



IV Conferenza sulla Finanza e l'Economia Locale
Roma 24-25 giugno 2015

SESSIONE III

Governance multilivello in Europa. Riorganizzazione territoriale e sistemi di finanziamento

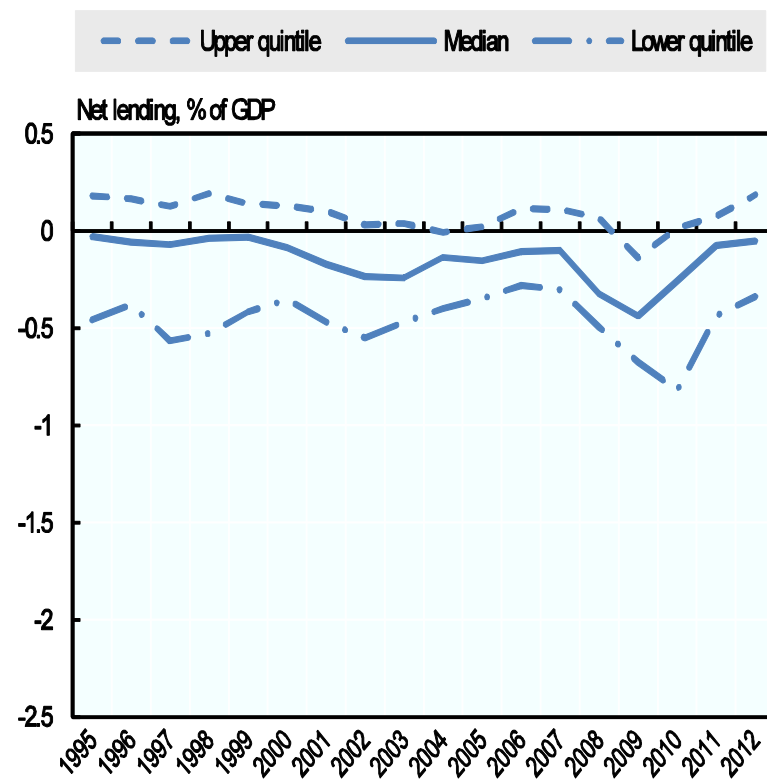
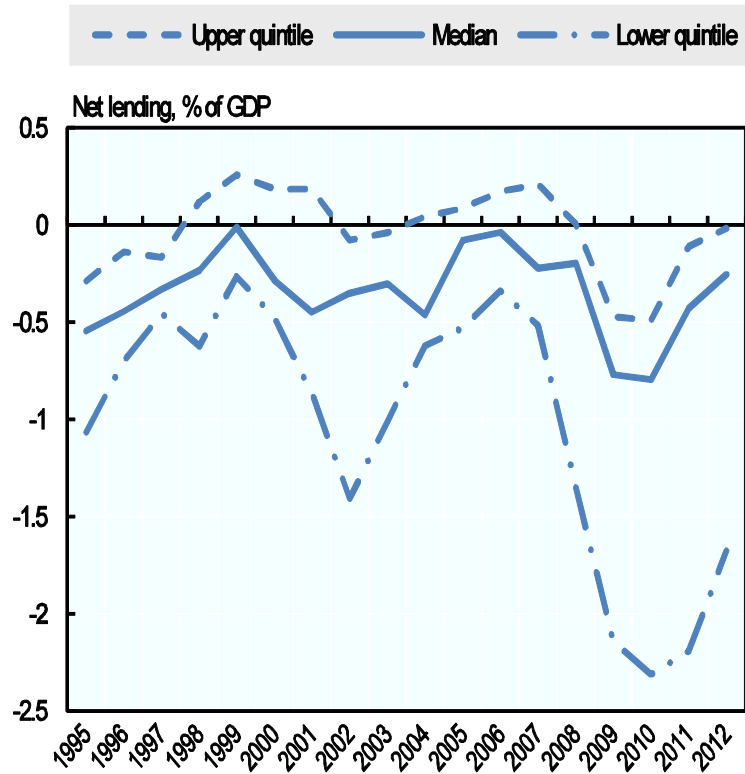
**LOCAL FINANCE IN EUROPE:
A «NEW NORMAL?»**

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State and local deficits: almost back to earlier levels

A. State level

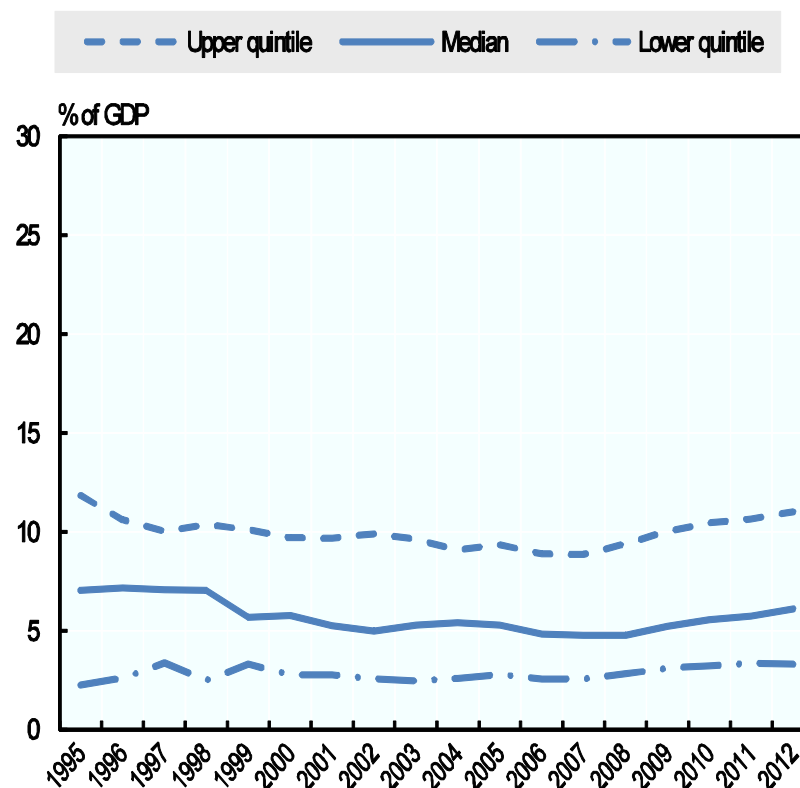
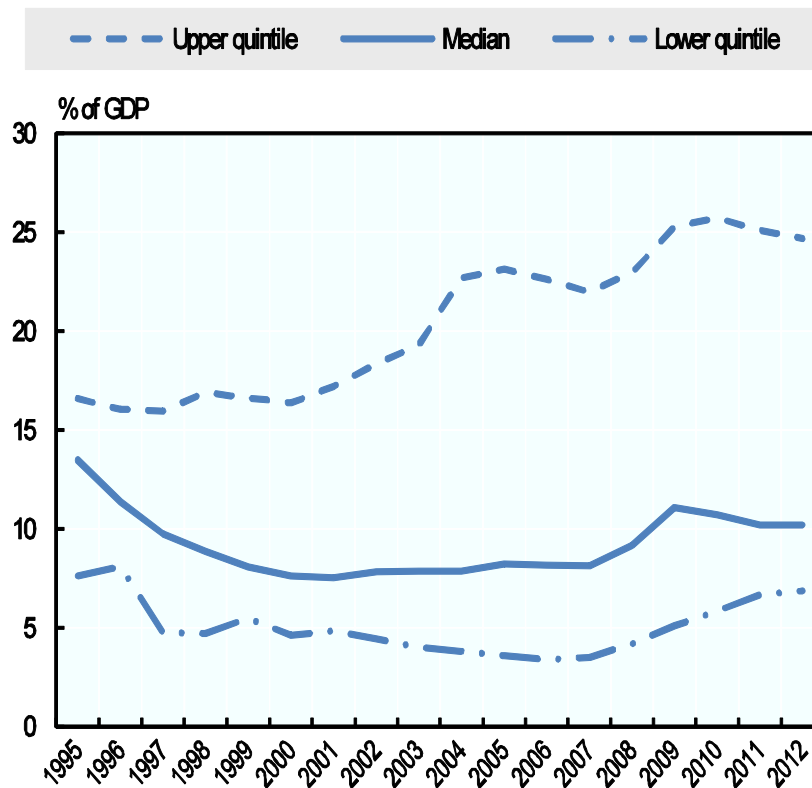
B. Local level



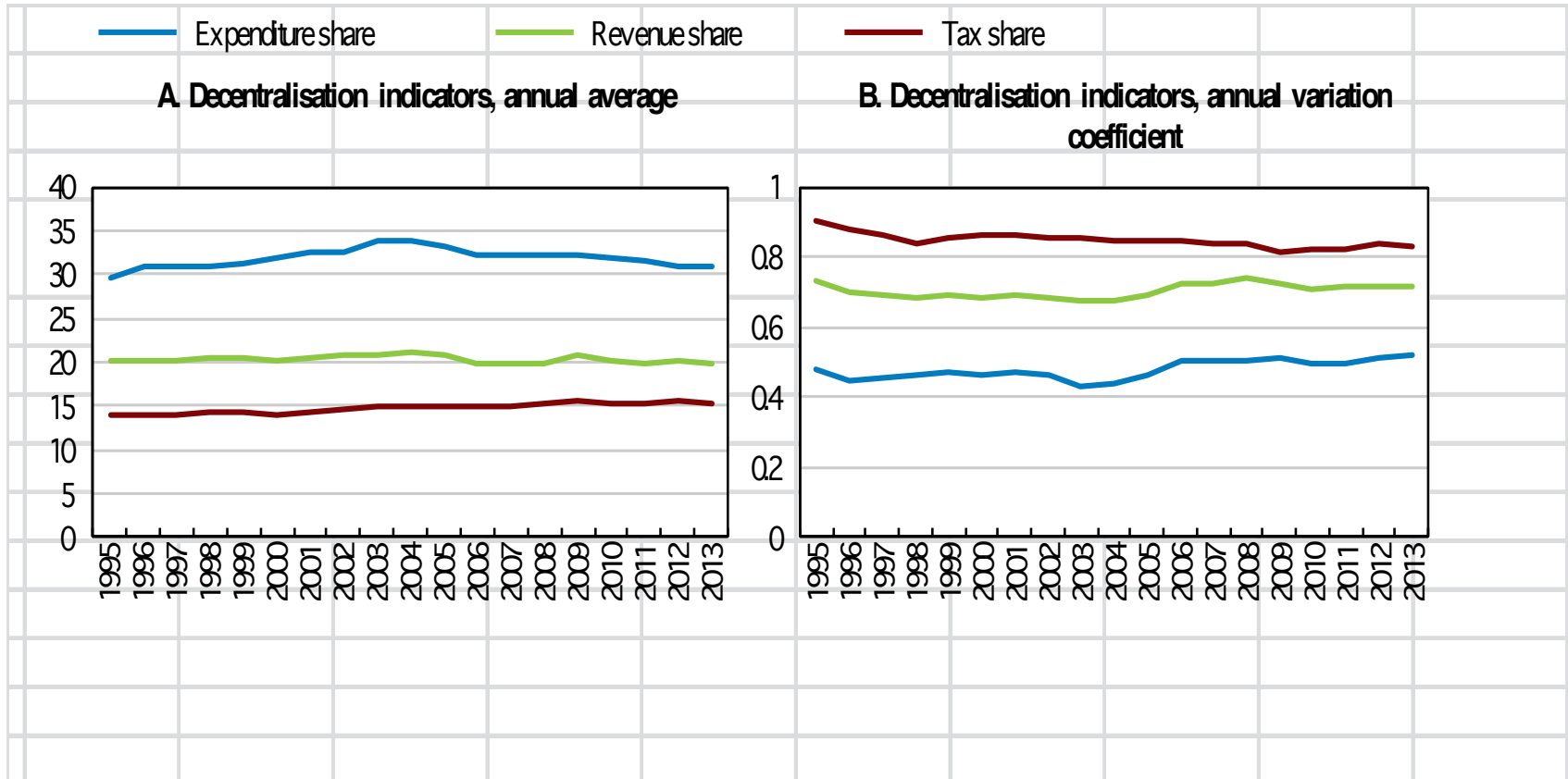
Debt stabilised but higher than before the crisis

A. State level

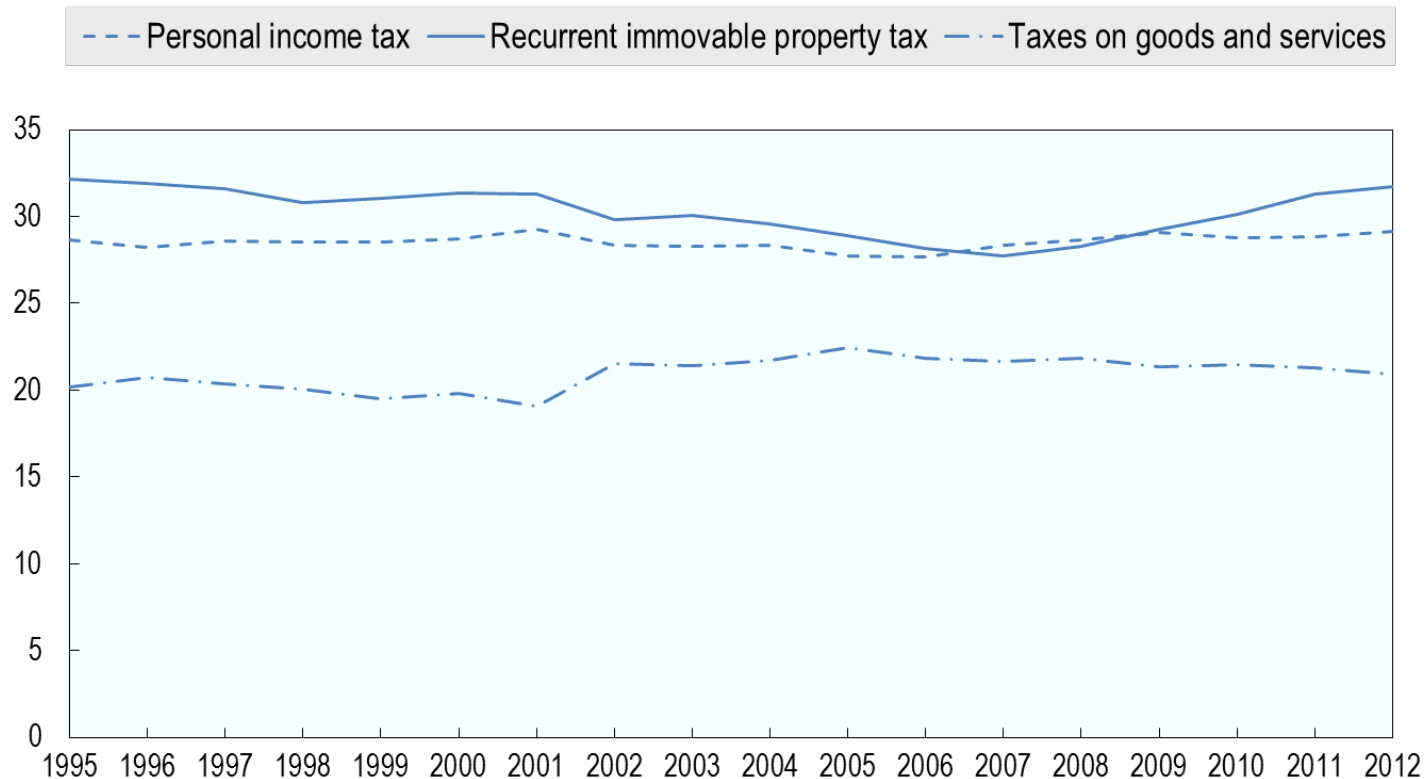
B. Local level



Vertical fiscal imbalance closing, but intergovernmental frameworks converging little



Recurrent immovable property tax on the rise again



Local fiscal rules

- Local level mostly submitted to budget balance rules and borrowing constraints. Often “golden rule” where investment is exempt
- Spending rules less frequent, fewer still apply spending limits on specific spending items
- Recently structural rather than nominal fiscal rules or rules allowing carry-over becoming more frequent
- In some countries integration of the local level into internal “stability pacts” or similar agreements, where targets are often being negotiated
- Accounting across governments is becoming more harmonised
- Few countries only include off-budget funds and operations. Implicit liabilities may even have increased recently (e.g. more PPPs)

More decentralisation could help boost investment

- The share of investment in general government spending has declined over the last decade and particularly since the onset of the crisis
- There is a positive link between (public) investment and long-term growth
- Decentralising spending and tax power is associated with higher investment ratios

So: if you want more investment and growth, decentralise to state and local government!

Some municipal reforms since the crisis

Denmark (2008): municipal mergers (down from 350 to 100 municipalities), introduction of health care regions

Finland (since 2006): municipal mergers (from around 450 down to 320)

Switzerland (since around 2000): from 3000 down to 2500 municipalities

Luxembourg (2008–2012): from 116 to 71 municipalities

Greece (2010): from 1033 to 325 municipalities

Reforms more effective in urban areas, but reforms concerned mostly rural areas (Bartolini et. al)

Other countries favour the “co-operation” approach (single- or multi-purpose bodies)

Fiscal impact depends on the reorganization of service delivery