



Resolution 1886 (2012)¹
Provisional version

The impact of the economic crisis on local and regional authorities in Europe

Parliamentary Assembly

1. The current economic crisis is having a deep impact on local and regional authorities in Europe. Many of them are affected by important reductions in both direct revenue and resources made available through national budgets, while the demand for public services is growing with tight economic situations generating a loss of income and various related difficulties for households.
2. The Parliamentary Assembly is deeply concerned about the significant social problems caused by the crisis and the reduction of social welfare programmes, the impact on the provision of quality public services and lower investment levels in strategic policy areas, such as education and health and those social services which are linked to the well-being of vulnerable people.
3. The Assembly believes that local and regional authorities themselves need to be part of the contribution towards stimulating economic recovery, as a source for future revenue, and to be enabled to do so. In this context, the Assembly stresses the importance of partnerships between local government, businesses, educational and research institutions, as well as civil society organisations in countering social inequalities and caring for groups in need of special protection, such as children, the elderly and people with learning difficulties or disabilities.
4. Fundamental social rights need to be protected when deciding on local budget allocation or the intergovernmental transfer of resources to local and regional authorities. Moreover, local and regional budgets need to be adapted in times of economic crisis, when authorities face greater responsibilities in providing services and assistance to households in need, in accordance with Article 9 of the European Charter of Local Self-Government (ETS No. 122).
5. In view of the above, the Assembly calls on member States of the Council of Europe to ensure that national reforms for local and regional finances are developed in a transparent way and with the participation of the local and regional authorities themselves. Such reforms should pursue the following objectives in order to ensure sustainability of local and regional finances to enhance their ability to provide quality services to their citizens:
 - 5.1. as regards the legislative and fiscal framework:
 - 5.1.1. reducing the dependence of local budgets on highly volatile tax bases such as corporate profits and property transactions;
 - 5.1.2. where appropriate, extending access to taxes on personal income to create a more sustainable local tax base;
 - 5.1.3. enhancing local governments' discretion to set the bases and rates of local taxes and charges;

1. Assembly debate on 26 June 2012 (21st and 22nd Sittings) (see [Doc. 12944](#), report of the Committee on Social Affairs, Health and Sustainable Development, rapporteur: Sir Alan Meale). Text adopted by the Assembly on 26 June 2012 (22nd Sitting).

- 5.1.4. avoiding disproportionate cuts in intergovernmental transfers to local authorities, and cuts undertaken at unreasonably short notice or concerning discretionary services such as community based organisations which are important for maintaining social cohesion;
- 5.1.5. generally supporting the maintenance of a balanced mix of local taxes and intergovernmental transfers to finance local budgets;
- 5.1.6. removing legal requirements which impose expensive service provision;
- 5.2. as regards the effectiveness and efficiency of local service provision:
 - 5.2.1. promoting the targeting of social benefits to ensure that groups in need of special protection receive adequate assistance, including the possibility of means testing subsidies and benefits, and supporting community and home-based care for the sick and the elderly, so as to relieve some of the pressure on care institutions;
 - 5.2.2. supporting the reorganisation of authorities in charge of service provision with a view to maintaining services whilst reducing administrative expenditures;
 - 5.2.3. ensuring that local authorities' good practices in the economic field, such as the provision of services through municipal enterprises (technical infrastructures, mutual savings banks, social services) are not sacrificed to free competition and privatisation applied out of principle. These services are, and should be, provided in the most comprehensive manner and at affordable prices through the local authorities;
 - 5.2.4. promoting inter-municipal co-operation, wherever appropriate, to make the delivery of local services more effective and efficient;
 - 5.2.5. promoting the use of various forms of partnerships, including public-private partnerships and involvement of the voluntary sector, to redesign public service provision and delivery without reducing the accountability of public authorities;
 - 5.2.6. encouraging local authorities to optimise the effectiveness and efficiency of service provision, not least through relevant training of staff, whilst guaranteeing equal access for all sectors of the population;
 - 5.2.7. promoting the efforts already made by many local governments to reduce employment costs by means other than redundancies;
 - 5.2.8. promoting the principles of transparency and efficiency in public spending at all levels;
- 5.3. as regards European co-operation in this field:
 - 5.3.1. promoting further exchange of good practice at European level in order to share mutually beneficial expertise;
 - 5.3.2. making use of the "Kyiv Guidelines", agreed by the Council of Europe Conference of Ministers responsible for Local and Regional Government at its 17th session in Kyiv in November 2011, as a central reference, and promoting their implementation among member States of the Council of Europe;
 - 5.3.3. at Council of Europe level, following a common agenda agreed between the Committee of Ministers and the Congress of Local and Regional Authorities, as proposed by the Spanish Minister of Territorial Policy and Public Administration, Mr Manuel Chaves, in his report to the Ministerial Conference in Kyiv.