



**Meeting of the Bureau of the
Union of Socialist Local and Regional Representatives in Europe
on 9 November 2012 in Berlin**

Resolution of the USLRRE

« Ensure Sustainable Financing of Local and Regional Authorities in Europe »

The socialist local and regional representatives of Europe formally demand from European States and the European Union to guarantee the conditions necessary for sustainable funding of their local and regional authorities in Europe. This is particularly important in the face of the economic and social consequences of the current crises of the banking sector and of the public debt, and the measures agreed upon between the Member States of the Euro Zone. These shall not weigh upon local authorities.

The cohesive society comes to its own especially in local and regional authorities. They make an important contribution to social cohesion, as well as to the day-to-day working of the lives of the people living in Europe, by offering their diverse services to citizens and by ensuring, in particular, the fulfilling of responsibilities in the social sphere of the State as a whole. Local and regional authorities play an important role in making sure that all citizens take part in the societal, economic and cultural life of the community on the basis of the principle of solidarity.

The socialist local and regional representatives of Europe recall that the over 90,000 local and regional authorities of the European Union represent 1/3 of public expenditure, and over 2/3 of public investment. . Through their investments, their economic promotion and innovative infrastructure policies they can give a strong impulse for sustainable growth and make an important contribution to the safeguarding of jobs and the creation of new employment. They thus also act as stabilisers that counter economic crises.

Europe therefore needs cities, and local and regional authorities able to function, so that they can guarantee their numerous services into the future, ensuring a good quality of life for citizens. Without functioning local and regional authorities, social and societal challenges cannot be overcome. They are of crucial importance for the functioning and the very system of every democracy. Functioning local and regional authorities strengthen confidence in the State and in society. Local public spending is useful spending, from which citizens benefit directly.

It is for this reason that cities and local and regional authorities of Europe must be endowed with stable long-term funding on a par with their responsibilities. This is currently in doubt in several places in Europe. The impact of the financial crisis and of the public debt crisis, as well as the implementation of the measures agreed upon between the Member States of the Euro Zone, take up numerous resources. Dramatic consequences are especially felt at the local level. In order to avoid hardening of social gaps in the society, and an erosion of confidence in the State, a significant increase in the funding of local and regional authorities shall be guaranteed immediately. Otherwise, the threat of sizeable reductions in provision and of infrastructural decline will not solely bear on the local and regional authorities who are financially weakest. The consequence of this will be an even more worrisome weakening of the social cohesion and the economic foundation of the European Social State.

Historical traditions, that are more or less entrenched, in local self-governance and the relationship between local authorities and the central State, are reflected in the different systems of municipal funding. Despite these differences, the general deterioration of the funding of a great number of local authorities, that see their ability to function threatened by it, has been manifest all over Europe for a few years. This is due in part to the delegation of certain responsibilities to local level, without the competent State authorities investing in the financial resources essential in their delivery. In other part, the welfare spending of local and regional authorities had already been increasing continually before the onset of the financial and the public debt crises. In addition, these crises have significantly exacerbated this development in numerous countries. While remedies are diminished due to loss of tax revenues and reduction of budgetary allocations, local and regional authorities are confronted with more and more sizeable obstacles, in the way of their infrastructural investments.

The influence of the EU legislator on local policy has strongly increased since the introduction of the European internal market. The European Union contributes decisively in the drafting of policies, by legislating in numerous fields that have repercussions for local authorities. The Commission, having right of initiative in legislative projects of the EU, and the European Parliament recognise the importance of local authorities for the functioning of our States within Europe, and are aware of the influence that is exerted by numerous legal acts on the said authorities. The institutional consultation of the Committee of the Regions, as well as the consultative processes of the Commission, and the dialogue held with representatives of local authorities, have already helped considerably improve participation at local level in the legislative process of the European Union. Nevertheless, a fundamental problem has yet to be resolved: when a European legal act has direct or indirect financial impacts on local and regional authorities, neither the European Union, nor the Member States put sufficient financial resources at their disposal to compensate this additional cost.

In order to make funding for local and regional authorities of Europe sustainable, the socialist local and regional representatives of Europe reaffirm their claims and positions already adopted in their Resolution in Vienna in 1998. In addition, the States and the European Union shall create the necessary conditions and offer an adequate framework by taking necessary measures to contain the impacts of the financial and public debt crises on local and regional authorities.

In order to continue to fulfil their indispensable role in building a social Europe, based on the principles of solidarity, proximity to the citizen, and subsidiarity, local and regional authorities must possess sufficient and stable resources. This requires the application of the following principles, that concern in particular the central States.

1. Local authorities shall be entitled, within national financial and economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (article 9 of the European Charter of Local Self-Government).
2. It is necessary to introduce mandatory consultation mechanisms between the central state and all levels of local government. These mechanisms shall apply to any legislation concerning local authorities and to the delegation of competences and tasks to local authorities, with the objective of reaching formal agreement.
3. In the application of the consultation principle, care must be taken that the financial resources of local authorities are commensurate with the responsibilities delegated to them by the central state and the regions.
4. The true autonomy of local authorities lies in their capacity to define local policy priorities with and for the citizens. This requires a minimum necessary room to manoeuvre when it comes to resources of which they may dispose freely, beyond funding for the responsibilities delegated to them by the central state.

5. For the most part, state grants to local authorities shall not be earmarked for the financing of specific purposes. They must be stable, transparent and fair.
6. The financial autonomy of local authorities and the durable ability to act also requires diversified sources of revenue and different types of local taxes of which they may dispose.
7. Mechanisms for the redistribution (equalisation) of resources among local authorities shall respect the principles of solidarity and fairness between rich and poor local authorities. This is necessary in order to guarantee an equal access to public services and equal living conditions for all citizens.
8. Local authorities shall be relieved of financing social expenditure. Continually rising social expenditure is in a large part responsible for the dramatic financial situation of numerous local and regional authorities. This development was aggravated by the financial crisis. It is, in particular, structurally weak cities, municipalities and regions, characterised by high unemployment rates, significant changes in age distribution and/or increased provisions for integration, that are obliged to devote more and more resources to maintaining an equivalent quality of life.
9. The European fiscal pact and national policies aimed at stabilising public budgets shall not impede the ability of local authorities to function. There shall not be tax cuts and austerity measures at the expense of local communities.

The European Union shall contribute to the improvement of the fiscal framework and capacity for action of cities, municipalities and regions, by introducing the following measures:

10. The direct and indirect financial impacts of European legal acts on local authorities shall be more readily taken into consideration. To accomplish this, the procedure to study the impact of legislation, as well as the possibility of including representatives of local authorities, shall be improved. Finally, operators participating in the legislative process (the Commission, the Parliament and the Council, as well as Member States) shall make sure that sufficient resources are left at the disposal of local authorities, so that the latter are able to compensate for the costs resulting directly or indirectly from legal acts of the EU.
11. Regulations necessary for financial markets shall not lead to excessive burden weighing on the real economy and the refinancing of local and regional authorities. Differentiated regulations must be adopted in order to regulate the banks, taking account of the situation of the small and medium sized enterprises and the public authorities.
12. By even further supporting structurally weak urban and rural regions, as well as areas in cities faced with significant social challenges, by means of resources allocated to cohesion policies, the European Union shall contribute significantly to overcoming the very divergent economic and demographic developments of the Regions Europe, as well as the social inequalities that result from them, and thus to reinforcing Europe's social and territorial cohesion.

Local authorities, for their part, shall continually improve their financial situation by means of instruments and resources at their disposal.

13. European local and regional authorities shall strive to carry out their responsibilities on the basis of cooperation. This would help not only reduce costs, but also improve the quality of public services and make investments in local and regional infrastructure.
14. Local and regional authorities shall develop the offer of public services under conditions of optimal efficiency, and guaranteeing real democratic control.
15. The socialist local and regional representatives of Europe commit themselves to exchange and promote best practices of local finance managements in the exercise of their mandate as well as in all representative institutions of local authorities.