



INTERNATIONAL CONFERENCE

How Civil Society and local governments
are fighting the global crisis

A joint active citizenship:
a launch pad for a new future?

Skopje, 28-29 May 2010

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Recommendations on how Civil Society and local governments can fight the global crisis. A joint active citizenship: a launch pad for a new future.

Representatives from local and regional authorities, European Union, Council of Europe, NGOs and civil society as well as members of ALDA network coming from all Europe and SEE greatly debate about the impact of global crisis on local actors and civil society with an economic analysis of the phenomenon in relation with local authorities and civil society experiences.

In particular ALDA members focused on how bridging the gap between EU and citizens being most of them actively involved in promoting active citizenship around Europe and SEE.

ALDA network highlight the following recommendations.

• **EU FINANCIAL REGULATION**

Financial crisis involved public and private sectors so that strict financial rules in the EU are required to return at the original spirit of Euro taking care to do not kill the economic initiatives. European Union and pre-adhesion countries have to reflect about a common policy and economic attitude to develop in future.

• **EFFICIENCY AND EFFECTIVENESS OF PUBLIC SERVICE**

Global crisis is affecting local governments and central government is reducing public spending cutting transfers. There's been a decline of real economic activity, leading to lower local government revenues from shared taxes and own sources and on the other hand unemployment rises, increasing the pressure on local governments to provide social services and various forms of relief. Efficiency and Effectiveness of public service needs to be increased, to keep same level of services to face this difficult situation. *"Do more and better with less"*.

• **LEADING ROLE OF LOCAL AND REGIONAL AUTHORITIES TO FIND A WAY OUT OF THE CRISIS**

Following the Utrecht Declaration by Congress of Local and

Regional Authorities ALDA agrees that response to the crisis must be based on greater local autonomy and delegation of resource management through decentralization; recognition of local authorities as fully-fledged partners of national governments, and the revision of government financing to allow for greater investment at local level; coordinated national/local approach to improve targeting of social benefits and avoid a social crisis; innovative action by local authorities themselves, involving local populations, civil society and inter-municipal co-operation; and measures to control debt and lending.

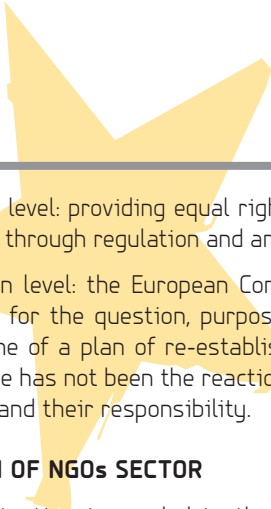

Policy makers need to be more conscious of problems for civil society and local authorities has to support it. In fact the economic crisis has consequences and effects on the civil society sector as:

- Withdrawal of the State;
- Decreased external funds and speeding up of the withdrawal of private foundations;
- Increased demand for EC funding and programmes;
- Increased demand, but less available local resources;
- Increased demand for services;
- The crisis hit the civil society sector least (if compared to the State and private sector), since it is still no depending on them financially.

• **INCLUSIVE SOCIAL DIALOGUE**

Inclusive social dialogue is the only way to manage the situation encouraging the active citizenship to assess the needs of civil society. It's evident that a weak social dialogue has a bad impact on vulnerable part of society, marginalizing minorities. To avoid this European society should act at:

- local level: reinforcing organisations and activities for integration, and strengthening the dialogue between local authorities, citizens and minorities;

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- national level: providing equal rights and respect of different cultures through regulation and anti-discrimination measures;
 - European level: the European Commission showed a certain interest for the question, purposing 200 billions of euro in the frame of a plan of re-establishment to reflate economy, but there has not been the reaction of minorities, who should understand their responsibility.

- **HEALTH OF NGOs SECTOR**

More attention is needed to the effects of financial crisis on NGOs sector. The main question is the effect of decreasing of financial support to NGOs and consequently the problem of their autonomy. The interventions on management which could be apply for global health of NGOs are:

- Sensitization of personal, partners and governing board about the effects of crisis and the principal objective of the organization.
- Organization of a joint action of international NGOs to prevent the reduction of development aid.
- Review of forecasting revenue and proportions to coincide with the achievement of results.
- Conclusion of accords between councils and personal about clear criteria and measures to manage the reserves, the free funds and investment decisions.
- Evaluation of the management team situation.
- CSOs continue to face criticisms or attacks by the government, and in most cases there exists inadequate legislation regarding CSOs and NGOs. In more authoritarian states, CSOs continue to be afforded little tolerance, and in other cases, they are viewed as promoting "foreign" values, alien to local traditions and culture.

Introduction

«Our imagination is the limit
– but our commitment must be even over the limit»



How Civil Society and local actors are fighting the global crisis?

Mr Per Vinther, President of ALDA

The financial turmoil erupted in the US in mid-2007 and soon after in some European countries speeded up with the collapse of Lehman Brothers in mid-September 2008, and has now become the worst financial crisis since the Great Depression and the worst recession since the Second World War.

Emerging and developing countries partly “decoupled” during the first phases of the crisis, but are now severely affected, through three major channels:

- the collapse of international trade and commodity prices;
- the paralysis of external financing and outflows of the most volatile capital;
- reduced remittances (the World Bank projects a 6% reduction in 2009, but this may turn out to be an underestimation).

Central and Eastern Europe have been hardest hit through the financial channel, and the Asian Tigers and Latin America through the trade channel.¹

The global financial crisis makes active citizenship even more important than it normally is. However, one would prefer such activity to be constructive.

¹ *Parliamentary Conference on the Global Economic Crisis*, organized by the Inter-Parliamentary Union, Geneva, 7 and 8 May 2009
Item 2(b) CRS/2009/2(b) - Doc. inf. 1, 4 May 2009

We can all understand the agony of people losing their jobs or have to accept cuts in their salary or pension: fearing for the livelihood of their families and themselves. The strikes in Greece may be understandable but it is not the kind of active citizenship that is likely to help find solutions to the crisis. In some cases employees might fight to prevent anybody from losing their job with the result of this active citizenship that they all loose their job!


One could of course argue that ordinary citizens did not cause the crisis and yet they are to a large extent the ones that have to bear the consequences.

In some cases dire consequences that also include mental health problems: Either from feeling rejected when losing a job or simply from the fear of possibly losing it.

- Which solutions the local governments to fight against the difficulties of these last years at the social and political level could identify?
- Which solutions could be identified by the NGOs to fight against the difficulties of these last years at the social and political level?
- Which strategies of common work by local governments and civil society can be found in order to better cope with the economical and financial crisis?

These are the main issues to reflect about on the topic of active citizenship linked to the economic crisis raised by the main actors of the sector.

Citizens suffering such dire consequences often only have one place to turn, namely to the local authorities in order to draw on the various public services they provide. However, such public services are for the most part already working close to the limit of their capacity.




With demands on some of these services doubling or trebling how do the local authorities cope? How do they decide to distribute the burden in this process where the demands on public transport, healthcare, education, etc. will grow as more and more citizens become unable to pay for private services?

Although they are closest to the citizens and best placed to assess people's needs and to some extent adjust services accordingly it is doubtful that they could expect central authorities to be in a position to provide much in terms of additional human and capital resources.

Local authorities need to support civil society and they have to be closed to the everyday life of citizens. Eastern Europe has been heavily affected by crisis and local authorities need to face this difficult situation. Inclusive social dialogue is the only way to manage the situation encouraging the active citizenship to assess the needs of civil society.

The involvement of civil society obviously has the clear aim of complementing and strengthening services and solutions offered by the local authorities supporting the cooperation between them. Our commitment on this issue has to be without limit especially in this period in which a weak social dialogue has a bad impact on vulnerable part of society i.e. in Macedonia on Roma people. Crisis presents real challenges to face and dialogue, especially tripartite dialogue making all.

South Eastern Europe – and Macedonia – are heavily hit by the crisis. And the struggle to find solutions might also include a better and more articulated citizens' participation. Their future involvement in the European Union would benefit from an active citizenship oriented approach. ALDA organized the international conference "How Civil Society and local governments are fighting the global crisis A joint active citizenship: a launch pad for a new future?" in Skopje on 29th of May 2010 to hear and create a



synergy between all the local and international actors involved in this same direction.

One possible help would be to involve civil society or to a larger degree encourage active citizenship. This could take the form of involving the citizens in better assessing the needs or engage civil society organisations in providing certain services or carry out specific projects. The Involvement of civil society has the aim to improve the services and the solutions offered by the local authorities.

Economic crisis and local authorities



The financial crisis and its impact on real economy

Mr. Carmelo Cedrone, EESC member

The European Union, facing a crisis like the current one, needs a significant willingness to coordinate action, through common efforts that are appropriate to the seriousness of the situation, in order to identify the measures and proposals for the short and long term that will stimulate recovery and avoid a repetition of the events that caused the current difficulties.

So the identification of problems and related concrete proposals on international and European finance and monetary system is needed, supporting real economy and businesses through economic governance, helping the European public through social cohesion and building a political Europe from the bottom up in the future.

We are facing historical turning-point determining new perspectives. In the last years the globalization affirm, and we passed from a merchandising globalization to a virtual one. Virtual financial products generate the crisis. The American influence made the worldwide economy suffer and even the European Bank was invested by American financial crisis.

The crisis influenced the public accounts of strongest economy as the American and the British one and affected the occupation at European level. Workers have been dismissed and European countries had to take measures for face the situation.

What're solutions? To return to invest gaining the confidence of citizens and especially of young people even if it's difficult to maintain cohesion in front of the crisis even at European level.

Strict financial rules in the EU are also required to return at the original spirit of the Euro, but it's necessary to take care to do not kill the economic initiatives. United States, even if in a crisis contest, is a rising economy while the European contest is not growing while the public debt is growing as the unemployment. The European Union and countries waiting to be admitted have to reflect about future about a common policy and economic attitude. If we don't proceed in this sense we will give in to the concurrence of the Asiatic countries.

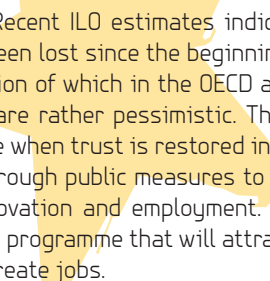
Politics needs to take more care of the civil society and its problems and support it. The crisis is not over and we need to reflect on how to face it at different levels.

The European Economic and Social Committee decided to express his position through an own-initiative opinion on the financial crisis and its impact on the real economy.¹ It supports the idea of helping the European public, social cohesion and governance and building a political Europe from the bottom up.

It is important to ensure, in the future, that the public does not continue to pay the price of non-Europe, which the limited Community measures in response to the crisis are amply demonstrating. These limits are not the result of too much Europe, but too little. The Lisbon Treaty is a significant step forward in this direction.

In particular, the EESC considers that the key problem to be tackled is that of employment and the lack of liquidity for bu-

¹ ECO/255, *The financial crisis and its impact on the real economy*, Opinion of the European Economic and Social Committee on the financial crisis and its impact on the real economy (own-initiative opinion), Rapporteur: Mr. Cedrone




sinesses.² Recent ILO estimates indicate that around 40 million jobs have been lost since the beginning of the crisis in December 2007 (7 million of which in the OECD alone), and the forecasts for the future are rather pessimistic. This social disaster can only be overcome when trust is restored in the functioning of the markets and through public measures to promote growth, competitiveness, innovation and employment. Europe needs an economic policy and a programme that will attract businesses, help them to grow, and create jobs.

The particular nature of the crisis affecting the global (and European) economy has deeper and more systemic roots relating to ethical and moral values (accountability, legality, social justice), which are the basis of modern-day society and prompt its actions in all areas of economic, social and civic life. Restoring confidence in the functioning of economic and financial systems cannot be achieved by acting solely on market “mechanisms” that have worked badly, but through European macroeconomic and microeconomic policies.

Concerning social governance the European pact must have social and cohesion policy among its key objectives. The EU should have more scope to act in the area of social policy³ to define a “minimum threshold” or minimum standard for fundamental social rights. All of these reasons call for a Europe that is more able to act. It should start doing so by recalling that the EU started as an economic project (ECSC, EEC and the euro) with political ends.

The EESC therefore considers it necessary, at this time, to increase public involvement, especially of young people, in the



process of European integration, by trying out new kinds of grass-roots participation. This is an issue that must not be left to chance. For example, it would have a major impact on public opinion if the EU were to launch an effective proposal with sustained impact that would put people first, with new ways of getting the public involved in important European policy decisions. This would be an excellent way of bringing the European public together with its institutions and would help to reduce the EU’s democratic deficit. This is a vital question for the future of the Union. It cannot continue to be postponed, even if a small step forward is being taken with the Lisbon Treaty.

A significant contribution towards this could come from European civil society, which deserves more than a passing mention, and must not remain a separate sphere or be used simply as a fig-leaf. This is a challenge for the EESC and its Programme for Europe.

² See *EESC opinion on the Results of the Employment Summit*, OJ C 306, 16.12.2009, p. 70.

³ During his speech at the EESC Plenary Session on 30 September 2009, Mr. Barroso also expressed a point of view along these lines.



The Global crisis and the response from local governments

Mr. Dobrica Milovanovic, representative from Congress of Local and Regional Authorities

The reflection on the role of local governments as concern the crisis Europe is facing request to consider the following topics:

- The political strategy of the Congress of Local and Regional Authorities, especially as far as regards the countries out of the European Union, which are members of the COE;
- How the crisis affected the local and regional authorities at European level;
- How local and regional authorities faced and are facing the difficulties generated by the crisis;
- Which contribution the local and regional authorities can give in order to cope with crisis.

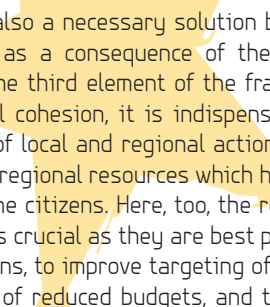
First of all it's important to note as even though the way out of the crisis will be global, the economic revival urges us to de-localize our societies. Paradoxically, the era of the globalisation is also the era of the local community, and the response to the global crisis must come indeed from the local level. This is being increasingly recognised at the state level – the Ministers responsible for local and regional governments of the Council of Europe member states, for instance, at their Conference in Utrecht last November, adopted the Utrecht Declaration, which highlights the leading role to be played by local and regional authorities in order to find a way out the economic and financial crisis. In this connection, the Ministers stressed the responsibility of central governments for guaranteeing the resources of local authorities.

Indeed, local authorities are at the heart of economic revival policies, as local authorities today largely carry out public investment in many of our countries. However, this Conference is also very timely because, according to some expert indications, the consequences of the financial crisis for local and regional authorities may reach their peak exactly this year, in 2010. Evidently, the repercussions of the economic downturn may be felt much longer.

In March 2009, the Congress held a debate on the consequences of the economic and financial crisis for European local and regional authorities. It was a first attempt to estimate the degree of its impact on local communities, and compare the experiences of various municipalities and regions in coping with the crisis.

Another feature of the situation is diminished resources and revenues. For local authorities, the consequences of the decline in business activity are automatically reflected in a reduction in their tax income. In such circumstances, it is difficult to avoid raising local taxes. At the same time, the authorities are also suffering from the banks' reluctance to grant new loans. As a result, the current crisis gives rise to doubt and pessimism at all levels of governance. It has affected all European countries and their local and regional authorities, who in particular are bound to suffer from the prevailing economic situation, while, at the same time, they have a key role to play in implementing economic stimulus and recovery programs. At a time when people are worried about the future, local and regional authorities have to re-establish their citizens' confidence and hope, and perspectives on how we can find ways and means to create a coherent framework for action.


The following are what the Congress believe should constitute some of the elements of such a framework. First, the Congress is convinced that decentralisation is a key to economic success. In this time of the crisis, national governments must avoid the knee-jerk reaction to re-centralise, and focus instead on revising the framework of government finance in order to provide greater budgetary autonomy and delegate resource management to the local level.



This is also a necessary solution because a social crisis must be avoided as a consequence of the economic downturn, which should be the third element of the framework for action. To safeguard social cohesion, it is indispensable to preserve the social component of local and regional action, and to avoid the decrease of local and regional resources which have an immediate and direct impact on the citizens. Here, too, the role of local and regional governments is crucial as they are best placed, due to their proximity to the citizens, to improve targeting of social benefits, against the background of reduced budgets, and to make sure that social expenditures do not fall victim to austerity measures. Also, local and regional associations of civil society and service providers, who are facing increasing public demands addressed to social services, must be backed by local and regional authorities both financially and politically, through a coordinated approach. The fourth element is the action by local governments themselves. They must take up the initiative and show not only budgetary restraint but also innovation in dealing with the crisis, not least through increased participation and involvement of local populations in community management, and communicating pro-actively with the citizens.

There are different ways in which central and local governments could intensify their dialogue and co-operation. This could be achieved through, for example, joint programming of counter-cyclical spending to increase public investments as a way to boost economic activity, or through timely identification of emerging problems in specific territories or industries (to avoid dismissals of staff if possible).

Here some examples of good practices. In Germany, for instance, measures have been taken to provide support through national government funds to short-term workers at risk of immediate dismissal. In several countries, local authorities are benefiting from the economies of scale, achieved through increased inter-municipal co-operation, as larger municipalities spend a smaller proportion of their resources on administrative overheads. In Hungary,



for example, the number of municipal landfills has shrunk by 90 percent through the creation of joint utility companies.

Last but not least, the fifth element of our framework for action must be measures taken both at national and local level and in the financial sector to improve borrowing and debt management. They could include, for example, the introduction of debt ceilings in order to keep debt within the manageable scope. They could also include the elaboration of codes of conduct for financial institutions to highlight their responsibility for not perpetuating so-called “toxic” loans, and for pursuing credit policies at manageable interest rates, in order to enable investment. For its part, the Congress has put forward the idea of devising a European model for a code of good practice under the aegis of the Council of Europe in order to make all the players in the credit chain aware of their responsibilities. It support the idea that there must be a coordinated European approach to counterbalance current tendencies, which would involve a political follow-up to and control over lending practices, rates and loan conditions, in order to contain usury and speculation through legal provisions. It is important now to carry out appropriate debt-securitisation policies at local level in order to preserve investment capacity and protect future generations from potentially significant costs. In other words, local authorities need to reassess their debts and loans and put their finances on a sounder footing, while also preparing for the recovery.

To sum up, the Congress is convinced that response to the crisis must be based on these elements: greater local autonomy and delegation of resource management through decentralization; recognition of local authorities as fully-fledged partners of national governments, and the revision of government financing to allow for greater investment at local level; coordinated national/local approach to improve targeting of social benefits and avoid a social crisis; innovative action by local authorities themselves, involving local populations, civil society and inter-municipal co-operation; and measures to control debt and lending.



The role of civil society in South East Europe and cooperation with local authorities.

Response to the global crisis: opportunities for partnership between LGAs and other NGOs from SEE.

Mr. Kelmend Zajazi, Director of NALAS

Local Government Associations (LGAs) and NGOs role is to answer to the needs of local communities and citizens that are different, complex, and large. Public services cannot fulfil all needs. NGOs and civil society cover these special needs and interests. Moreover public administration is too slow and complex to adopt services and meet all new needs. In this sense NGOs are more flexible and are able to serve special needs, adopt them, etc.

Global crisis is affecting local governments in SEE and central governments reducing public spending cutting transfers. There's been a decline of real economic activity, leading to lower local government revenues from shared taxes and own sources and on the other hand unemployment rises, increasing the pressure on local governments to provide social services and various forms of relief. Efficiency and effectiveness of public service need to be increased, to keep same level of services. *"Do more and better with less"*.

The Network of Associations of Local Authorities of South-East Europe (NALAS) express its recommendations (highlights of Dubrovnik Declaration) to face the crisis and recommend both to national governments and local authorities to apply important measures against the crisis effects.

National governments should take all possible measures to avoid modifying intergovernmental finance systems in ways that reduce local government revenues. The consequences of all policy changes on local government finances should be clearly assessed before

any anti-crisis measures are adopted. In many of SEE countries local governments remain underfunded and further reductions will only lead to the deterioration of public services and/or an increase in payment arrears. Sudden in-year reductions in planned transfers are particularly damaging, since local governments usually have very little leeway to make short-term adjustments, and because since this completely undermines financial planning.

It's also important that National governments discuss the crisis regularly with the associations, insuring access to information and involve them in designing and implementing proposed responses. The application of CEMR's Code of Good Practice in Consultation (Paris, December 2008. Article 7: Access to Information) is a step of utmost importance because dialogue between national and local governments is further intensified and better institutionalised. There should be frequent and regular meetings between representatives of the national governments and local governments.

For these meetings to be productive and constructive, SEE national governments must be prepared to provide local governments not only with information about all policy measures that are being considered, but also with the data needed to assess them, including more general data on the overall economic situation.

Moreover local authorities need to improve efficiency of public services and optimize network of service facilities.

Local governments must find ways to deliver better public services at the same or lower levels of public expenditures. These efforts should start by reducing administrative overhead costs, including inessential staffing costs. But local governments should also consider closing underutilised public facilities, making greater use of local NGOs where appropriate and providing social services working to reform service standards that are simply too costly.

Finally the global crisis involving local governments and NGOs should be an opportunity for them to develop capacity building, mobilize know how, improve the access to EU funds and develop a synergy in delivering social services and draft new policies.

Economic crisis, civil society and NGOs

In these last years and till today, a global crisis is affecting European countries with a threat of unemployment, decreased standard of living and instability. NGOs working together with Local Governments are affected by this financial and social crisis, which is questioning some of the main political and economic systems. The challenge is so big that we have to act with a new and complex response. In a globalised world, one of the answers is to start from the local level and consolidate local democracy and citizens' participation, in particular in the context of the European Union enlargement and its further consolidation. Today, there is an important and urgent request of being more concrete and achieve measurable results.



Social inclusive society as a model to respond to the economic and social crisis: the impact of economic crisis on NGO work in a perspective of social inclusion and the situation of ethnics and religious minorities in Europe


Mr. Veysel Filiz, Vice- Chair of the Civil Society and Democracy Committee - Conference of INGO's of the Council of Europe

Third sector and NGOs are an essential component of a democratic and active civil society. The NGOs sector has been completely influenced by crisis effects at different levels. Some NGOs have been immediately affected while for others the effects will be perceived in the future.

A social inclusive society could be a model to respond to the economic and social crisis, and the following points need to be considered:

- How the crisis affected the society at social level;
- How an inclusive society will help to face the crisis;
- Which contribution the NGOs can give in order to build up more inclusive societies.

The effects of the financial crisis on NGOs are different but real, the impact has been immediate or it will emerge next months, and the principal question is about the financial sources and their influence on NGOs autonomy. NGOs actions are determined by public funds, which are allocated to the projects that offer the better interface for commercial assistance, and by inflection that further reduce the value of funds. NGO should apply a cautious



management and a long-term orientation for decision-making, with specific measures for each organization. The interventions on management which could be apply for global health of NGOs are:

- Sensitization of personal, partners and governing board about the effects of crisis and the principal objective of the organization;
- Organization of a joint action of international NGOs to prevent the reduction of development aid;
- Review of forecasting revenue and proportions to coincide with the achievement of results;
- Conclusion of accords between councils and personal about clear criteria and measures to manage the reserves, the free funds and investment decisions;
- Evaluation of the management team situation.

The periods of crisis enforce the social exclusion of ethnic and religious minorities, which often meet with discriminatory practices. Indeed, during the last years, xenophobia got out, without solidarity for minorities.


This is why European society should act:

- at a local level: reinforcing organisations and activities for integration, and strengthening the dialogue between local authorities, citizens and minorities;
- at a national level: providing equal rights and respect of different cultures through regulation and anti-discrimination measures;
- at a European level: the European Commission showed a certain interest for the question, purposing 200 billions of euro in the frame of a plan of re-establishment to reflate economy, but there has not been the reaction of minorities, who should understand their responsibility.

On the other hand minorities should:

- learn to control the language and to reinforce their education;
- accept and respect the law and the constitution of the country;
- establish some neighbourly relations;
- adopt and enjoy the best of mainstream culture;
- practice their religion and culture with confidence and showing respect for the human being while minding into account the environment.

Finally “mutual integration” is fundamental, so cultural differences should be received as enrichment, not rejected as often happens in Europe, still influenced by the arrogance and the belief of cultural supremacy of his colonial past.





Algerian NGOs, local authorities and the global crisis

Mr. Mouloud Meziani, FACM Algeria

Financial crisis did not affect the Algerian financial system since this is not a contest characterized by neither bank nor Stock Exchange linked to the global economy as in the other countries. This situation and the cash flow availability made the crisis less evident and effective than in other contests. Otherwise Algeria has chosen to face problems due to economic crisis relaunching the economy proceeding with the realization of the projects in the framework of the five-years development plan 2009-2014.

The state is facing a deep reform that has as main actor the governance at central and local level. There are challenges especially at local level to conciliate the collective well-being and the access for all to basic needs as education, health and housing services and social security with the economy and its exclusive dynamics.

It's necessary to develop different management solutions at local and regional level to satisfy requests coming from local civil society and associations. Another important issue is the education level of public officers that sometimes are unprepared to face difficulties in management at local level in their municipalities. Moreover the representatives of local authorities are committed to develop programs for development expressing the needs of local communities but unfortunately it's still necessary to improve the dialogue with representative of local communities and associations that are not involved in the process. Algerian civil society is working to establish a dialogue with local and national authorities purposing itself as a partner at local level.

The Local Development Plan, or LDP, is a strategic document with the objective to better know communities, resources and actor at local level as to identify problems and needs to develop strategy and solutions. So a participative and decentralized program is required and it should be implemented at local level involving communities and all the different actors interested. For a strong and durable development all the actors need to be involved based on a strong networking with partnership. In the framework of the Nord-Est the main actors are:

- Local communities
- Local representatives
- Associations and NGOs
- Private and public investors

Local and regional communities are key actors for the balance and dialogue between urban and rural contest.



Bridging the gap between EU and citizens

Mr. Zoran Stojkovski, Executive Director from CIR (Center for institutional Development)

Generally citizens want to have access, right to participate and influence on decision-making processes and the procedure of addressing their needs and issues. So to bridge the gap between EU and citizens is necessary to provide a voice for various groups of interest, guarantee appropriate life condition and protect basic human rights. Public institutions have also to focus on providing better services to civil society.

Looking at the situation in Macedonia according the CIVICUS CSI Index Report from 2005: "civil society's structure in Macedonia is characterized by its limited breadth and very limited depth of citizen participation in civil society" (Score 1.5 from 3 points). This is mainly due to the lack in capacities of CSOs to establish strong links and critical mass to influence other sectors in society. Infact decision makers are still not very eager to consider CSO's input as a key factor in creating good legal framework in the country.

In the last period positive developments in fostering civic participation in Macedonia have been noticed as:

- The Community Forum Process (SDC funded, implemented by 5 CSOs: CIRa, FOSIM, MCIC, ALKA and ADI) in more than 20 municipalities;
- Civil society's policy making and watchdog roles growing in last couple of years;
- In policy making area there are many laws and strategies (more than 15 fields) being targeted with advocacy and lobbying efforts of CSOs.

Here some initiatives in Macedonia on this issue:

- CIVICA Mobilitas Re-granting Program (increasing lobbying, advocacy and watch dog roles of CSOs towards Local Self Government);
- Community Forum Process (in 8 Municipalities);
- Lobbying for Enabling Legal Environment: Law on Donation and Sponsorship and Law on volunteerism;
- Facilitation the process of establishing Strategy for cooperation between local.

To sustain civil society in Macedonia it's important to create enabling environment for functioning of civil society and sustain partnerships with others sectors (i.e. BLF Macedonia). Increasing trust (and understanding) of the public in civil society and increase capacities of CSOs in mobilization of resources on community level (volunteers, donations from individuals and companies) is important as well.

Finally to bridge the gap between EU and citizens fundamental is the establishment of effective consultation and participation mechanisms for citizens, especially at local level and building understanding of key values and the concept of civil society to wider public and especially among governmental institutions.



Local governance, decentralised cooperation and active citizenship

**Ms. Alessandra Angius, Tavolo Trentino
Kosovo Coordinator**

Decentralized cooperation could be a successful strategy to face the crisis especially from the point of view of social issues and on conflict elaboration and transformation issues.

Moreover active citizenship can be an instrument to contribute to face the global crisis especially for NGOs working on the field.

Regional cooperation developed by Tavolo Trentino con Kraljevo and Association Progetto Prijedor is an initiative mainly focused on active citizenships and innovation, local development, social inclusion and gender issues, Memory and Conflict Elaboration and Community cooperation.

Working on decentralized cooperation there's been a great attention to territories as mosaics of actors and to reciprocal referral in terms of exchanges of knowledge and support (building societies from the bottom). The involvement of two or more communities on the whole (institutions, NGO's, informal groups, individual) has been a useful tool to work on active citizenship as the participatory planning and implementation (Process vs Project), the coordination table (multi sectoral approach) and the transregional communication.

Concretely has been developed a memorandum of understanding between Province of Trento and Municipality of Peja/Pec, memorandums with partners, informal relations with informal groups, a participatory planning within "Trentino and the Balkans" and it has been organized coordination meetings to foster networking and updating. Joint initiatives have been promoted

as training for operators of the Balkans, exchange among safe houses, use of self help methodology (Handbook "The power of changing"). A very important issue in the Balkan contest is the conflict elaboration and transformation that could be approached thanks to networking among actors to give more support in time of difficulty.

Moreover participatory planning in horizontal and vertical way (within a territory and between territories) has to be developed for more options to face critical situations. Other important instruments are:

- Joint initiatives based on transregional communication: the basis for a multifaceted consideration of the issues;
- The focus on "relationships" and dialogue: starting point for the dimension of conflict elaboration and transformation as a cross cutting one.



Bridging the gap between EU and citizens: an experience from an NGO

Financial and economic crisis in the Western Balkans – what is the situation?

Mrs. Tanja Hafner Ademi, Representative from Balkan Civil Society Development Network based in Skopje

Economic activity contracted sharply following reduced demand for exports, less foreign direct investment and lower cross-border lending. The consequence is already high unemployment and poverty is rising. The economic downturn is of the same magnitude as the EU average, but less severe than in the EU MS that were most affected.

There are four main challenges for Civil Society:

- **Shallow rooting in society**
The civil societies in the Balkans still experience a low participation on the part of citizens, both in “breadth and depth”. There are several reasons for this, included the legacy of the communist/socialist years; a lack of trust in CSOs; the image of CSOs being elitist and driven by the priorities of their funders and not the needs of society; and the lack of transparency and accountability on the part of the CSOs towards the public.
- **Decreasing financial support**
Throughout the region sources of funding are drying up when compared with the 1990s and early 2000. Numerous international donors have switched their priorities away from the region, and as of this date there exists little initiative on the part of individual citizens or private firms to donate to CSOs.
- **Adverse relationship with the state**
CSOs continue to face criticisms or attacks by the gover-

ment, and in most cases there exists inadequate legislation regarding CSOs and NGOs. In more authoritarian states, CSOs continue to be afforded little tolerance, and in other cases, they are viewed as promoting “foreign” values, alien to local traditions and culture.

- **Weak relations with the private sector**
There exists a weak relationship, if any, between civil society and private businesses, and it is typically characterized by indifference. There lacks a desire on the private sector to fund civil society activities. However, according to the latest Civil Society Survey, this might be changing, which makes private businesses a potential source of support in terms of both financial backing and as partner institutions.

The economic crisis has consequences and effects on the civil society sector as:

- Withdrawal of the State
- Decreased external funds and speeding up of the withdrawal of private foundations
- Increased demand for EC funding and programmes
- Increased demand, but less available local resources
- Increased demand for services

The crisis hit the civil society sector least (if compared to the State and private sector), since it is still no depending on them financially.

The crisis is making harder the efforts to address the 4 challenges to Civil society development.

BCSDN, a regional network of 13 local CSOs devoted to empowerment and development of civil society actors, consider as key principles of success in crisis the following:

- Pooling of resources & knowledge
- Exchange & sharing of ready-made products, modules
- Partnership on joint projects or partner-search
- Coordination of joint or similar activities
- Joint advocacy towards EU & regional stakeholders

European Committee on Local and Regional Democracy (CDLR)

Secretariat Memorandum prepared by the Directorate General of Democracy and Political Affairs - Directorate of Democratic Institutions (Strasbourg, 17 September 2009, CDLR(2009)41, Item 6.9 of the agenda)

The impact of the economic and financial crisis on local and regional government: What policy responses by governments?

Introduction

This document contains the draft text for the Declaration on the impact of the financial/economic crisis on local and regional government, to be included in the (draft) Utrecht Declaration.

It has been prepared by the Secretariat on the basis of the results of the CDLR Round-table held on 2 September 2009, entitled "The impact of the economic downturn on local government: what is happening and what can be done about it?".

The text of the annex to this draft Declaration (the Guidelines) is taken mainly from document CDLR(2009)29.

Action required

The CDLR is invited to review the draft text for the Declaration with a view to submitting it to the Ministerial Conference for adoption.

Should the CDLR consider more time is needed for this review, it is suggested that the CDLR could instruct the LR-IC Committee to complete the review at its meeting on 12-13 October 2009.

Draft Declaration on the impact of the financial/economic crisis on local and regional government

(to be included in the Draft Utrecht Declaration - see doc. CDLR(2009)47)

We the Ministers,

Concerned about the shockwaves the current global economic crisis is sending through all our member States affecting them at all levels and in all sectors;

Having examined the impact of the economic crisis on local government in our member States on the basis of our individual

experiences and the document prepared by the European Committee on Local and Regional Democracy in co-operation with the Local Government and Public Service Reform Initiative of the Open Society Institute¹;

CONSIDERING THAT

1. the economic crisis is already having a measurable impact on local government in our member States, with both a reduction of revenue and an increase of expenditure causing a budget squeeze;
2. so far, the impact differs significantly within and between countries both in terms of scale and in terms of timing;
3. these differences result from a variety of causes, notably the severity of the downturn, the parallel fortunes and responses of national government, the nature of the local government revenue and its vulnerability to economic change as well as time-lags in taxation systems;
4. unfortunately and notwithstanding signs of recovery in some sectors, the budget squeeze for local government in many cases is likely to get worse before it gets better because cushioning effects will wear off and the full extent of the cost to communities and people to be borne by local authorities will only become apparent in the months and years to come; moreover the increase in social expenditures arising from recession will be exacerbated in the long term by the ageing of European populations;

AGREE THAT

5. we, the European ministers responsible for local and regional government must take responsibility in our areas of competence to mitigate, counter and overcome the impact of the economic crisis;

¹ CDLR(2009)29



AFFIRM THAT

6. the pressure on available resources at all levels further underlines the importance of our common objective of delivering good local and regional governance;
7. to that end local and central government each have their part to play in facing up to, sharing the burden of and overcoming the economic crisis;
8. central governments have a clear responsibility in the resourcing of local authorities;
9. local and regional government can be extremely powerful actors in addressing and overcoming the economic downturn because of their knowledge of communities, people and businesses at local and regional level;
10. whilst the means to be deployed will differ over time and vary from place to place, there will be a constant need for efficient and effective collaboration between all stakeholders - central government, local and regional authorities and their associations - in order to transform the economic crisis from a threat into an opportunity for improvement;
11. exchanging and sharing information and experience at local, regional, national and international level, as well as the identification of good practices this enables, will be key to achieving success at the earliest possible time;
12. any and all action must remain fully compatible with the obligations of member States under the European Charter of Local Self-Government;

COMMIT OURSELVES

As concerns our respective domestic situations:

1. to establish and/or maintain efficient and effective collaboration between all stakeholders - central government, local and regional authorities as well as their associations - and;

2. to make use of the guidelines for policy responses to the impact of the economic crisis on local government appended to this declaration in order to counter, mitigate and overcome the impact of the crisis;

As concerns our co-operation:

3. to develop and make the best possible use of our membership of the Council of Europe to exchange and share information and experience as well as to identify good practices;
4. to contribute to continued collection of financial and policy data and ensure appropriate participation in a review conference to be held in the second half of 2010;
5. to make use of and help develop further the Council of Europe's capability to organise peer reviews, provide legislative and policy assistance as well as capacity building programmes;
6. to work together on the implementation of the Utrecht Agenda as it appears below;
7. to review the overall situation as regards the impact of and responses to the economic crisis on local government at our 17th session;

INVITE

the Congress and the Parliamentary Assembly to participate in the work to be carried out as set out above;

In view of the wide-ranging nature of the impact of the economic crisis on our member States,

WE FURTHER RECOMMEND

to the Council of Europe as a whole and the Committee of Ministers in particular to reinforce its focus on the quality of governance (good democratic governance) and to establish it as a transversal dimension to guide all intergovernmental activities.



ANNEX

Guidelines for policy responses by central government to the impact of economic downturn on local government

I. General

1. Any policy response by central government to the impact of economic downturn on local government must be fully compatible with its obligations under the European Charter of Local Self-Government (CETS 122);
2. The two recommendations of the Committee of Ministers in the field of local finance, Rec(2004)1 on financial and budgetary management at local and regional levels and Rec(2005)1 on the financial resources of local and regional authorities, offer a powerful and coherent set of guidelines aimed at ensuring a sound local finance system, many of which are ever the more useful in the context of the economic downturn;
3. Whilst the means to be deployed will differ over time and vary from place to place, there will be a constant need for efficient and effective collaboration between the all stakeholders, central government, local and regional authorities as well as their associations in order to transform the economic crisis from a threat into an opportunity for improvement;
4. Exchanging and sharing information and experience at local, regional, national and international level, as well as the identification of good practices this enables, will be key to achieving success at the earliest possible time.

II. Possible policy responses identified so far

The survey of member States carried out in preparation of the 16th Session of the Council of Europe Conference of Ministers responsible for local and regional government has identified five main possible policy responses, which are reviewed below. It is to be stressed that the feasibility and desirability of these options vary from country to country and thus are to be seen a range of policy options and not a prescriptive set of measures.

The five main options identified so far are:

1. Reform of intergovernmental financial relations;
2. Improving accountability and efficiency;
3. Improved targeting of social benefits;
4. Innovative re-design of public services;
5. Enhancing local flexibility and discretion.

Reform of intergovernmental financial relations

It seems logical that levels of government with a high percentage of fixed, recurrent commitments like public employee wages and service maintenance should not depend significantly on volatile revenues such as corporate profits and value added taxes. One can argue, au contraire, that local public services should enjoy their fair share of rising public revenues and equally share the consequences of their decline.

The most lucrative local tax source across Europe is sharing or surcharging of personal income tax. It is the only tax base which is both technically susceptible to variation by local decision and capable of funding a large proportion of the costs of the major educational and social care services.

Access by local government to this base has been expanding. This should continue if major progress in fiscal autonomy is to be made, but accompanied by an adequate system of equalising differences in the tax base and some limits on rates to avoid adverse effects on labour market supply in an increasingly globalised world.

Property is the most common base of autonomous local taxation, (i.e. subject to local rate setting), but a relatively low percentage of local revenue overall. It is unlikely that radical changes in valuation methods will be undertaken, but the political resistance to increased incidence could be countered by greater attention to the link between tax bills and household income. Experience has shown that municipal freedom to apply cautious but regular increases in tax rates in line with, or just ahead of the general rate of inflation, is a



necessary condition for maintaining the tax's significance.

One interesting finding is that the most vulnerable revenue bases have been those relying heavily on a single source, whether own revenue or intergovernmental transfer.

Increasing taxes and charges may ease budget strain and improve the efficiency of utility services, but (as opposed to countercyclical grants) it may restrain consumption and exacerbate recession. Two considerations, however, argue for some restraint. For some kinds of taxation – notably PIT – high tax rates may have long term effects on labour supply. The second is that a number of national laws and policies impose restrictions to ensure that local taxation does not discriminate unfairly between domestic and business payers.

Both the European Union and national governments have adopted measures to accelerate capital investment in “shovel-ready” projects, often with an environmental bias, as part of counter-cyclical policy. Local governments have to be ready to exploit such opportunities quickly, but access to short term credit is frequently necessary to meet pre- and co-financing requirements.

Based on the Council of Europe acquis, the Centre of Expertise of the Council of Europe and OSI/LGI developed a set of benchmarks to assess both the intergovernmental financial relations and the quality of the financial management performed by local authorities. While the benchmarks concerning local financial management proper met with demand and have already been successfully implemented, the ones aimed at helping central governments to assess their policies concerning local finance are yet to raise interest among central governments. These benchmarks could, however, be very useful for governments seeking to understand their strengths and weaknesses and aiming at reforming intergovernmental financial relations in response to the crisis and beyond.

Whatever the short term desirability of restraint, the longer term period of recovery will probably demand increases in local taxes and charges and the Charter's requirement of local autonomy in this respect should be respected universally.

Improving accountability and efficiency

Cost control

Many attempts by local governments to reduce administrative overheads have been made. Evidence suggests that, justified as these may be, they yield temporary or one-off savings which do not greatly affect longer term efficiency.

Longer term efficiency requires more fundamental examination of the practical ways in which services are run. Several techniques for doing so have been developed, including by the Council of Europe and the Open society Institute.

Benchmarking is one of the tools designed to help the public scrutinise the care with which its money is being used. Another is the Citizens Charter, usually a promise to citizens to deliver services at certain standards and a set of procedures by which they can check its fulfilment.

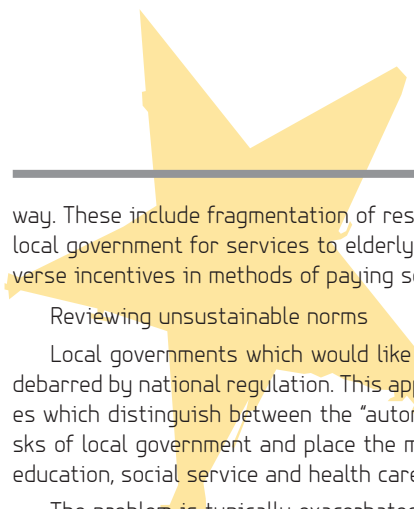
Performance audit

The current ambitious Strategy for Innovation and Good Governance at Local Level launched by the Council of Europe includes among its implementation measures the development of a European Label of Governance Excellence (ELOGE) which would be attributed in a decentralised manner to municipalities reaching a certain level of quality in their overall governance. Based in particular on a benchmark/measuring tool specifically tailored to the needs of local authorities, the label, if successful (its road test should start in late 2009) could be very effective in supporting the improvement of local governance.

In several countries improvements in efficiency could be promoted by increases in the number of internal and external auditors trained in performance audit and by promotion of greater public interest in their findings.

Removing incentives to expensive service provision

Administrative and financial arrangements frequently encourage local government to provide services in an unnecessarily expensive



way. These include fragmentation of responsibility between tiers of local government for services to elderly and infirm clients and perverse incentives in methods of paying service providers.

Reviewing unsustainable norms

Local governments which would like to cut costs are frequently debarred by national regulation. This applies particularly in countries which distinguish between the “autonomous” and “delegated” tasks of local government and place the more expensive services like education, social service and health care in the latter category.

The problem is typically exacerbated by the fact that the sectoral ministries concerned are not faced with the consequences of running uneconomic services, since the financing of delegated services is usually governed solely by the Ministry of Finance.

Signatories of the European Charter should be ensuring that national ministries do not micro-manage services entrusted to local government whether technically delegated or not.


Delegating institutional management

Delegating budgets and their managements to service institutions is another aspect of New Public Management which is now widespread; per-pupil funding of schools is now widely adopted, for example.

These solutions, though timely in a period of recession, need careful introduction, however. Budget allocations need to take full account of exogenous variations in cost. Population density and social background have major impacts on school expenditure, for example. Audit and other forms of accountability must match degrees of financial delegation.

Territorial re-organisation

Larger municipalities should spend a smaller proportion of their resources on administrative overheads and achieve greater economies of scale. But while amalgamation may enable local authorities to provide a larger range or quality of services, there is no evidence that it saves money overall.



It may be easier to achieve economy by increasing co-operation between municipalities, particularly in the development of large scale infrastructure and the operation of professionally demanding aspects of administration such as taxation and development control.

Improved targeting of social benefits

Means testing the allocation of social benefits is resisted by governments because it is divisive, open to corruption - and plain difficult. But if money is tight, its introduction may be the price of providing assistance to those who are in real poverty.

Innovative re-design of public services

Partnership between local government and non-governmental organisations is common in Europe, aided by the growing numbers of retired people who are still physically fit and potentially active. But there are still countries where NGOs are seen as threats rather than allies, and also where “volunteering” is associated with memories of totalitarian coercion. These attitudes of mind are neither healthy nor affordable. Public funding of public services is not all or nothing and the support of family and community care will need to occupy a place in national and local government provision for a growing population of elderly people.

Enhancing local flexibility and discretion

The downturn has demonstrated the dependence of local fiscal fortunes on differences in national policy. But this should not be exacerbated by a deliberate or instinctive re-centralisation of authority. The responses outlined above call for more local flexibility and discretion, not less. The case for the principles and provisions of the European Charter of Local Self Government remains intact.

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