific local conditions into account when adopting different priorities, strategies and means of action. The effects on local self-government are accordingly very dissimilar. The intent of this publication is therefore to study the development of self-government from an overall European perspective but also to address more specifically the reforms underway in each country.

Sixtieth anniversary of the European Charter of Municipal Liberties

Ever since it was created in 1951, CEMR has always focused special attention on the principle of local self-government. The organisation's General Assembly in 1953 enshrined this principle by adopting the *European Charter of Municipal Liberties*, which is being celebrated this year in honour of its 60th anniversary. Signed upon its presentation by more than 1 000 municipalities all across Europe, the Charter emphasises the importance of municipalities' political and financial independence from the central states. Furthermore, this charter gave birth three decades later to the *European Charter of Local Self-Government*. Adopted by the Council of Europe in 1985, today it has been ratified, in part or in whole, by all 47 of its member states.

Extent of territorial reforms by country



Basic statistic data about Europe's sub-national governments

Country	Population (in millions) ¹	Surface area (km ²)	1 st tier ²	2 nd tier	3 rd tier
Albania	3.22	28 748	373		12
Austria	8.40	83 871	2 354		9
Belgium	11.00	30 528	589	10	6
Bosnia and Herzegovina	3.75	51 209	137	10	3
Bulgaria	7.37	111 002	264		
Croatia	4.41	56 594	556	21	
Cyprus	0.84 ³	5 695 ³	524 (380 ³)		
Czech Republic	10.49	78 868	6 253		14
Denmark	5.56	43 098	98		5
Estonia	1.34	45 227	226		
Finland	5.37	338 145	320		1
France	65.05	663 210	36 786	101	26
Georgia	4.49	69 700	69		
Germany	81.75	357 027	11 252	295	16
Greece	11.31	131 957	325		13
Hungary	9.99	93 029	3 175	19	
Iceland	0.32	103 000	75		
Ireland	4.57	69 797	114		10
Italy	60.63	301 336	8 092	110	20
Latvia	2.07	64 589	119		
Lithuania	3.05	65 300	60		
Luxembourg	0.51	2 586	106		
Macedonia (FYR)	2.06	25 713	81		8
Malta	0.42	316	68		5
Moldova	3.56	33 846	1 040	34	
Montenegro	0.62	13 812	21		
Netherlands	16.66	41 528	408		12
Norway	4.92	385 252	430	19	
Poland	38.53	312 685	2 479	380	16
Portugal	10.57	92 152	308		2
Romania	21.41	238 391	3 181	41	
Serbia ⁴	7.26	77 474	145		1
Slovakia	5.39	49 034	3 028		8
Slovenia	2.05	20 273	211		
Spain	46.15	505 997	8 167		19
Sweden	9.42	449 964	290		20
Switzerland	7.87	41 285	2 408		26
Turkey	73.72	783 562	37 255	81	
United Kingdom	63.00	243 820	433		3
Ukraine	45.71	603 500	11 517	488	25

¹ Eurostat figures for 2011, except for Albania, Bosnia and Herzegovina, Georgia, Moldova, Serbia and Ukraine (World Bank figures for 2011).

² Figures for 2013, except for Bosnia and Herzegovina, Croatia, Norway, Turkey and Ukraine (figures for 2011).

³ The part of the island controlled by the government.

⁴ Kosovo has not been included.

Partnership at the heart of decentralisation – example of Iceland

As soon as the financial crisis broke out in 2008, Iceland was struck very hard by its impact. The country opted for a very bold recovery policy, which mainly proposed new rules on oversight, monitoring and ethics in the country's politics and finances. In addition to further decentralisation in terms of services to the disabled, stricter budgetary rules for local authorities as well as an increase in local democracy and civic participation were introduced. The process of adoption of these reforms was based on an extensive partnership between the state and the municipalities.

3. Europe poised between decentralisation and recentralisation

A major wave of decentralisation of competences: a political commitment or a withdrawal of the state in a time of crisis?

While there is no doubt that a wave of territorial reforms has been sweeping over Europe, the economic and financial crisis cannot immediately be attributed as the sole cause. Certain legislative developments are the result of a desire for further European integration and the resulting obligations linked to this objective, whether towards the Council of Europe upon ratification of the *European Charter of Local Self-Government* or the prerequisites for accession to the European Union. This has been the case in **Albania**, which now delegates water distribution to the municipalities, and in the **Former Yugoslav Republic of Macedonia** and in **Montenegro**, which have both entrusted their municipalities with the management of spatial planning, a task which is traditionally decentralised in most European countries. Other reforms spring up from a political basis, for example in **Iceland**, as a reaction to the crisis which shook up the country, or in **Belgium**, following a sixth state reform to strengthen the country's regionalisation.

The current wave of reforms has been following the trend of territorial

simplification which begun several decades ago and still widespread in recent years. Both **Denmark** and **Greece**, in 2007 and 2011 respectively, implemented a policy involving mergers between municipalities on a massive scale. **Luxembourg** is looking at a proposals of municipal mergers which would reduce the number of municipalities from 116 (total in 2006) to 71 between now and 2017. Other countries have similar projects planned, but with cost reduction objectives more clearly stated. This applies to **Portugal** where many civil parishes, municipal subdivisions with strictly local competences, are being merged. A German university study has shown, however, that municipal mergers do not automatically result in increased efficiency and scale economies. This type of reform should therefore be used sparingly and in coordination with the local governments and populations.

That being said, decentralisation remains at the heart of the reforms currently underway. In the **United Kingdom** and the **Netherlands**, local authorities now enjoy more powers in the areas of health and social issues. However, this further decentralisation is sometimes merely symptomatic of the state's withdrawal, which does not transfer the financial means necessary to properly fulfil these new tasks. In the Netherlands, the funds allocated for the new competences have been scaled back 30% in relation to their

present cost, under the pretext of greater efficiency from an increase in proximity, but also amidst a climate of significant budgetary restrictions. This development of state disengagement in a time of crisis calls for closer scrutiny, particularly in light of the *European Charter of Local Self-Government*, which specifically states under Article 4 that local authorities are not required to take on any matter not formally exercised by the state, but must have “full discretion to exercise their initiative”; and under Article 9 that “local authorities’ financial resources shall be commensurate with [their] responsibilities”. A simple decentralisation may mask the state’s withdrawal, which is reflected in practice rather than by a loss of autonomy at local level.

What proximity to the citizens?

On the contrary, the general movement of decentralisation initiated before the crisis has been jeopardised in some countries by the centralising tendencies of the state. Such reforms are now linked more to the goal of achieving greater economies of scale amidst a climate of austerity and the cutting of public expenditure. They may also serve as a means for the states to regain political control of the powers delegated to local and regional authorities. In both **Ireland** and **Hungary**, water distribution is now to be managed by a governmental

agency, and in **Moldova**, measures were recently taken to transfer all competences linked to education back to the central state.

This recentralising trend can also occur by way of a loss of competences for the smaller authorities in favour of the larger ones. In **Spain**, if rules limiting public debt are not respected, the public services managed by municipalities with less than 20 000 inhabitants are to be taken over by the provincial authorities. This criterion of population size was also chosen in **Finland**, where inter-municipal cooperation has become compulsory for the management of local public services. Along the same lines, a law in the **Czech Republic** has decreed that many services for citizens are only to be managed by the larger local authorities. Lastly, the law in **Hungary** requires municipalities to group their services together in order to be able to close the municipal offices of the smaller municipalities, while maintaining their political and administrative existence. While there is no guarantee that a strict control over costs will be achieved by opting to proceed in this way, these efforts are also hazardous for local self-government since they impose new regulations without any prior consultation and weaken the ties of proximity established between the citizens and local authorities.

The territorial reforms implemented in recent years also tend to consist of

The commitment of the Council of Europe

The Council of Europe and its Congress of Local and Regional Authorities have been active since the beginning of the economic and financial crisis contributing their expertise and support to European local and regional authorities. Several works were therefore published, with the collaboration of CEMR in particular, enriching the debates and recommendations and moving the question of state withdrawal towards the top of the list of concerns. In November 2011 in Kiev, the Conference of Ministers Responsible for Local and Regional Government adopted guidelines for the development of a joint work platform as a way to exit the crisis and to safeguard the autonomy of local authorities.



The *Kallikratis* reform in Greece: a new form of territorial management

The Greek territorial reform known as *Kallikratis* entered into force on 1 January 2011. This new law had been in preparation for several years but was rushed through due to the need for economic rationalisation and the decrease in the number of civil servants as a result of austerity measures. The country's territorial organisation was thoroughly reviewed, which led to a drop in the number of municipalities from 1 034 to 325 and the elimination of 54 prefectures, which were replaced by 13 regions. Mandates for local elected representatives were also extended from four to five years.

mergers between authorities at local or regional level. This too may pose a risk for local self-government if the local governments and populations concerned are not properly consulted on the matter beforehand. Any regrouping should not be justified solely through economic arguments, but also needs to take into account the specific territorial situation and to be linked to the objective of proximity to the citizens. The European Union's Committee of the Regions in fact issued a warning in this respect in an opinion in April 2013, asking that any municipal mergers be carried out on the basis of adequate studies. Inter-municipal arrangements can also represent an interesting alternative allowing for more efficient management of competences without losing proximity to the citizens.

Any territorial reform, whether intended to reduce costs or simplify the territorial organisation, can intrinsically change the lot of local authorities with respect to local self-government. It is therefore a question of ensuring that these laudable goals are not merely pretence for the altering of the proximity of local and regional authorities to their citizens.

4. Territorial reorganisations

Changes at local level?

In almost all of the European states, the municipality remains the basic territorial level. Nevertheless, many territorial reforms have been proposed in order to reduce their number, postulating better management of local public services and reduced public expenditures. To encourage such mergers, political or financial incentives are often put on the table, particularly in **Switzerland** or **Ukraine**, and in the new *Länder* in **Germany**. Notably, **Greece** went from mere words into action with the completion of a large number of mergers between municipalities. Different options were chosen in **Ireland**, where the municipal councils are to be abolished in favour of the counties by 2014, thus reducing the number of first tier authorities from 114 to 31. In **Turkey**, while the villages still maintain some authority on their territory, those with less than 2 000 inhabitants no longer carry the status of local authority.

Municipalities have achieved substantial economies of scale through the help of inter-municipal cooperation, which is often encouraged by the central government in order to increase efficiency and in application of budgetary reduction guidelines. This has been the case in **Austria**, **Cyprus** and **Italy**, but also

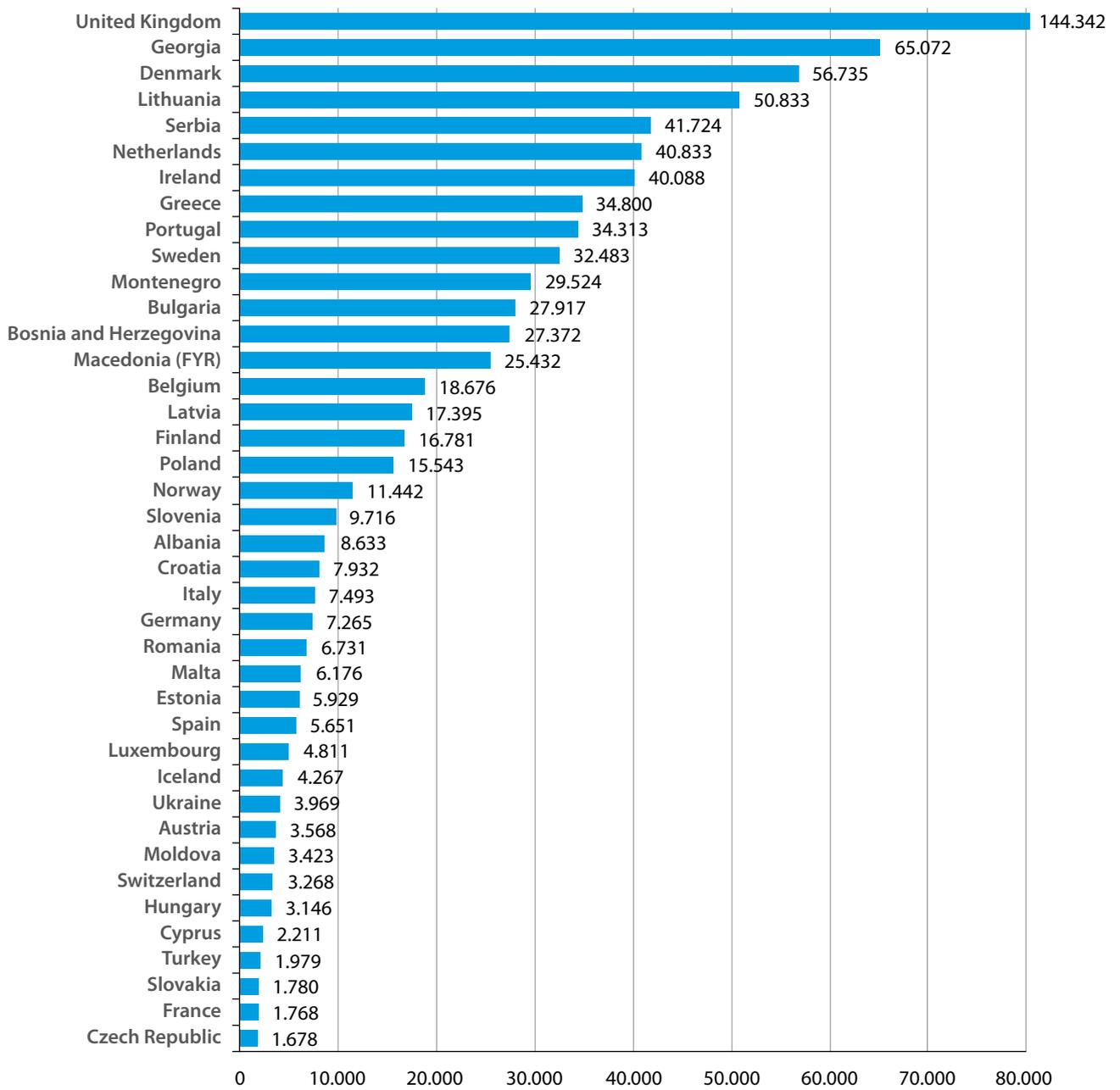
outside of the EU, for example in **Ukraine**. In other countries, for example the Netherlands, these types of cooperation may be set up asymmetrically, varying in accordance with the competences being exercised. The situation is also a bit particular in **France** as a result of the enormous number of municipalities there. A law, which requires all the municipalities of a given territory to form part of an EPCI (Public Institution of Inter-municipal Cooperation) with tax-levying powers, goes into effect on 1 January 2014. These mechanisms do not cost municipalities the autonomy which is their due and allows them access to efficient management of public services while maintaining an optimal size.

On account of the same objective of cutting operating costs, many countries such as **Greece, Turkey, Portugal** and **Ireland** have seen the number of their local elected representatives significantly reduced, often as a result of mergers. In some cases, the territorial reforms in progress also entail a change in the local voting districts, such as in **Finland** or in **France**, which will be introducing a new voting system at departmental level (département) in 2014. Of course, not all of the countries have followed the same trends: **Georgia** has undergone a reform involving the breaking up of municipalities which has increased their number from 69 to around

400, a change which may potentially increase the proximity of local elected representatives to their citizens but which also leads many mayors to fear an increased dependence on the central state as their smaller size also entails a loss in some of their political weight.

The crisis has therefore prompted a genuine willingness to improve efficiency through economies of scale, mergers of services and internal cost reduction programmes within the authorities. It is nonetheless critical that the mergers and reorganisations be undertaken in accordance with the principles of local self-government, subsidiarity and proximity to citizens.

Average population size of municipalities



Europe moving towards regionalisation and metropolisation

The purpose of territorial reforms is often to simplify administrative organisations, to bring about a clear understanding of the division of competences exercised by each tier and to achieve significant economies of scale. Accordingly, a regionalisation trend can be seen at work in Europe, namely the creation or reinforcement of regions, a broadening of their competences and the affirmation of their role as a privileged stakeholder at European level. This process is currently most active in **Romania**: its eight statistical regions are to be transformed into fully fledged regional authorities, entailing transfers of competences previously carried out by the central state, municipalities and counties. The specific responsibilities of these future regions are still under discussion, but the more efficient management of European funds is one of the main objectives of this programme. Identical discussions have been held in **Sweden** or **Slovenia**. There is evidence however that this reinforcement of the regional level often brings about a weakening of the intermediary levels, such as occurred in **Italy** where a project, which has since been abandoned, set out to eliminate provinces which, in the end, will merely be reduced from 110 to 75. This explains why, most of the time, EU member states and accession countries prefer to

strengthen or unify a territory around the *NUTS-2* level, the European territorial unit for statistics used in implementing cohesion policies.

Other processes intended to strengthen the regions, either by revising territorial divisions or by giving them greater flexibility, are underway in **Albania, Georgia, Malta, Ireland** and **Slovakia**. In **Poland, France** and **Germany**, the regions have been granted more powers, notably in the area of economic development. Another goal often associated with these reforms is territorial simplification, engineered to avoid an overlapping between several competences, as can be seen in Spain, where the government is preparing this type of large-scale territorial reform to rectify this situation. A similar project was also being planned out in France, and would have led to the replacement of three existing authorities with a single one in Alsace (*collectivité unique d'Alsace*) but it was rejected in a popular referendum. In spite of all this, even if an overall strengthening of the regional level can be discerned, the underlying idea has not met with any intergovernmental consensus. Indeed, there is no European charter encompassing the concept of regional self-government such as the one embodied in the *European Charter of Local Self-Government for the local level*.

France and Act III of decentralisation: the rise of the metropolis

The *urban phenomenon* is central to the text presented by the French government in early 2013, which includes the strengthening of the metropolitan status created in 2010. This status, which should affect over ten metropolitan areas, confers broader competences upon urban areas with more than 400 000 inhabitants, mainly in the areas of transport and economic development. A specific status is to be granted to Marseille and Lyon as a way to increase their attractiveness at European level. A Paris *métropole* with specific competences over housing and transport should also be established.



A tricky financial situation for British local authorities

British local councils have experienced a decrease in state transfers averaging around 33% since the onset of the financial crisis, at the same time as they have had to exercise broader powers following the *Localism Act* of 2011. Local government has had to adapt accordingly, undertaking a large number of cuts in personnel and increases in local taxes (40% of local authorities were hit with increases in 2013). In spite of all this, local governments showed innovation, particularly with regard to budgetary efficiency: cooperation and the pooling together of local services might save them up to 278 million pounds a year. Still, this situation poses a risk for local self-government with respect to Article 9 of the Charter which stipulates that “*financial resources shall be commensurate with the responsibilities provided*”.

At the same time, the territories around large cities have been galvanised by a new impetus at work: metropolisation. This idea has met with a strong response in **Italy**, including certain polarisation of views around the development of the metropolitan city (*città metropolitana*). This type of reform is also a current topic of debate in **France** where a political agreement between local political parties has resulted in the establishment of a metropolitan area (*métropole*) with a specific status, which will take up a role in the Greater Lyon area, taking up competences exercised until now by the *département* on its territory. Under a draft law to be adopted before the end of October 2013, following local elections in 2014 in **Turkey** the number of metropolitan municipalities should be increased from 16 to 29, the new metropolises having their borders extended at the expense of towns of less than 2 000 inhabitants, which will cease to exist as legal entities. Proposals on metropolisation have also been under discussion in **Poland** and in the **Netherlands**, following in the footsteps of many other European countries with capital cities and large urban areas that benefit from a territorial structure granting them a specific status.

5. Do more with less: financial pressures

A sharp drop in local authorities' revenue

The crisis sparked major financial difficulties for sub-national authorities for many different reasons. First, there has been a general drop in financial transfers from the central states to the authorities. For example, in **Bulgaria**, the allocation of funds has been frozen since 2009 and, with the costs of inflation no longer being taken into account, local and regional authorities' capacity for action has been greatly diminished. In **France**, a cut in funding of 1.5 billion euro is expected in 2014, with further restrictions in 2015. New financing rules have also been introduced on account of the crisis, leading to substantial budgetary restrictions, such as the ones in effect in **Ireland, Italy, Latvia and Montenegro**. Lastly, a decline in resources coming from authorities' share of professional and individual income taxes has also affected local finances, particularly in the counties in **Croatia**, as well as in **Germany** at the start of the crisis.

As the reforms have veered towards decentralisation, local authorities find themselves with more competences, but without the commensurate financial means that would guarantee adequate services. Local authorities had to face such a situation in the **United Kingdom** after the *Localism*

Act, in **Greece** with the *Kallikratis* reform and in **Lithuania**. In the **Netherlands**, the new competences connected to social, youth and health matters were backed by significant financial transfers from the state, but with a 30% reduction compared to previous costs.

Yet, budgets have remained stable or even increased in some countries that have initiated a process of decentralisation, in spite of the downturn. This is true in the cases of **Iceland, Bosnia and Herzegovina, Kosovo** and the **Former Yugoslav Republic of Macedonia**. But with the exception of these countries, it is obvious that the financial means of local authorities indicate a downwards trend, which gives rise to a worrisome situation ahead for Europe's municipalities and regions, for their autonomy, as well as for their financial flexibility which is vital to their action, as prescribed under the principle of subsidiarity.

In order to obtain genuine leeway in the managing of funds and to bring to fruition the principles of local self-government, local authorities' own resources must constitute a substantial share of local budgets, greater than the one made up of state financial transfers. Contrary to popularly held beliefs, local and regional authorities are often more frugal when managing funds themselves. Lastly, this principle is consistent with the one stipulated

in the *European Charter of Local Self-Government* under Article 9: "Local authorities shall be entitled [...] to adequate financial resources of their own"; which must originate, in whole or in part, "from local taxes and charges of which, within the limits of statute, they have the power to determine the rate".

Local and regional authorities adjusting to the crisis

In response to reduced financial transfers from the central states, local and regional authorities have instituted new practices. Accordingly, a reduction in staff costs can be seen in three out of four European countries, as well as a steep drop in intermediate goods. These trends go hand-in-hand with major reorganisations of services, particularly in **Spain, the Czech Republic, the United Kingdom** and **Portugal**. Restrictions regarding personnel and wages have also been considered an option, and wage limits are sometimes even prescribed by law, as is the case in **Lithuania**. Some regulations require a reduction in the number of employees working for authorities: a 15% cut in the number of local and regional civil servants was thus called for by the government in **Bulgaria**. The waves of staff restrictions are a familiar scenario in **Greece**.

Furthermore, many municipalities and regions have resorted to setting

Less remuneration for elected officials in Spain

As part of the proposal to streamline competences and the internal organisation of the country's municipalities, a reform currently in preparation sets out to discontinue the remuneration of 82% of the country's municipal councillors as well as the mayors of municipalities with less than 1 000 inhabitants. This situation clearly shows the extent to which the crisis has taken hold of the public debate and the importance, given such a climate, of symbolically showing restraint and moderation at all levels of the state. What is important here is to keep an eye on this measure to ensure its adherence to Article 7 of the *European Charter of Local Self-Government* on the financial compensation for loss of earnings as a result of the exercise of an office.



up internal programmes to improve efficiency, cut costs and promote innovation. This type of action is pervasive all across the European Union as well as in **Albania, Moldova, Ukraine** and **Switzerland**. Any service is liable to be hit by these programmes which are intended to reduce local and regional authorities' on-going costs. In some cases, municipal facilities such as libraries and gymnasiums have been closed owing to the assumption that their high costs cannot be afforded, or there have been calls for volunteers to manage these services, as was the case for example in the **United Kingdom**.

Rules on budgetary discipline sometimes affect local elected representatives as well as a way of "setting a good example". This may explain why the remuneration of local elected officials in **Spain** has been limited and why efforts to reduce the number of elected representatives have been implemented in the **Netherlands** and in **Ireland**, where a major reform of public administration is underway to reduce the number of elected officials from the present 1 627 to 950 by 2014.

Finally, the effects of the crisis in social terms have led to the development of further needs, reflected in the increase of outlay linked to social costs even when these actions might not necessarily fall under authorities' decentralised competences. Thus,

local and regional authorities have managed to adjust to changing economic circumstances and have taken on an important role in the day-to-day management of the crisis, responding to citizens' requirements in accordance with the principle of subsidiarity.

It goes without saying that the budgetary restrictions which affect local authorities have had a strong impact on citizens' daily lives as well. Some services are no longer equipped to serve at the same level as before, even if authorities' political responsibilities towards their citizens remain unchanged at local and regional level. Local and regional authorities need to be involved in the decision making process as an equal partner in order to achieve a consensus and to ensure that local situations are taken into account.

6. Conclusion: decentralisation at a crossroads

What kind of local self-government exists today?

The financial, economic and social crisis has not remodelled the overall architecture of local and regional authorities in Europe. It has nevertheless had a major impact on Europe's approach to the organisation of services and the question of financial independence. The territorial reforms currently underway seem to take into account the desire for greater decentralisation and the principle of subsidiarity advocated by the European Union and the Council of Europe. Nevertheless, certain governmental actions run counter to these principles. Moreover, they often seem to result in the recentralisation of competences, the forsaking of the proximity of local governments to the citizens as a result of new territorial organisations and in extensive budgetary and operational restrictions.

Given the potential threat these different reforms represent for local and regional self-government, care must be taken to ensure that the *European Charter of Local Self-Government* shall remain a baseline rule, so that its full significance can apply in this context, particularly its meaning under Article 4 on the scope and exercise of local

self-government, and Article 9 on financial and budgetary autonomy. It is regrettable that a similar legal framework does not exist for the regional level.

Consideration should also be given to how these budget cuts, whether in terms of personnel, intermediate running costs or general allocations, apply to the central state. Local and regional authorities should not have to bear the burden of austerity policies alone. While the reforms underway in some states are headed towards greater consideration for local interests and proximity to the citizens, a great deal of progress still need to be made before a genuine local and regional Europe can be established. It is essential that the crisis cutting across Europe does not bring a halt to the process of decentralisation begun several decades ago.

Prospects for the future

As the oldest and largest organisation in terms of representativeness, it is CEMR's role to stand alongside local and regional authorities as they work towards greater decentralisation and more local self-government in order to bring citizens closer to the decisions which affect them and to maintain their proximity to public services. Since 2008, the on-going crisis has shown how vulnerable the process of decentralisation and the principle of local self-government can be during



a period of budgetary restrictions. Local and regional authorities are the pillars of local democracy and the preferred contacts of citizens in their day-to-day lives and it is therefore at this level that the major decisions needed to get through the economic and social crisis must be taken. Europe's future development lies in its territories and now is the time to assert this fundamental role.

This calls for the coordination of actions and positions with the different actors representing the local and regional levels, as well as the joining of forces with the Congress of Local and Regional Authorities and the Committee of the Regions, crucial partners in the efforts to making local and regional authorities' voices heard. With regard to the European Union, special attention must be paid to the European Parliament, the European Commission and the European Council, who hold the key to the promulgation of the principle of subsidiarity and to a return to lasting growth under the Europe 2020 strategy.

All stated priorities must categorically refuse any recentralisation process without prior consultation as well as any decision which would call into question the principle of subsidiarity. Instead, local and regional governments need to be implicated in all state or European policies in order to ensure consistency and efficiency. Finally, a very close look

needs to be taken at local finances and any budgetary restrictions imposed on local and regional authorities, which today pose a major risk for the continued existence of local and regional self-government in Europe and for any policy calling for territorial development and a return to sustainable growth bringing hope to European citizens.



Albania

In recent years, additional competences have been transferred to Albanian towns and municipalities which have strengthened the role they play.

Already under way, a territorial reform plans for the transfer of certain competences in favour of towns and municipalities. This concerns water distribution, waste management and forest management. The local level is thus strengthened, in keeping with a desire for greater integration of the country at European level.

At the same time, and even though the country's local and regional authorities do not seem to have suffered from any major consequences as a result of the economic and financial crisis, they have usually set up programmes to streamline activities, improve efficiency and reduce costs. In addition, the government has been trying to encourage inter-municipal cooperation, a solution increasingly favoured by towns and municipalities for the management of certain local public services.

Lastly, it should be noted that a project is currently being discussed, the purpose of which is the consolidation of the 12 existing regions into around 4 to 6 larger entities. The immediate objective of this project is to bring the size, organisation and competences of

these entities into line with European *NUTS-2* standards, used in managing the structural funds.

Local self-government in Albania

The reforms currently being carried out strengthen the self-government of local and regional authorities by assigning them new powers, while also allowing them to better fulfil their duties through transfers of sufficient funding. The country is also seeking to comply with the European principles behind the principle of subsidiarity and self-government.

Reforms

- Transfer of competences in favour of municipalities: water distribution, waste management and forest management
- Debate on a possible consolidation of the regions
- Establishment of programmes to improve efficiency and reduce costs
- Incentives to encourage the pooling of inter-municipal resources



Austria

Reforms

- Adoption of a constitutional law promoting inter-municipal cooperation, which went into force in 2011
- Reorganisation of services and new way of managing human resources at local level
- Programmes to reduce costs, foster innovation and modernise public administration

While the way the country's federal government operates remains the same, there have been several legislative changes relating to inter-municipal cooperation that were introduced in 2011.

The *constitutional law to strengthen the powers of municipalities*, an amendment of the federal constitutional law, was adopted by the parliament and went into effect in 2011. The law significantly enlarges the rights of municipalities to establish inter-municipal associations, even across *Länder* borders, primarily to increase service efficiency not only in their own competences, but also in transferred competences. It did not alter the country's federal organisation and its three levels of government (municipalities, *Länder* and central state) in any way, but it introduced new elements facilitating the establishment of inter-municipal arrangements or the democratic election of their representatives.

This reform is part of a trend to reduce costs, resulting in a reorganisation of local public services and a new way of managing local and regional authorities' payrolls. This law on inter-municipal cooperation in fact has not reached its objective so far. Although the central state adopted the constitutional law as a basis for inter-municipal cooperation, six of the nine *Länder* have not implemented their application laws.

Therefore, municipalities are still not free in choosing their ways of cooperation.

Although this reform had already been under discussion for several years, its implementation was accelerated as a result of the crisis and existing budget restrictions. Moreover, programmes aimed at encouraging local authorities to modernise their services and to use forward thinking were also introduced.

Local self-government in Austria

The principle of local and regional self-government is well-respected in Austria, mainly as a result of a protective legal framework and the way the federal structure is set up. The legislative changes are not detrimental to this principle, although the implementation of the aforementioned federal law is not applied in all the federal entities.



Belgium

In Belgium, a new reform of the federal state has had an impact on the local and regional organisation of the country.

The sixth reform of the state, an institutional agreement reached in October 2011, marks a new stage in Belgian federalism. This agreement provides for an increase in the fiscal independence of the three regions as well as the transfer of competences from the federal level to the regional level pertaining to public health, employment, justice and mobility, which represents around 4.4% of Belgian GDP. On the other hand, other reforms are currently on-going: extension of the system of municipal administrative sanctions (decriminalisation of small incivilities) and organisation of emergency services. Finally, local authorities must implement new budget working methods to meet the requirements of the European Stability and Growth Pact.

Changes were also introduced within the regions. The municipalities have generally experienced a slight increase in their missions. A regional programme has been implemented which aims to modernise governance and municipal management as well as build up local democracy and relations with the citizens. On the other hand, experiences of inter-municipal cooperation are developing, with encouragement from the federal and regional level.

In Flanders, local procedures have been simplified and a sensitive debate has also been opened on a possible merger of municipalities.

Lastly, there are also plans to reform the provinces. This region-initiated reform will probably lead to a transfer of certain competences to the regions or municipalities. At the same time, there has already been a drop in the number of elected members and staff of these governing bodies. The Brussels-Capital Region has been granted new competences, and manages the same competences as the two other regions.

Local self-government in Belgium

While the regions and municipalities have acquired greater responsibilities, these additional competences might come at the cost of a decrease in financial resources. The financial transfers between the federal government to the local and regional governments are increasingly limited.

Reforms

At federal level:

- New federal organisation
- Transfers of new competences relating to social protection and employment to the regions
- Development of communal tasks related to public security and on-going organisation of fire services
- Integration of municipal budgetary balance in the national budget guideline
- Decrease in the number of provincial government elected representatives and employees

In Flanders:

- Programme to improve efficiency and reduce costs
- New framework of long term budgetary and financial planning
- Discussion concerning municipal mergers
- Transfer of competences from provinces to municipalities

In Wallonia:

- Modernisation of governance and municipal management
- Build-up of local democracy and increase of citizens' participation in local life
- Strengthening of inter-municipal cooperation



Bosnia and Herzegovina

Reforms

In Republika Srpska:

- Reform proposal to give an institutional framework to inter-municipal cooperation
- Establishment of programmes to improve the efficiency of local public administrations
- Encouragement of exchange of best practices between local authorities
- Draft proposal to modify the law on local governments

In Federation of Bosnia and Herzegovina:

- New rules concerning concessions and forest management
- Modification of the law on the management of civil registries
- New method of calculating a shared tax to improve local government fiscality
- New method of calculating the remuneration of civil servants in local governments

Discussions are underway in the country to change the legislation pertaining to local authorities in the two entities.

In the Republika Srpska, a proposal is being prepared by the government which aims to give a legal framework to inter-municipal cooperation, even if it is already quite widespread. This new legislation should make the work of local authorities in this area easier, while also allowing for greater efficiency and savings in resources. The government also seeks to promote the exchange of best practices among the entity's different local authorities. While 2012 saw the debate on the law on self-government stalled, a new draft was to be re-tabled in 2013.

In the Federation of Bosnia and Herzegovina, drafts of texts were adopted in 2012 modifying specific areas such as concessions or forest management. More importantly, further reforms should lead to an increase in financial resources: the share on personal income tax received by municipalities is expected to increase by 19% by the end of the 2013. As a result of good partnership between the government and the national association of municipalities, these changes are a step forward toward greater decentralisation. One proposal specifically aims to modify the wages and benefits for local government employees.

The countries' municipalities thus do not appear to have been too adversely affected by the economic and financial crisis, even if local authorities have sought to rationalise their actions and to cut expenditures. New changes may nonetheless affect the remuneration of local civil servants.

Local self-government in Bosnia and Herzegovina

While the specific way in which the country is organised allows for a particular multiplication of institutional layers to persist, Bosnia and Herzegovina's international commitments ensure proper respect for local self-government and allow for legislative changes in favour of greater decentralisation, both political and financial.



Bulgaria

Several reforms have modified the organisation and the competences of local authorities in Bulgaria, often implemented in order to reduce costs.

Recently adopted laws have slightly changed the way local authorities operate; additional competences were attributed to local authorities, particularly in the areas concerning control on construction and the encouragement of economic investment actors. Discussions, initiated by the National association of municipalities, are also underway regarding a draft law which should ensure that local self-government is guaranteed by protecting own competences from state intervention, by preventing from legal assignment of unfunded new responsibilities, and by assigning greater importance to citizens' involvement.

The government has imposed stricter rules for budget management and increased the dependence of the municipal budgetary process on the financial ministry's by-laws. In addition to stricter budget controls, a law on public finance has reduced the level of indebtedness that the municipalities can attain to 15% of revenue (compared to 25% previously). The government also requested a 15% reduction in the number of local civil servants in each municipality. The financial transfers from the central level have been

frozen since 2009 (except the general equalising subsidy and the transfers for education) and generally have not been reviewed to take inflation into account.

Lastly, a change in electoral laws in 2011 brought new conditions: local mayors should be elected for settlements of more than 350 inhabitants (previously more than 150); borough mayors in the three bigger municipalities (capital Sofia, Plovdiv and Burgas) should be elected not by a direct vote but by the municipal councils. A 50% decrease in the remuneration of municipal councillors was imposed by legal changes.

Local self-government in Bulgaria

Among the reforms adopted in reaction to the economic and financial crisis, the central government has reduced the share of public expenses at the municipal level. As a result of greatly reduced municipal revenues and practically frozen financial transfers to local authorities, the financial autonomy of local authorities in Bulgaria faces strong difficulties. Nonetheless, a change in legislation concerning the protection of municipal powers could guarantee a certain level of political autonomy for Bulgarian municipalities.

Reforms

- Discussions on proposals aimed at protecting the political autonomy of local authorities
- Indebtedness limited to 15% of resources
- Prohibition against debt nine months prior to local elections
- Increase in municipal competences relating to control on construction
- State financial transfers practically frozen
- Downsizing of the number municipal employees by 15%
- Stricter budget controls for municipalities
- Change in electoral rules
- 50% decrease in the remuneration of municipal councillors



Croatia

Reforms

- Devolution of certain competences to the municipalities and counties
- Increasingly scarce financial resources of local and regional authorities, particularly counties
- Establishment of programmes to cut costs and to reduce the number of officials in county administrations

Today, Croatia is experiencing a movement headed towards greater decentralisation, mainly in favour of its municipalities.

Since 2009, several laws modifying how Croatian local and regional authorities operate have been adopted, concerning in particular the management of farmlands and regional planning, the finances of regional hospitals as well as the salaries of local and regional officials.

These reforms aim in particular to improve the decentralisation process and to give more competences to local and regional authorities, and especially to the municipalities. Started in 2009, this process proved to be particularly dynamic in 2012 and 2013. The devolution of competences could also escalate in the coming years.

The financial transfers from the state to local and regional authorities are, on the whole, in decline. The counties are facing a particularly difficult situation, mainly due to a decrease in their own resources. This translates into a massive decrease in some places in the number of officials, which can in turn impair the effectiveness of these public administrations.

Local self-government in Croatia

While it seems that the country respects the principle of subsidiarity and local self-government in accordance with the European Union's *Treaty of Lisbon* and the Council of Europe's *European Charter of Local Self-Government*, the difficult financial situation of local authorities and counties can hinder the freedom of action of the former. This situation is mainly the result of the effects of the economic and financial crisis on the country's finances.



Cyprus

A draft proposal, which should enter into effect in 2014, calls for the decentralisation of competences and the financial autonomy for local authorities of Cyprus.

A local government reform should go into effect in 2014. In particular, it would introduce a wave of decentralisation of competences within a period of five to ten years and possibly establish an intermediate level of self-government between the municipalities and the state: the district councils. Accordingly, a new voting system may be implemented for the election of the district councillors. This draft proposal is essentially the response to an extensive study made by national associations of local governments in close cooperation with the Ministry of Interior, with the intent to increase the effectiveness and flexibility of local actions.

To this end, administrative changes must go hand in hand with the introduction of changes to the financial rules. New ways of calculating the financial transfers from the state as well as the municipalities' own resources could then be applied. Inter-municipal cooperation has also been promoted and many rural communities are in favour of creating clusters to manage local public services such as the collection and treatment of waste, the sewage system or the water

supply. This reform, launched prior to the economic unease which recently hit the country, aims primarily to improve decentralisation while increasing effectiveness.

Even so, the current situation can present financial difficulties for local authorities as well as accelerate the implementation of this reform. Some mergers between municipalities might also take place sooner than planned.

Local self-government in Cyprus

The current reform aims for the decentralisation of competences and the devolution of substantial financial resources, in accordance with the principle of subsidiarity. Nevertheless, the difficult economic situation calls for special attention in light of the risk it presents to local authorities' finances. Care must also be taken to ensure that the project of merging municipalities is carried out with the consent of local elected representatives and the population.

Reforms

- Wave of decentralisation of competences
- Possible creation of district councils, new intermediary level
- New rules aiming for financial autonomy
- Incentives for inter-municipal cooperation
- Establishment of programmes to improve local efficiency
- Project to merge municipalities



Czech Republic

Reforms

- Withdrawal of certain delegated competences for the smallest municipalities
- Establishment of a new financing system for local authorities
- Reorganisation of municipal services and introduction of programmes to improve efficiency
- Incentives for inter-municipal cooperation and municipal mergers

In order to deal with the high number of municipalities and to improve public administration efficiency, preparations for a territorial reform have been underway in the Czech Republic since 2011.

Public administration reforms drafted by the government in 2011–2012 have not been approved. Early parliamentary elections are to be held in October 2013 and the reforms left on stand-by are expected to be brought forward by the new government. The local government association strongly disagreed with the draft proposals and aims to enter into further negotiations with the new government on a new shape of the reforms.

The reform, which should enter into force partially in 2014 and entirely in 2016, calls for the reconcentration of certain delegated competences in favour of designated municipalities, of which there are 205 in the country out of a total of 6 249. These municipalities will be the sole contacts for the handling of competences relating to the environment, civil status, construction and school reforms. Regular municipalities will only be responsible for competences that are strictly local.

At the same time, new financing methods are being considered, mainly to take new municipal competences into account. These

reforms will also have an impact on the organisation of certain municipal services, which will be merged together with those of several other municipalities. Programmes to improve public administration efficiency, led by these new larger municipalities, have also been set up.

The objective of these drafts is to improve efficiency of local public administration and to cut costs. Czech municipalities, deemed to be too many in number, have also been urged to form inter-municipal associations, or even to merge together to be better positioned to safeguard all their competences. At any rate, there is still no project at national level intended to reduce the number of municipalities.

Local self-government in the Czech Republic

Even though the *European Charter of Local Self-Government* seems to be respected, the reforms ensuing from the crisis, along with the austerity measures, may negatively impact the smallest municipalities. Local public services run the risk of becoming too distant from the citizens, which may raise a number of problems, particularly in the country's rural zones.



Denmark

Following a large-scale territorial reform carried out in 2007, an assessment is underway today to evaluate the modifications.

In 2007, a large territorial reform led to a massive amalgamation of municipalities, which reduced their number from 271 to 98. A minimum of 20 000 inhabitants per municipality was the criterion used at the time. The 15 counties which existed in the country at the time were also consolidated into five large regions. These organisational changes were also part of a significant wave of decentralisation, which gave additional competences to local and regional authorities, strengthening the role of municipalities in particular.

An assessment of this 2007 territorial reform is underway. Modifications on a very small scale might eventually be introduced in the coming months or years in order to take into account any weak points or demands from the population or local and regional governments. Such changes may consist in particular of the reorganisation of services within the local administrations.

Even so, the overall architecture of the territorial organisation in Denmark will not change, as the reform did achieve its expected objectives of strengthening the local level and of improving the effectiveness of local and regional administrations.

Local self-government in Denmark Reforms

In 2007:

- Reduction in the number of municipalities
- Consolidation of 15 counties into 5 large regions
- Significant wave of decentralisation

Today:

- Evaluation of the 2007 reform: minor modifications possible



Estonia

Reforms

- Limited budgetary restrictions
- Decrease of mayors initiative in the field of education
- Draft project on limitation of local autonomy in the field of waste collection

The territorial organisation in Estonia, based on the 1992 Constitution, has not undergone any change since the beginning of the economic and financial crisis.

The country, which consists of 193 rural municipalities and 33 cities, has not experienced any significant change in its territorial organisation, even if a discussion of the possibility of merging municipalities was held several years ago. Estonia also has 15 administrative counties.

The Ministry for Regional Affairs is currently planning a new reform which should be implemented by 2017, but no draft has been presented yet.

As for finances, Estonian municipalities and cities have experienced limited budgetary restrictions on account of the economic and financial crisis. Inter-municipal cooperation exists on a limited scale.

Local self-government in Estonia

There have been some changes in recent years affecting the autonomy of the country's municipalities, the most important are the budgetary restrictions but also mayor interventions on the field of education. Furthermore, a draft legislation was introduced to limit local autonomy in the field of waste collection. However Estonian legislation takes the *European Charter of Local Self-Government* fairly well into account.



Finland

A large-scale reform, entitled *New Municipalities 2017*, seeks to deal with new challenges and to strengthen the role played by municipalities.

In 2006, the PARAS programme focusing on improving municipal efficiency made it possible to reduce the number of Finnish municipalities from 431 to 320 in 2013. Inter-municipal cooperation, particularly among municipalities with less than 20 000 inhabitants, was also strengthened. A new reform known as *New Municipalities 2017* is currently under discussion and could lead to a new restructuring of municipalities.

The main objective is to be able to cope with an ageing population and internal migration and to help these new municipalities become more robust professionally and economically. Health and social affairs would then be wholly dealt with as part of local competences. A new optimal size would subsequently need to be determined in order to be able to manage local public services in a more economical and efficient manner.

These reforms could thus lead to a new reduction in the number of municipalities. If the voluntary process of merging municipalities is not carried out in a given territory, inter-municipal cooperation would

be emphasised instead, particularly in the areas of health and social matters, but for transport and housing as well. The authorities would also seek to achieve significant economies of scale.

However, the decrease in the number of municipalities raises questions regarding the size of some of them, as Finland is a country spread out over a wide area with most of its population concentrated in the southern parts. In the northern areas, the merger of some municipalities has elicited objections in light of the low population density and the resulting remoteness of public services for some inhabitants.

Local self-government in Finland

While the principle of local self-government as defined by the *European Charter of Local Self-Government* is well adhered to, certain small municipalities fear a loss of autonomy as a result of merger projects or a transfer of some of their competences to inter-municipal bodies. Nevertheless, the National Association of Local and Regional Authorities is closely associated with the process of reforms.

Reforms

Begun in 2006:

- Number of municipalities reduced
- Inter-municipal cooperation establishments created
- Municipalities' field of competences changed

Under discussion:

- New programme to reduce the number of municipalities
- Transfer of competences relating to health and social affairs to the larger municipalities or to the inter-municipal bodies
- Reform of the mechanisms regulating financial transfers and state aid to local authorities
- Launch of programmes to reduce costs and to improve the administration's efficiency



Former Yugoslav Republic of Macedonia

Reforms

- More significant decentralisation in the area of spatial planning
- Project to secure greater financial independence for local authorities
- Many restructuring projects within the municipalities

For the past several years, the country has witnessed a strengthening of local self-government, as demonstrated by decentralisation movements in favour of the municipalities.

Changes in legislation occur regularly, according to the needs as expressed by the municipalities. Thus, local authorities were recently entrusted with more significant competences linked to spatial and town planning. This commitment to a greater decentralisation of powers is mainly the result of the obligations taken on by the country as a candidate for accession to the European Union.

The awarding of these new competences was followed by more substantial financial transfers being made to the country's municipalities. There are also plans to improve the financial autonomy of local governments. Moreover, these new competences also triggered a major reorganisation of services, which managed to increase the efficiency of local administrations.

Several software applications have been provided to the municipalities in order to increase the transparency and the efficiency in the implementation of the transferred competences.

Good working relations exist between the national association of local authorities and the government

and legislative proposals are to be submitted for prior approval.

Local self-government in the Former Yugoslav Republic of Macedonia

According to an opinion expressed by the Council of Europe's Congress of Local and Regional Authorities in 2012, while improvements can still be made in terms of local self-government, the progress already achieved is significant and complies with the spirit of the *European Charter of Local Self-Government*. Furthermore, the economic and financial crisis does not seem to have had any undue effect on the country's local authorities.



France

Following the territorial reform approved in 2010 and a law adopted on 17 May 2013, a new “act of decentralisation” under the shape of three bills has been submitted to the Parliament.

The territorial reforms carried out in France assign a very important role to inter-municipal cooperation, particularly when it comes to acknowledging the “urban phenomenon”. A new institutional status has been given to a type of inter-municipal cooperation which has come into being: the metropolitan area. Specific provisions have been prepared for the metropolitan areas of Paris, Marseille and Lyon as all of the departmental competences are to be transferred to them.

The bills currently being discussed provide for the creation of a territorial conference of public action chaired by the president of the regional council at the regional level. It is within this new body that representatives will set the Local Governance Pact, which will organise the implementation of competences at the local level under the aegis of a leader community. The different competences are to be better divided amongst the different levels of local authorities. For example, the regions would clearly play a leading role in the areas of transport and economic development. The regions should also be able to secure

the management of the European structural funds by delegation should they wish to do so. The reforms also provide for the re-establishment of a clause of general competence for the regions and departments – a general delegation to act in the interest of the department or region or in the public interest. The largest French agglomerations (over 400 000 inhabitants instead of 500 000 in the 2010 law) will be given more competences, thanks to a new status of metropolitan areas, in particular in the fields of economic development, energy and urban management.

Since 17 May 2013, the reforms also included a change of the departmental election mechanism to earmark candidates for inter-municipal councils and to assure gender balance.

The issue of the number of mandates that can be held concurrently is also under discussion in the parliament, and the future status of local elected representatives should come out stronger as a result. Finally, French local and regional authorities have also had to endure a negative impact resulting from the economic and financial crisis: the amount of grants from the central state to local and regional authorities is expected to drop by around 1.5 billion euros in 2014 and in 2015 as well.

Local self-government in France

The mayors of the smallest municipalities are apprehensive of seeing their prerogatives weakened in favour of the inter-municipal institutions and the large cities. Even so, a dialogue has been opened between local authorities and the government, and recent legislative proposals seem to comply with the *European Charter of Local Self-Government*.

Reforms

Following the law of December 2010:

- Metropolitan areas established
- Maps of inter-municipal groupings completed
- New status introduced to promote mergers among municipalities

Since the 17 May 2013 law:

- Reform of the local voting system

According to the current bills:

- Creation of a territorial conference of public action at the regional level
- Re-establishment of a general competence for regions and departments
- A new metropolitan area status for the largest agglomerations



Georgia

Reforms

In effect:

- Role of local elected representatives strengthened
- Reform of local and regional public administrations
- New sharing of competences between different levels of government
- New fiscal equalisation rules

Under discussion:

- Project to break up the municipalities
- New wave of decentralisation
- Creation of regions
- Change of voting procedures at local level

Despite significant progress made with regard to local self-government in Georgia in recent years, the new government is now backtracking on these steps forward.

Since 2006, reforms have been underway to promote the autonomy of local authorities in Georgia in order to improve the country's respect of its commitments under the *European Charter of Local Self-Government*. Thus, the passing of different legislation resulted in a strengthening of the role of local elected representatives, a less prominent one for the central executive in local decision-making, a change in the local public administration structure, greater clarity in the division of competences, as well as new fiscal equalisation rules.

New discussions have been underway since the arrival of a new government following legislative elections in October 2012 and are focused on the creation of regions and further decentralisation of certain competences. Stakeholders involved in the discussions suggested changes in the voting system for local elections, the shortening of mandates of local elected representatives from four to two years, and the breaking up of municipalities i.e. bringing the number of municipalities up to 400 from the 69 which exist today.

There could be some restructuring of local public services in the event where the municipalities are broken up. This project has also sparked concerns among mayors, who believe that it was introduced as a result of political calculations made by the new government, and has led these municipalities to fear a more limited political role and greater dependence from the central government.

Local self-government in Georgia

While progress has been achieved in recent years, a recommendation adopted by the Council of Europe's Congress in March 2013 nonetheless expresses this body's concern regarding the political situation in Georgia, mainly in light of political pressure from the opposition perceived by local elected representatives. The project to break up municipalities could also threaten local self-government, particularly in the case where the population and local elected representatives object to it.



Germany

Except for minor changes mainly technical in nature, Germany's territorial organisation has undergone very few modifications in recent years.

The country's federal structure, with four levels of government (Central state, *Länder*, districts and municipalities) has not changed of late. However, a process to merge municipalities, particularly in the new *Länder* in the east of the country, is still underway: the country had 12 431 municipalities in 2006 and only 11 252 in 2013. The *Land* of Saxony-Anhalt, for example, underwent a three-quarters reduction in the number of its municipalities between 2010 and 2011, with their number dropping from 840 to 220. There are also incentives to promote inter-municipal cooperation.

Mainly as a result of a significant increase in expenditure linked to local authorities' social expenditure due to the economic and social crisis, the federal authorities are now covering these expenses, which ease some of the burden on local and regional budgets. Moreover, local and regional authorities' resources were greatly diminished at the beginning of the crisis as a result of how their tax revenue was calculated.

Most *Länder* also set up programmes to improve services and reduce the

costs of administrations, both at regional and local levels.

Local self-government in Germany

In spite of on-going financial difficulties at the local level, the Congress of Local and Regional Authorities of the Council of Europe's visit in 2011 showed that improvements had been made by the authorities and that the country respected the provisions of the *European Charter of Local Self-Government*. Although budgets had been affected by the crisis, local and regional self-government as a whole was preserved.

Reforms

- Local authorities' social expenditure borne by the central government
- Merger process of municipalities still underway
- Incentives to encourage inter-municipal cooperation
- Establishment of programmes to cut costs and improve services



Greece

Reforms

Kallikratis Reform (2011):

- Decrease in the number of municipalities
- Elimination of 54 prefectures
- Replacement of 13 administrative regions with regional authorities
- Decentralisation and new municipal competences
- Longer mandate for local elected officials
- Downsizing of civil servants and rationalisation of the local administrations

Changes resulting from the economic situation:

- Decrease in state financial transfers
- Major cost-cutting programmes
- Lower salaries and further staff cuts

A large-scale territorial reform, called *Kallikratis*, has been underway in Greece since 1 January 2011.

An extensive reform changed the territorial organisation of Greece on 1 January 2011. Planned out prior to the crisis, the different legislative changes were introduced in order to step up decentralisation and to streamline local and regional public administrations. The number of municipalities thus went from 1 034 to 325. Furthermore, the 13 administrative regions were transformed into regional authorities (*peripherias*), which replaced the 54 existing prefectures.

As a result of this decentralisation process, the new municipalities now carry greater weight, particularly at the administrative level, and have seen their competences broadened. In particular, they now play a pivotal role as far as local development is concerned. New financing mechanisms are planned and their political autonomy is rising. Moreover, the mandate of local elected representatives has been extended from four to five years.

Due to the public administration's search for greater efficiency and the economic and financial crisis, local and regional Greek authorities experienced significant budget cuts. The number of civil servants is in decline, along with their salaries, and

major cost-cutting programmes were set up. state transfers were scaled back which worsened already difficult financial situations, especially for municipalities with increased outlays of expenditure as a result of their new decentralised competences, not to mention expenses linked to their populations' growing demands as a result of the social crisis hitting the country.

Local self-government in Greece

While the reform led to additional powers given to local and regional Greek authorities, their financial situation has negatively impacted their autonomy under Article 9 of the *European Charter of Local Self-Government* relating to the financial resources of local and regional authorities.



Hungary

The Hungarian government has launched a movement to recentralise competences in favour of the central state.

The government has adopted a series of measures, mostly aimed at recentralising competences and keeping a closer watch over local activities. Accordingly, the 175 old administrative districts representing the state, abolished in 1984 (*járás*), were re-established as of 1 January 2013 and were charged with managing certain public services as well as carrying out administrative supervision of local authorities.

At the same time, county councils were divested of some of their competences, for example the management of public institutions such as secondary schools, hospitals, social centres, cultural centres or museums. However, they did acquire competences relating to spatial planning and territorial development. Municipalities with less than 3 000 inhabitants were affected by the reforms as well, and were also stripped of the right to manage most public institutions.

Certain legislative provisions also address inter-municipal associations. Even if all member municipalities retain their legal existence, local authorities of less than 2 000 inhabitants must close their municipal offices and join with others in order to form a group

of at least seven municipalities or 2 000 inhabitants, thus offering a single administrative contact to the population. Moreover, water management agencies can now only provide services to populations made up of at least 50 000 people.

Local self-government in Hungary

The current crisis seems partly to blame as the motivation behind the government's drive to recentralise and streamline costs. The reforms undertaken seem to suggest that the autonomy of the municipalities and counties is becoming increasingly precarious.

Reforms

- Re-establishment of the administrative districts devolved from the state (*járás*)
- Loss of the management of public institutions for the general councils and certain municipalities
- Decentralisation of spatial planning and territorial development, as well as the management of European funds, in favour of the general councils
- Obligation for municipalities with less than 2 000 inhabitants to group municipal offices together
- New operating rules for water agencies



Iceland

Reforms

- New rules on ethics and local democracy
- New municipal competences pertaining to services for disabled people
- Inter-municipal cooperation compulsory for municipalities with less than 8 000 inhabitants for delivery of services for disabled people
- New rules concerning local finances and indebtedness

In spite of the crisis which has shaken up Iceland since 2008, the recovery process has led to reforms increasing the autonomy of local governments.

Once the most critical moments of the economic and financial crisis in Iceland were past, a New Local Government Act entered into force in January 2012 and new legislation on transfer from the national government to the 74 municipalities of specialised services to disabled people was implemented. For the first time, the new Local Government Act contains a reference to the *European Charter of Local Self Government*. A new paragraph states that intervention by other government authorities in the affairs of the municipalities shall at all times take account of the municipalities' autonomy under the Constitution and the European Charter. New rules in the act regarding moral standards in politics and ethics can be seen as a direct consequence of the economic collapse which created mistrust between the general public and government institutions.

It is worthwhile noting that the process of adoption of these reforms was based on an extensive partnership between the state and the municipalities. Furthermore, changes in financial mechanisms have accompanied the reforms concerning transfers of tax revenues

from the state to the municipalities or their cooperation units through the Municipal Equalisation Fund, in order to accompany to finance services to the disabled.

Other financial provisions aimed at municipalities were introduced after the crisis. The rules relating to indebtedness have become stricter. Inter-municipal cooperation is also the order of the day and compulsory for municipalities with less than 8 000 inhabitants for delivery of services for the disabled.

Local self-government in Iceland

Local self-government and local democracy seem to have been deemed a priority by the authorities in Iceland in reaction to the economic and financial crisis. The coordination between the central state and the national association of local authorities is, for that matter, considered satisfactory and the new Local Government Act contains a reference to the *European Charter of Local Self Government*.



Ireland

A significant reform of the local public administration is currently in preparation in Ireland.

In October 2012, the Irish government submitted a proposal to reform the local administration. As regards the competences of the country's local authorities, the text notably provides for broader powers over the economic development of the territories. Authorities should also benefit from greater influence, as they would become the preferred contact and coordinator for the different local actors. However, certain other competences are no longer to be managed at the local level, such as water management, which is to be taken over by the governmental agency Irish Water.

Setting out to improve public administration efficiency, the reform also proposes the merger of certain local governments. The regions, which remain at the statistical level, are to be reduced and restructured. Finally, the new legislative texts call for the creation at sub-county level of new municipal districts, and the abolition of town councils. This reform should also lead to a change in the boundaries of voting districts.

While the economic and financial crisis is not the only reason behind this reorganisation, it has pushed the government to move towards greater efficiency. This reform should lead to

extensive restructuring of services and the country's local authorities are to introduce programmes to improve local efficiency, which could in turn have an impact on local and regional officials.

Local self-government in Ireland

Even if certain competences will now fall under their scope, the currently planned reforms could cause local and regional Irish authorities to lose some of their capacity for action, both politically, due to the loss of the right to manage certain public services, as well as financially, with cuts expected in the level of financial transfers from the central state.

Reforms

- New local competences linked to economic development
- Recentralisation of water management
- Merger of certain counties
- Abolition of town councils and creation of municipal districts at the sub-county level
- Restructuring of the statistical regions
- Reorganisation of local services and establishment of programmes to improve efficiency
- Redrawing of some voting district boundaries



Italy

Reforms

- Fiscal federalism rules in place since 2009
- Merger of certain provinces: their number will decrease from 110 to 75 between now and 2016
- Creation of metropolitan cities
- Obligation to form inter-municipal groupings for municipalities with fewer than 5 000 inhabitants
- Programmes to cut costs and improve local public administration efficiency
- Cuts in the budgets of local and regional authorities (centralisation of certain revenue)

While rules governing fiscal federalism have been established, the country is beset by substantial restrictions on account of the current economic situation.

Although discussed at one time, the elimination of the intermediary level of local and regional authorities, the provinces, is no longer a current topic. Nonetheless, some of them, most notably those with less than 300 000 inhabitants, will be eliminated, except for those with the specific status of autonomous province. The number of provinces would thus fall from 110 to 75 by 2016.

The importance of the municipalities and inter-municipal associations was reaffirmed with the establishment of around ten “*città metropolitana*” or metropolitan cities around the country’s largest urban areas. In addition, municipalities with less than 5 000 inhabitants must now share certain competences in order to generate substantial economies of scale.

With regard to local and regional authorities’ financial resources, the fiscal federalism rules introduced in 2009 gave greater autonomy than ever before to the regions. Still, local and regional authorities’ resources are in decline, particularly because of a property tax reform and a recentralisation of certain resources. At the same time, large-scale

programmes designed to reduce costs and improve the efficiency of the public administration have already been in place for several years which has oftentimes resulted in numerous cuts in the personnel of the sub-national authorities.

Local self-government in Italy

Current policy reflects a move towards greater decentralisation, both in terms of the division of competences and of financial autonomy. Nonetheless, cost-cutting measures and a decrease in local and regional authorities’ own resources can be detrimental to local self-government in Italy. It should however be noted that the reforms were adopted by the old government and that new reforms are to be announced by the present government.



Latvia

A large-scale territorial reform undertaken in 2009 ended in the elimination of districts and the merger of a large number of municipalities.

On 1 July 2009, a major territorial reform went into effect in Latvia. All 26 districts and 586 cities and municipalities existing at the time were replaced by 119 single-level local councils: 110 municipalities and 9 republican cities. The regional level was then reorganised – after abolishing the districts, the role of regional governments was transferred to planning regions, which are implementing the role of regional governments during the transition period. According to the legislation adopted, the central government must propose a new law on regional governments until 31 December 2013. Even if the old municipalities – towns and parishes – were kept as municipal divisions, the new entities are no longer local authorities as such. The goal of this reform was to simplify the territorial organisation and to create stronger municipalities with broader powers and is not connected to the financial and economic crisis.

As a result of the economic and financial crisis, local authorities have been able to discern a decline in revenues. Taken alongside the unfavourable economic situation, the municipalities' share of personal income taxes decreased from 83 to 80%.

In addition to a monitoring mission carried out by the Council of Europe's Congress of Local and Regional Authorities (CLRAE) in November 2010, this organisation expressed its regret at the absence of regional governments in the country following the 2009 reform. The CLRAE recommendation therefore advocated for the transformation of the current planning regions into proper regional authorities in their own right.

Local self-government in Latvia

The administrative territorial reform implemented in 2009 strengthened Latvian local authorities and their political autonomy. Even so, the loss of revenue due to the economic crisis and the austerity measures introduced must be monitored in order to ensure that it does not endanger municipalities' capacity for action.

Reforms

- Abolition of the districts
- A large number of municipal mergers
- Decline in the share of income tax revenue earmarked for the municipalities



Lithuania

Reforms

- Elimination of the level of regional administration devolved from the state
- Devolution of certain competences to the municipalities
- Restrictions concerning municipal debt
- Drop in state financial transfers
- Establishment of programmes to improve efficiency and cut back on the number of local and regional government employees

The country's legislation underwent a major change with regard to local authorities and their financing in 2009 and 2010.

Structured around an organisation of only one level of local government, municipalities in Lithuania went through a series of major cuts in financing and financial autonomy throughout the economic crisis.

The regional level of government devolved from the central state was in fact eliminated by disbanding regional governors' offices, which led to the transfer of many competences to local authorities, even if most of them were taken up again by the central Lithuanian government. A merely rudimentary regional level was left, represented by the regional development councils, a body for each region, and its municipalities to adopt decisions on common issues, however, in fact almost without administrative structure to support its implementation.

Lithuanian municipalities have experienced cutbacks in financial transfers from the central state, which must be seen alongside new restrictions with regard to the autonomy of decisions and the borrowing and debt of municipalities, despite the borrowing limits being more than doubled in average. The government is also urging local authorities to exercise much more

restraint and rigour when it comes to their expenditures.

As a result of this difficult financial situation, many municipalities have made multiple efforts to improve their administration's efficiency and cut costs. A downward trend in the number of employees in the local and regional administrations has been noted in particular.

Local self-government in Lithuania

The reforms enacted since the beginning of the economic and financial crisis may cut down on the financial independence of Lithuanian local authorities. Even though certain competences have been recently transferred to the municipalities, the amount of accompanying resources is rather disproportionate to the missions assigned, which may diminish local authorities' options and scope for action.



Luxembourg

There has been a movement in recent years in the Grand Duchy of Luxembourg pushing for the merger of certain municipalities.

An independent unit has been set up to put together recommendations regarding the merger of municipalities in Luxembourg and aims to encourage such unions. The Grand Duchy today has 106 municipalities and wishes to see this number reduced to 70 over the next few years. Municipalities with less than 3 000 inhabitants are particularly concerned by the measure.

The resulting new municipalities should enjoy increased autonomy. The new size of these municipalities should in fact make them more capable of better carrying out certain local public services connected to particular competences under their remit. Inter-municipal cooperation is also being encouraged and the grouping of inter-municipal services is fairly common.

Lastly, the competences of local authorities in the country might undergo modifications although it is unlikely that any radical changes would be introduced. Discussions along these lines have been ongoing for several years with nothing to indicate that a final resolution is forthcoming.

Local self-government in Luxembourg

The national association of cities and municipalities is actively associated in government decision-making and is represented on the unit dealing with the mergers of municipalities. It appears that the *European Charter of Local Self-Government* is properly respected and that the municipalities have not been subject to budget restrictions or negative effects from the crisis.

Reforms

- Encouragement of inter-municipal co-operation
- Programme for merging of municipalities, in conjunction with the local authorities and populations concerned
- Grouping of inter-municipal services



Malta

Reforms

- Transfer of competences to the municipalities
- Encouragement of best practice exchanges between local councils
- Establishment of programmes to improve the efficiency of local authorities
- Creation of five regions

Even though territorial reforms seem to have improved the situation of local self-government in Malta, local and regional authorities still only manage a small number of competences.

Local self-government is a relatively recent idea in Malta: the first local councils were not created until 1993. The Council of Europe's Congress of Local and Regional Authorities issued two recommendations, one in 2002 and the other in 2011, monitoring the country's compliance with the *European Charter of Local Self-Government* and its implementation of the principle of subsidiarity.

A few small scale reforms have been carried out in recent years, mainly in order to transfer more competences to the municipalities. The Maltese government has been promoting the exchange of the best practices as well seeking to improve the efficiency of local authorities.

In addition, five regions were created: four on the island of Malta and one on the island of Gozo. In any case, like the municipalities, these regions have very few powers.

Local self-government in Malta

The regions and municipalities in Malta only manage a small amount of funds and very few competences. They remain very dependent on the central government and do not seem to enjoy any real local autonomy.



Moldova

So far there are only declarations and discussions regarding local autonomy and decentralisation in Moldova. Not a single decentralisation measure has been approved by the Parliament or entered into force yet.

Since 2009, decentralisation and consolidation of local autonomy are considered governmental priorities for the progress in social affairs, economic development and democratisation of society. A radical and comprehensive reform of local finances is currently awaiting its final approval by the Parliament. De facto reforms were formally launched after the National Decentralisation Strategy went into force on 12 September 2012.

The fiscal decentralisation reform is expected to have a large impact on budgets and financial organisation of local and regional authorities. This new reform introduces fixed quotas of shared taxes, separates transfers with special and general destinations, separates transfers to 2nd and 1st tier local governments, and liberalises the fiscal efforts of local authorities. At the same time, a heavy issue of financing the newly delegated competencies has surfaced, as the government is trying to cancel funding of a large majority of previously centrally financed competencies.

The draft calls for a change in the division of competences in the area of education, which would be managed in the future by the regional level (2nd tier) instead of the municipalities. The objective of this reform is to introduce important savings into a fairly expensive education system and to ensure equal access to education. However, local authorities point out the heavy departing from subsidiarity principle, the centralisation of the competence, and the political dependence of the 2nd tier of local public administration from central government.

Local self-government in Moldova

Except for the local finance reform which remains to be approved, the central government repeatedly attempts centralisation and provides local authorities with more competences, but without complementary fiscal decentralisation. Apart from education, centralisation has recently been manifested in the financing of police, in water management, rigorous controls of public procurement, national development funds, and the excessive and quite often abusive controls of local governments' operations.

Reforms

- Controversial delays of reforms
- National decentralisation strategy approved as a law but used as a guideline
- Elaboration of sectorial decentralisation strategies
- Fiscal decentralisation reform stalled (approval on going)
- Changes in the remuneration of personnel and elected officials of local and regional authorities
- Recentralisation of education in favour of the regions (2nd tier of local public administration)
- Further centralisation of police, water services, public procurement and development funds



Montenegro

Reforms

- Decentralisation of competences concerning regional development and consumer protection
- New financing rules
- Auditing programmes in the municipalities
- New rules concerning the election of local representatives

Despite the decline in local budgets on account of the crisis, several changes to the law on local authorities support the idea of increased decentralisation in Montenegro.

Since the beginning of the economic and financial crisis, the law on local and regional authorities in Montenegro has undergone three modifications: in 2009, in 2010 and in 2012. Certain competences, mainly those concerning regional and urban development as well as consumer protection, were thus decentralised and entrusted to the country's 21 municipalities.

New rules on the financing of local authorities were instituted as well. It should also be noted that municipal resources have shrunk since the onset of the crisis. Furthermore, programmes to improve efficiency and carry out internal audits in the municipalities were set up to reduce public administration costs.

A few modifications have also affected local elected representatives. The municipal term of office has been shortened from five to four years. Mayors are now elected by the municipal assembly instead of direct election.

Local self-government in Montenegro

Even though decentralisation measures have bolstered the municipalities' powers, the economic and financial crisis has increased their dependence on the central state in terms of financial transfers.



Netherlands

Three texts that are currently going through the process of adoption call for the decentralisation of certain competences in favour of Dutch municipalities.

Several texts in preparation aim to entrust local authorities with additional competences, in particular with regard to social policy (by 2014), health, and policies relating to youth (by 2015). However, certain competences will be subject to more governmental control. While additional financial transfers will compensate for the new expenditure, the central government will also be introducing cuts to the previous budget of around 30%, citing better efficiency and fewer claims at the local level in managing these services.

In conjunction with the objective to reduce the costs of local and regional administrations, Dutch authorities have been pushing for the consolidation of provinces and municipalities, even if these territorial changes are to be carried out on a voluntary basis. The boroughs of Amsterdam and Rotterdam will also be eliminated. Additionally, in recent years, many municipalities have increasingly relied on inter-municipal cooperation in order to manage their new decentralised competences. These agreements are neither legally pre-established nor obligatory and they depend on the

services involved, so as to avoid a top-down imposition.

The search for better efficiency at local level led the municipalities and provinces to implement budget cuts, especially shortages on ground operations and reduced value of their ground possession. Many local and regional authorities have in fact been cutting their operating and payroll costs.

Local self-government in the Netherlands

The reforms currently being carried out strengthen the competences of Dutch municipalities, but the financial difficulties that local and regional authorities face may adversely affect local and regional self-government.

Reforms

- Decentralisation in the areas of social affairs, health and youth policies in favour of municipalities
- Promotion of mergers among the municipalities and the provinces
- Wide-ranging inter-municipal cooperation
- Reorganisation of local services
- Decline in financial transfers from the central state
- Programmes to reduce costs and cut personnel



Norway

Reforms

- New municipal competences in the areas of health and social affairs
- New financial resources for the counties

A reform introducing a new sharing of competences between the two levels of local and regional authorities went into effect in 2010.

A reform modifying the territorial organisation of Norway went into effect on 1 January 2010. Although the elimination of counties had at one point been discussed, the three levels of government (consisting of the central state, 19 counties and 428 municipalities) were kept and this structure has now been reinforced through a new sharing of competences.

This new division lends more weight to the municipalities in the areas of health and social affairs. Thus, this reform should lead to greater decentralisation by strengthening local democracy and by guaranteeing the autonomy of the municipalities and counties.

Counties now have more substantial resources at their disposal which consequently increases their financial autonomy. The budgets of municipalities also grew in proportion to their newly assigned competences. For that matter, Norwegian local and regional authorities do not appear to be facing severe budget restrictions due to the crisis.

Local self-government in Norway

Respect for the principles of local self-government and local democracy seems to have been a priority for the government when setting out this territorial reform. Furthermore, the national association of local and regional authorities was very closely involved in this process of legislative changes.



Poland

Since the implementation of a major territorial reform in 1999, only some marginal reforms have been in the works in Poland.

Political discussions are underway in Poland envisaging to increase local autonomy and flexibility of organisation of some services. These changes should help to increase efficiency and reduce costs, as well as to introduce fiscal incentives for voluntary amalgamations of municipalities. The envisaged changes do not modify the overall structure of the territorial organisation in Poland, but would enhance the autonomy and flexibility of local governments.

A draft amendment on the reform of local public finance was proposed by the national association cities with the support of 300 000 citizens' signatures, but the national government expressed its disagreement with the proposal.

Another debate concerns the organisation of metropolitan areas, with many contributions calling for special governance arrangements around several major urban centres in the country, where 65 cities already exercise the powers otherwise vested in the second-tier level (*powiat*) of local government. Bottom-up arrangements have taken place in response to a dismissed draft act on metropolitan areas, with the creation in 2007 of the Upper Silesian

Metropolitan Union, joined by 14 cities with county-level powers, concerning over two million inhabitants in total, or with the signature in the same year of the *Tricity Charter* on co-operation between three urban areas at the Baltic coast.

Lastly, the competences of Polish regions are to be strengthened under a 2009 law.

Local self-government in Poland

While the financial autonomy of Polish local and regional authorities has been undermined as a result of the crisis and austerity measures, the proposed draft amendment could reinforce this autonomy. The *European Charter of Local Self-Government*, ratified without reservations, seems to be well adhered to in the country.

Reforms

- Draft amendments on local authorities' financial mechanisms
- Proposal to provide financial incentives for mergers
- Strengthening of the competences of the regions
- Establishment of programmes to reduce costs and increase efficiency



Portugal

Reforms

- Decentralisation of certain competences in favour of the municipalities
- Elimination of 1 500 civil parishes
- Significant reductions in financial transfers
- Greater cooperation among inter-municipal communities and in metropolitan areas
- Cost cutting introduced in local administrations

A large-scale territorial reform is currently being carried out in Portugal in response to cuts in public expenditure brought about by the crisis.

A major reform, which was approved in part by the Parliament in 2012, drew inspiration from the recommendations made by the Troika (European Commission, International Monetary Fund and European Central Bank) to the Portuguese government as steps towards overcoming the country's financial difficulties. The purpose of this reform is to streamline local authorities' finances and it does not alter the territorial organisation of the country. There are no plans at the moment to establish regions in mainland Portugal.

In addition to instituting wider controls over public finances, this reform sets out to decentralise certain competences in favour of the country's municipalities, particularly in the areas of public health and healthcare services, management of green spaces and urban planning. It also calls for a decrease in the number of civil parishes, sub-municipal local authorities corresponding mostly to villages, with jurisdiction over matters such as education or health at the local level. Of the 4 259 parishes existing at the start of the reform, around 1 500 are to be dissolved, which will result in a drop in the number of local elected representatives.

The Portuguese local administrations now need to tackle the major task of cutting costs at a time when their resources are diminishing, particularly those coming from state transfers. Along these lines, the 23 inter-municipal communities and the two metropolitan areas of Lisbon and Porto have increased their cooperation in order to achieve further economies of scale.

Local self-government in Portugal

Given the low level of coordination between the government and local authorities in Portugal, the new provisions and the withdrawal of state funding could have a negative impact on local self-government. The elimination of some civil parishes, which might put distance between citizens and public services, must also be monitored, particularly in the rural areas.



Romania

Already under discussion for several years, a territorial reform in Romania sets out to transform the current statistical regions into fully fledged regional authorities.

Romanian authorities are currently involved in a movement towards decentralisation and are preparing for the transformation of eight statistical regions into regional authorities in their own right. These new regions are expected to benefit from a large-scale transfer of competences from the central state, the counties (judet) and the municipalities. The exact details surrounding these new competences have still not been officially determined, but they will require revisions of the framework agreement on decentralisation and of the law on public administration.

These regions are meant to enjoy a great deal of financial autonomy. The financing plan for local and regional authorities and the tax code should be modified accordingly, in a way that will also help the development of local self-government. The existence of these new regional entities may also trigger the restructuring of services and changes in the number of civil servants. It is also worth noting that the presidents of these new regions are proposed to be elected by direct vote.

The creation of regions is not connected to the economic and

financial crisis, as the discussions on this topic have been on-going for more than ten years. Major plans to reduce costs and improve public administration efficiency may, however, affect the organisation of local and regional authorities in Romania. There have also been discussions concerning the salaries of local and regional civil servants, as well as their training.

Local self-government in Romania

Even though decentralisation will result in the transfer of competences currently held by the municipalities and counties, the reform seems to comply with the principles of subsidiarity and local self-government, particularly in terms of finances. Nevertheless, the cutbacks in the budgets of local and regional Romanian authorities may threaten the financial autonomy of the sub-national governments.

Reforms

Regionalisation:

- Transformation of statistical regions into regional authorities
- Wide-ranging transfer of competences from the central state, the counties and the municipalities considered
- Changes foreseen in financing mechanisms for local authorities to improve financial autonomy
- Proposal to elect the president of the region by direct vote

In connection with the economic climate:

- Establishment of significant programmes to cut costs and improve efficiency
- Restructuring of services and adjustments in the number of personnel



Serbia

Reforms

Reforms implemented:

- Change in the law on financing of local authorities: change in the calculation of state transfers and liberalisation of prices for local public services
- Reform regarding the status of Vojvodina
- Increase in the number of civil servants and reorganisation of services
- Establishment of cost reduction programmes

In preparation:

- Change in the law on local authorities
- Change in the law on local and regional civil servants

Many laws adopted since the onset of the crisis have had a direct impact on local authorities in Serbia, particularly on a financial level.

There are two laws in preparation and under discussion that might change the present legislation on local authorities and on local and regional civil servants. A slight increase in competences led to a rise in the number of local and regional personnel and the internal restructuring of some municipalities. In addition, a law passed in 2009 revised the status of the Autonomous Province of Vojvodina and strengthened its rights and autonomy.

With regard to budget, a law dealing with local and regional authorities' finances was adopted in 2006 and revised several times over the course of the crisis. Local authorities' own resources have thus tended to reflect a downwards trend. Furthermore, a regulation regarding financial transfers from the state was scheduled for May 2009, but it was delayed until 2011. It has nonetheless altered the calculation of the transfers, resulting in a further decline in local resources.

The drop in local governments' own resources as well as in state transfers was partly offset by a regulation authorising free price fixing of local

public services. In addition, the rate of local authorities' share of social security contributions went from 40 to 80%. Programmes to reduce local administration costs and improve efficiency were also introduced.

Local self-government in Serbia

While the legislation passed does not seem to pose a threat to local and regional self-government in Serbia politically speaking, the loss of resources can nonetheless create difficult economic situations that can impair local governments' freedom of action.



Slovakia

A recently adopted constitutional law lays out stronger rules with regard to the public debt of local and regional authorities.

A constitutional law on the budgetary accountability of local and regional authorities was adopted in March 2012. This legislative change sets out in particular new financing mechanisms for local and regional authorities in Slovakia as well as new rules on indebtedness that are to go into effect beginning in 2015. Another bill calls for the merger of decentralised state administrative offices (without self-government status). Today, there are 248 such units, although they are to be merged with existing 72 districts (*okres*) by the autumn of 2013.

Recent statements of the Prime Minister and the President have opened a public debate on the possibility of merging eight regions. The new map reflecting such territorial organisation in Slovakia might therefore only indicate three regions, with Bratislava as a part of West-Slovak Region, or the so-called "3+1 model" with Bratislava as a special territorial unit with regional competences. These suggestions may lead to a reform, which could be introduced as early as 2017.

While there is no official plan in progress to decentralise further competences, the government

has launched a programme proposed and supported by the national Association of towns and communities to audit local finances and competences. Depending on the results, it could lead to proposals of competence changes in 2014.

Local self-government in Slovakia

The territorial reforms being undertaken and discussed do not seem to compromise the autonomy of Slovak local and regional authorities, but their outcomes are still unclear and are to be decided by the outgoing audit. It is worth noting that good relations based on cooperation exist between the national association of towns and communities, a member of CEMR, and the Slovak authorities.

Reforms

Regionalisation:

- Adoption of a constitutional law on budgetary accountability in March 2012
- Merger of districts existing under the state's decentralised administration
- Debate on possible mergers between regions
- Launch of a programme to audit local authorities' competences and budgets



Slovenia

Reforms

- Reform affecting local mandates
- Changes in the financing of municipalities
- Own revenues of local governments will become shared taxes
- Attempt of ad-hoc territorial reforms through elimination of municipalities
- Discussions regarding the possibility of creating regions postponed

Many centralising legislative proposals affecting local authorities are being implemented in Slovenia, while the regionalisation of the country remains postponed.

There are 211 municipalities in Slovenia today and 1 more being established, which will begin to function formally after local elections in autumn 2014. The organisation of a municipality as a basic unit of local self-government is prejudiced in the Constitution of Slovenia and in greater detail in the Local Self-government Act as an umbrella act in the field. The Law on Local Self-government, enacted in 1993 and revised various times since, defines the operations, rights and authority of local self-governments and their relationship to the state.

In 2013 some attempts to change the Act on local elections and the Act on local-self-government have been made. The proposal was tightening the criteria for the termination of the mandate of the municipal council members, the mayor and deputy-mayor.

In 2012 and 2013, massive interferences in the legislation regarding local self-governments financing were attempted. Lump sum amounts for the year 2013 and 2014 were decreased by more than 10%. Recently the government proposed a law on financing the Municipalities, which breaches the principles of the *European Charter of Local Self-Government* and the recommendations of the Council of the EU in terms of budget management.

Law on real estate tax could cause great damage to the financial sufficiency of local self-government. It critically encroaches upon the right of municipalities to have the real estate tax as their own revenues with the constraint to share it by half with the central government. The act will enter into force in the beginning of 2014.

At the same time, a proposal of the national territorial organisation, without consulting the municipalities or the representative organisations, was presented to the public, introducing the concept of

eliminating all municipalities with less than 5 000 inhabitants with the clear premise of supposed money-saving. After harsh critique, it was postponed until 2018.

The 2006 Constitutional amendments in the area of local self-government will enable Slovenia to get a two-tiered self-government. After years of professional and political debates, the model which already prevails strongly in most European countries is considered. A visit by the Council of Europe's Congress of Local and Regional Authorities in 2011 highlighted how important the creation of regions is in Slovenia. Today, in spite of several attempts, there is still no agreement on the number of regions or their particular competences. The establishment of the regions is postponed due to the lack of political will.

Local self-government in Slovenia

The *European Charter of Local Self-Government* seems to be well known, but in crisis, less respected in the country. The mission representing the Congress of Local and Regional Authorities pointed out the frailty of local authorities' autonomy and the need to create true regions in Slovenia.



Spain

A large-scale reform aimed at modifying the law of 1985 on local administration is currently being discussed in Spain, within a context of substantial budget restrictions.

The Spanish government has been seeking to reduce the cost of local public administration by around 7.1 million euros per year. It presented a first proposal of an ambitious reform of local government in February 2013. However, the draft legislative project encountered reluctance and opposition from the local government world, including the governing party's local leaders. Furthermore, an opinion statement issued by the Council of state in June 2013 severely criticised the proposal. Consequently, the government did not approve the final version of the legislative proposal until late July 2013, and sent the draft to Parliament on 2 August. Parliamentary discussions started in September 2013 and they should last some months. With the ample majority supporting the cabinet, the new statute should be approved by the end of 2013 or the beginning of 2014, probably with minor amendments.

Compared to the initial drafts, the final legislative proposal titled "Sustainability and rationalisation of local government Act" is less ambitious and "aggressive" towards local authorities. However, several

reforms are envisaged:

The bill focuses on the overlap of competences between the different levels of government and attempts to clarify this point by attributing one competence to one administration. The existing local competences relating to education, health and social services will be transferred to the autonomous communities, a change which would allegedly lead to savings of 3.2 billion euros. Furthermore, the general residual clause of competence in favour of municipalities has been removed: municipalities will only be allowed to act in domains clearly authorised by the laws (either national or regional);

The provincial authorities (diputaciones provinciales) will be significantly reinforced. For this purpose they received increased powers to coordinate the delivery of public services by the municipalities of the provinces having less than 20 000 inhabitants, and in several cases they may even be entrusted to deliver those municipal services in municipalities that prove to be financially unable to provide such services above a certain quality standard; There will be a greater number of state (and regional) financial controls over the municipalities, and the in-house financial and accounting controls, existing in every municipality, will get a stronger role; Remunerations of local councillors and mayors are

Reforms

Currently in force:

- Law on the financial stability of public administrations
- Programmes to cut costs in many municipalities

Currently under discussion:

- Revision of the division of competences among different tiers of government, with transfers of certain municipal competences to the regional level
- Management of public services from the small municipalities unable to sufficiently reduce their costs may be transferred to the provinces
- Discontinuance of full-time remunerations for mayors and municipal councillors of small municipalities; salary caps on regular remunerations of mayors
- Escalation of administrative and financial controls
- Obligation to present balanced budgets and debt-reduction plans

tightly regulated in a way which severely reduces the number of municipalities whose local councillors may be paid on a full-time basis: this measure will especially concern mayors of municipalities with less than 1 000 inhabitants, along with a high percentage of the country's municipal councillors. Furthermore, a salary cap has been established so that no mayor in the country may earn a higher salary and wages than certain central government top-rank officers, which are determined in the annual General State Budget Act.

Mergers of local authorities are regulated for the first time in national legislation, and a set of incentives are established to accomplish such amalgamations; The world of local government quasi-autonomous organisations (municipal corporations and foundations, inter-municipal associations) is regulated in a rather restrictive way: existing bodies will only survive in the future if they are clearly economically viable, while strict conditions are set for the creation of new ones.

must also be seen in its broader context: the municipal deficit only accounts for 4% of all Spanish debt.

Local self-government in Spain

The recentralisation of certain competences and the financial difficulties of local and regional authorities in times of economic and financial crisis may put the autonomy of Spanish communities, provinces and municipalities at risk. This reform



Sweden

While debates have been held in Sweden concerning a possible regionalisation of the country, the territorial organisation has not been modified.

There are some minor changes which concern the organisation of municipal assemblies, specifically the creation of a new threshold, which should allow the smaller political parties to be better represented.

A transfer of competences that enabled the counties to take over the matter of transport in recent years has resulted in better efficiency in the management of this service.

A draft proposal on regionalisation was discussed for several years, based on the idea of transforming the 21 existing counties into around 6 to 9 large regions. However, this reform proposal has since been abandoned.

Local self-government in Sweden

The *European Charter of Local Self-Government* seems to be properly applied in the country. Local and regional authorities do not appear to have been subject to budget cuts as a result of the crisis. Finally, it may be observed that a good level of coordination exists between the government and the national association of local authorities and regions.

Reforms

- Better representation of the smaller political parties of municipal assemblies
- Assigning of competences relating to transport to the counties
- Discussions on a regionalisation of the country



Switzerland

Reforms

- A 2008 law improved the rules on fiscal equalisation
- Attempts at national level to achieve more balance in the division of competences of the local authorities
- Incentives for inter-municipal cooperation
- Programme for voluntary mergers between municipalities
- Programmes to reduce costs in a large number of cantons

The federal system grants a considerable amount of autonomy to the cantons with regard to the management of their municipalities.

For some time, Switzerland has been active in attempting to reduce the number of its municipalities. Accordingly, in 2012, only 2 495 municipalities remained out of the 3 021 existing in 1990. Most of the cantons have been pushing for municipal mergers, sometimes by proposing financial compensation, but the final decision needs to be approved by popular referendum. Similarly, the country has been exploring ways to significantly develop its network of inter-municipal cooperation.

The federal state is also seeking to shrink the disparities between cantons. A 2008 law set up fiscal equalisation in order to give equal opportunity to each territory and to prevent any regions from suffering disproportionately from negative effects resulting from the economic and financial crisis. There have also been efforts to readjust municipalities' competences, distributed differently from one canton to the next, at national level, to achieve a better balance.

Any final decisions concerning local authorities depend, however, on the cantons and the views of the people. Any cost reduction or municipal

efficiency improvement programmes that have been established are not in response to a national directive.

Local self-government in Switzerland

All decisions affecting local authorities in Switzerland are carried out in cooperation with the population concerned, through consultations scheduled on a very regular basis. Moreover, municipalities and cantons do not seem to have been subject to any major budget cuts on account of the crisis that might hinder their autonomy.



Turkey

Several reforms carried out in Turkey pretend to promote local self-government and the development of a modern local administration.

The process of decentralisation, which has been a work in progress in Turkey since 2004, apparently went through an overhaul in recent years with several reforms. On paper, the country's local and regional authorities have been bolstered by a clause giving them general competence and management over all local public services. The central government's administrative supervision over sub-national authorities has also been presented as more relaxed at the political and financial levels, and the same applies to the management of personnel. Indeed, any hiring at local level previously required governmental authorisation. Nevertheless, the reforms have been watered down in practice and the central supervision is still predominant.

A law passed in March 2008 set out to reduce the number of municipalities: those with less than 2 000 inhabitants lost their status of local authority. However, this law has been applied only partially. Any new municipality created as the result of a merger needs to have a minimum of 5 000 inhabitants. Inter-municipal associations, particularly those regarding water distribution, are strongly encouraged by the central

government in the rural areas.

Some reforms underway in Turkey also try to modernise the local public administration by setting up programmes in the municipalities and provincial administrations that are intended to improve efficiency and promote innovation. Progress has also been made in terms of financial autonomy, as it seems that there has been an increase in state transfers in favour of municipalities since 2008.

The Metropolitan Municipality Law (December 2012) is set to dramatically change the administrative structure following the local elections in 2014: 14 more metropolitan municipalities are to be established in addition to the existing 16, and the Special Provincial Administrations within the metropolitan municipalities will be abolished. Legal entity of villages and town municipalities within the metropolitan provinces will be abolished and these units are to be transformed into municipal neighbourhoods (*mahallas*).

Local self-government in Turkey

Although local self-government has not yet been fully achieved, the reforms carried out in recent years do promote – on paper – a modern public administration based on the standards promoted by the Council of Europe and the European

Union. Metropolisation is promoted at the expense of surrounding municipalities and powers of provincial governors and district sub-governors are being reinforced.

Reforms

- Loss of municipal status for municipalities with less than 2 000 inhabitants
- Minimum threshold of 5 000 inhabitants in order to create a new municipality
- Promotion of inter-municipal associations
- Increase in financial resources since 2008
- Institution of a general competence clause for municipalities
- Establishment of programmes to improve efficiency and promote innovation



Ukraine

Reforms

- Decentralisation reform in parallel of a deconcentration reform
- Project to merge municipalities
- Creation of groups of local authorities based on inter-municipal cooperation
- Change in local authorities' financial mechanisms
- Reorganisation of administrations and local public service

A reform that would affect the country's local and regional governments is currently under discussion in Ukraine.

A draft reform is currently officially being adopted. Its implementation provides two stages: preparatory (2012) and principal (2013–2015). The former consists of legislative changes aiming at improving the current organisation and advancing local self-government.

In practice, the reform is already half-way implemented. Most of the ministries are represented at the local level. Competences of the central administrations have been transferred to the Executive committees (it remains a transfer of the deconcentration type, as this administration depends on the central government). However, there is no main document to serve as a basis for the reform in the future. The reform provides further enlargement of competences of Executive committees and local authorities, as well as territorial changes at the local level, including merging of municipalities on a voluntary basis.

The financing mechanisms of Ukrainian local and regional authorities will be modified as well, as the reform provides for an increase of local fiscal income due to a new repartition of taxes, which are currently perceived only in favour of the state budget. The approach

and the way of calculating financial transfers at the different levels will be changed as well.

Furthermore, the reorganisation of services is underway, mainly due to an increase in the number of inter-municipal cooperation associations. Programmes to improve the efficiency of administrations and to reduce public expenditure have been set up in many authorities as well.

The final goals of these changes are economic development, salary growth, reduction of the unemployment rate and the improvement in quality of life. The way to succeed is by strengthening the decentralisation trends.

Local self-government in Ukraine

The reforms presently being carried out strengthen the political and financial autonomy of Ukrainian local and regional authorities. In addition, the country's local authorities do not seem to have experienced financial difficulties that were too severe as a result of the crisis.



United Kingdom

For the past few years, the United Kingdom has witnessed a substantial scaling back of the State at local level.

Since the start of the economic and financial crisis, several laws have modified how local governments operate in the United Kingdom. In particular, they can now count on broader powers in the areas of health and social services (in England). At the same time, British local authorities must deal with a substantial withdrawal of the state. Since these restructurings first took place, the central state has reduced its financial transfers to local authorities by around 33% (in England), and new restrictions might be introduced in the coming months.

Local councils in the United Kingdom must therefore find solutions in order to properly manage their competences. Large-scale cost reduction programmes made it possible to lower local expenditures by 12.5% between 2010 and 2012, a result reached in part by the existence of inter-municipal cooperation agreements, which cover 95% of the country's local authorities. Local and regional council workers also have cause for concern with cuts in jobs and salaries. Lastly, 40% of local governments increased their taxes in 2013, passing the effects of state cutbacks onto the citizens. In the event where no remedy can be found, this situation can lead to

the discontinuance of certain local services.

Local governments in Scotland have separate jurisdiction within the UK, but must also deal with major budget restrictions. They just faced the centralisation of police, fire and some social services. However, there are more approaches, such as the emphasis on preventative spending, integrated local-central outcome-based approaches, and community planning. Certain plans propose reducing the number of local councils from 32 to 15, affecting a population of 5 million inhabitants over the next few years. Moreover, this follows the decentralisation of local competences by the Scottish government.

Local self-government in the United Kingdom

Unlike other European countries, it is not the prospect of having their competences recentralised which preoccupies British local governments, but rather the perceptible withdrawal of the central authority. This means that even though local councils enjoy wide latitude when it comes to political action, their local autonomy may encounter problems in the future as a result of these economic difficulties.

Reforms

- Broadening of local competences
- Cuts in state transfers of around 33% over a period of a few years
- Dynamic state of inter-municipal cooperation
- Cost cutting in local administrations and payroll cuts
- Increase in local taxes
- In Scotland, proposal to merge municipalities and recentralise certain competences

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CCRE – CEMR

Square de Meeûs, 1
B-1000 Brussels
Tel: + 32 2 511 74 77
Fax: + 32 2 511 09 49
www.ccre.org
E-mail: cemr@ccre.org



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