

STRUCTURED DIALOGUE MEETING WITH COMMISSIONER ALMUNIA

20 OCTOBER 2006 - BRUSSELS

Speech by Mr Wim Deetman, Mayor of The Hague, First Vice-President of CEMR

First, may I thank you, Mr Almunia, for having agreed to take part in this important dialogue meeting.

The Council of European Municipalities and Regions, CEMR, which I represent today, brings together the national associations of local and regional governments in 35 countries.

Whether they are members of the EU or the eurozone or not, our members share a common interest in having a stable but growth-oriented macroeconomic framework, within which they can plan properly for the positive, sustainable future of their territory. Local and regional governments across Europe have also given very strong support to the Lisbon Agenda, even if we sometimes feel that our national governments underestimate the role that our cities and regions do and must play in delivering this strategy.

Your letter of invitation made some important points. You point out that the Union's deeper economic integration and new policies "have not been accompanied by a comparable increase of the EU budget, which leads to highly controversial tensions."

This is certainly true. But the tensions are not only between the European and national levels; they also feed through to the relationship between national governments on the one hand, and the sub-national spheres of government on the other hand. In my country, the Netherlands, we have recently had a particularly difficult and controversial debate about the level of financing of local government.

Your letter also says that, to help meet the requirements of the Stability and Growth Pact, which concern the totality of government within a country, "a suitable fiscal co-ordination among all general government tiers is necessary", and that "national fiscal frameworks or enhanced dialogue between the centre and territorial governments may contribute decisively" to this end.

At one level, we agree that a good co-ordination is required. But it must not be simply a top-down process in which central governments alone decide. CEMR is soon to publish a study on the consultation arrangements in all of our member countries, which shows that most countries have some arrangements for consultation and dialogue, though many are only partially successful at present.

But we have also experienced what our American friends call the "unfunded mandate", i.e. where new tasks or competences are devolved by central governments without proper financial transfers. This puts great pressure on the system at local and regional levels.

Do you agree with this analysis?

The same point can be made about some European legislation – the costs are often not sufficiently taken into account – and especially the fact that these costs will very often fall, in due course, on local governments. That is one reason why we supported the Constitution's emphasis on better consultation with local and regional government, especially via the proposed new protocol on subsidiarity. And that is why we say that, in any new treaty or mini-constitution, the specific points relating to local and regional government must be included.

In the draft constitutional treaty some important words have been said about the necessity to make impact assessments of the costs and burdens of proposed legislation on local and regional local government. I can give you some examples of legislation with important financial consequences for the decentralized level: the service directive, the air quality directive and the framework directive on water.

Is the Commissioner willing to strengthen the impact assessments, although we do not have a new treaty?

But whilst we agree that there must be a dialogue with our central governments on these issues, it is vital that the European and national authorities also take into account the principle of local self-government, which includes an important financial component.

In May of this year, CEMR held our three-yearly General Assembly in Innsbruck. The main theme was the future of public services. Our final Declaration noted that, across Europe, local and regional governments face increasingly difficult financial situations, at a time when demographic and other changes in society put increasing pressure on us to deliver good services.

We recalled that the European Charter of Local Self-Government of the Council of Europe – now at last ratified by every EU member state as well as many others – lays down some key principles that need to be respected, including:

- Local governments are entitled, within national economic policy, to adequate resources of their own of which they may dispose freely
- Their financial resources must be commensurate with their legal responsibilities
- Part of those resources must come from local taxes for which they can determine the rate,
- The financial systems on which resources are based must be of a sufficiently diversified and buoyant nature to keep up with the real cost of carrying out their tasks.

In conclusion, therefore, I would say that local and regional governments across Europe recognize their responsibility, as part of the overall governmental framework in their country, to contribute towards the achievement of economic and financial stability, in line with the agreed European criteria.

But it is equally essential that the European and national authorities pay more heed to the crucial role of local and regional governments, in service delivery and as promoters of sustainable and competitive local and regional economies. We are willing to be positive partners, provided that decisions are based on dialogue and good quality consultation, and that any necessary tough financial decisions are fairly shared between the different levels of government.

I thank you very much for your attention.
